

EMBARGOED UNTIL 3PM, WEDNESDAY 11/1/17

**Statement of
The Honorable Jim Ward
Minority Leader
Kansas State House of Representatives**

**Before
The Senate Democratic Policy and Communications Committee
Hearing on
“Who’s Paying the GOP’s Trillion Dollar Tax Bill?
Why Seniors, Families, and Middle-Class Americans are Hit the Hardest.”**

**Room 212-10, Senate Visitor Center
United States Capitol
Washington, DC
Wednesday, November 1, 2017, 3:00 PM**

The Kansas tax experiment was a complete and utter failure that bankrupted our state. It resulted in severely limited (and in some instances gutted) essential state services, harmed our schools, our hospitals, and our most vulnerable citizens.

In 2012, Kansas Governor Sam Brownback and Lieutenant Governor Jeff Colyer used a coalition of ultra-conservative legislators to implement the Art Laffer tax experiment, one that Brownback claimed would be a shot of adrenaline to the state’s economy resulting in robust growth and thousands of new jobs.

The tax cuts effectively allowed more than 330,000 wealthy Kansans and businesses to continue to utilize state services without paying any state income taxes whatsoever. All pass through income was exempted from state income tax. All royalties and rental income was tax free. The tax experiment also eliminated the top bracket of our traditional three-tiered income tax system. The supported argument for the experiment was that the extreme cuts would create additional cash flow for businesses, enabling them to expand operations, hire more employees, and create jobs. Instead, many businesses and individuals simply manipulated the new policy, reclassified their entities to avoid paying taxes. There was no new job creation, and there was no great expansion of growth.

Within a year, the tax experiment had spiraled Kansas into an approximately \$1 billion budget hole, forcing repeated cuts to k-12 schools, cuts to higher education, hospitals, infrastructure, and other state services just to balance the budget. Kansas spent all its rainy-day fund, redirected money from road and bridge projects and failed to make employer contributions to our retirement plan. Meanwhile, job growth was stagnant. The revenue projection process which is used to develop state budgets was revised downward in 2014 and 2016 because our actual revenue numbers failed to meet already reduced expectations. With each credit downgrade, essential state services were slashed.

The true legacy of the Brownback experiment is this:

- **Budget Shortfalls:** Year after year of Budget shortfalls of nearly \$1 billion
- **Stagnant job growth** – Brownback promised 25,000 new jobs a year under the tax experiment. Kansas actually lost jobs. Between 2014 and 2015, Kansas gained just 1,000 jobs, putting us at 48 out of 50 states nationwide in job growth. Between March 2015 and March 2016, job growth was zero percent. Over the course of 2016, the state lost 9,300 jobs. That same year, Kansas was 49th out of all 50 states in construction jobs.
- **Cuts to Education:** The cuts started in 2013, when Brownback’s cuts to education were the fourth-highest in the nation. He cut education funding again in 2014. In 2015, Brownback cut a combined \$44.5 million from public schools and our state colleges, and in 2016 he cut \$45 million from public schools. The Kansas Supreme Court has ruled multiple times K-12 funding was not at constitutional levels.
- **Losing Population:** As a result of the impact of the tax experiment on the Kansas economy and particularly on schools, the state saw a population decrease of more than 10,000 people between Brownback’s election in 2010 and 2014. Current projections show an estimate of just .4% population growth between 2017 and 2064.
- **Highway Fund Cuts:** More than \$1.5 billion swept from the highway fund. Our roads are now scheduled for maintenance only once every 50 years, as opposed to once every 8 years.
- **Higher Education Cuts:** Higher Education was cut by over \$90 million, resulting in significant tuition increases.
- **KPERS Payments Delayed:** Payments of over \$100 million to the state’s employee pension system were continually delayed
- **Medicaid Cuts:** Medicaid provider reimbursement rates were reduced
- **Credit Rating Downgraded:** The State’s credit rating was downgraded multiple times during the span of the experiment – something that had never happened in Kansas before. Plummeting revenues, underfunded pensions and millions in court-ordered school spending led Moody’s Investors Service to first cut the state’s credit rating by a notch in 2014, as did S&P. Moody’s again dropped Kansas’ credit rating in 2016.

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- **Tax increases.** Ultra conservative Republicans passed two sales tax increases, an increase in car tag tax and an increase in cigarette tax to close the gap on revenue shortfalls.

The tax experiment, so similar to the plan that President Trump, Senate President Mitch McConnell and House Speaker Paul Ryan want to pass, resulted in nothing but devastation in every corner of Kansas. To implement this failure of policy at a national level is a mistake of immeasurable proportions.

The fiscal irresponsibility of Brownback's administration is a large part of the reason Kansas voters rejected the ultra-conservative state legislature in primaries and the 2016 general. In a state that voted for Donald Trump with 57% of the vote, Democrats picked up 13 seats from ultra conservatives.

The people of Kansas made their voices heard in 2016, and those candidates who campaigned on the repeal of the tax experiment and reinvestment in public schools won. Democrats and Moderate Republicans swept the House, which paved the way toward a reversal of the failed tax experiment.

We knew this would be a difficult task. The Kansas Legislature is currently split almost equally between Democrats, moderate Republicans, and ultra-conservative Republicans. Governor Brownback immediately made it clear he would not be part of the process to work out a solution, requiring us to get super majorities to override his veto.

House Democrats insisted any tax reform had to include the return of the child care credit, and deductions for home mortgage, medical expenses and local property taxes. As part of the reform negotiations, we also insisted on investigation committees to review our child care and mental health systems. And we succeeded.

This past June, we reversed the tax experiment that hurt thousands of Kansans and implemented a reasonable, three-tier tax plan. We reversed the loophole that allowed those 330,000 wealthy Kansans and businesses to use our state services without paying any income taxes. We gave middle class families back the deductions they'd once had for their mortgage interest, property tax, and medical expenses.

The result? Just one day after the veto override - one day - the state's credit rating was upgraded. In the months since the reversal, Kansas revenues have far exceeded projections and vastly surpassed any revenue numbers from the last few years.

I am here today as living proof that Democrats can push back against bad tax policy and win. Democrats from a Red state flipped the narrative on the Republicans unfair tax policy because as

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we talked about fiscal responsibility and the tax plan's inequities, the men and women at home in our districts understood the state was going in the wrong direction.

Kansas has been an experimental test ground. They, like most Americans, fundamentally want and support a fair tax policy. They understand it's not fair for wealthy businesses to utilize roads and bridges without sharing in that cost. They understand that taxes are how we have excellent schools, safe streets and clean air and clean water. They understand what Justice Oliver Wendall Holmes meant when he famously said that taxes are what we pay for a civilized society.

Thank you for your time.

Jim Ward
Kansas House Minority Leader