

State Representative

Don Hineman

Don's Legislative Update
May 28, 2015

We Gotta Get Out of This Place

That song, made popular by the Animals in the 60's, has been ringing in my head this past week as the legislature struggles to finish its work and get out of town. The wrap-up phase of the legislative session began in late April and the 90-day legislative session was scheduled to come to an end last Saturday, May 16. But we have not yet adjourned, and it now appears quite likely that the session will run into the month of June.

A budget has been crafted but not yet passed. And the reality is that we do not have the money to adequately fund that budget. In 2012 the legislature enacted an income tax cut which many of us said was too drastic and too soon. That fear has now become reality, as state revenues have been quite disappointing for over a year now. The promises made by proponents of the tax cut have not come true, and the state now has a structural imbalance between expenditures and revenues. The true size of the deficit is roughly \$800 million per year. For the short term, part of the deficit can be filled by transferring some funds, primarily from the Department of Transportation.

Unfortunately there are not enough sources of transferrable funds to fill the entire budget hole, so either budget cuts must be made or other revenue sources found. Last week the budget negotiators met to revise the budget and were able to agree on about \$25 million in savings. That helps, but the budget shortfall is still nearly \$400 million. The budget negotiators are strong fiscal conservatives, and have worked hard to find potential savings but it has become obvious that the budget cannot be cut any further without drastically affecting governmental services that the people of Kansas depend upon.

Both Senate and House tax committees have been working to identify possible options for tax increases. The list of possibilities is long. It includes revising the 2012 income tax cut by increasing rates or removing the exemption for small businesses and farmers. Other possibilities are increases in sales tax, cigarette and tobacco tax, liquor tax, motor fuels tax, or property tax.

In addition to those proposals, some urban legislators want to target agriculture for more tax increases above and beyond income tax:

1. **Adjust the use-value appraisal formula for agricultural land** so that farmers and ranchers pay substantially more in property tax. Some urban legislators are still touting this idea but it is not currently under serious consideration. This item is still at risk as things move ahead though, and those of us who represent rural Kansas must continue to be on guard.



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Useful Phone Numbers

Department On Aging
800-432-3535

Child/Adult Abuse Hotline
800-922-5330

Child & Family Services
888-369-4777

2. **Remove sales tax exemption on certain items, primarily farm machinery.** Taxing farm machinery would be inequitable since that exemption is identical to the tax exemption given to most business machinery. It would also have the effect of driving most farm equipment sales out of state as buyers try to avoid paying sales tax. I no longer hear serious talk about this idea.
3. **Impose a tax on non-highway dyed diesel fuel.** This proposal is hard to justify since it involves taxing non-highway fuel for the maintenance of highways. The idea was beginning to gain some momentum until it was pointed out that railroads also use non-highway diesel. Once that became known the proposal lost support and is no longer being actively considered.
4. **Impose an excise tax of \$3 per acre on all farm land.** This idea comes to us from the same Leawood senator who first proposed changing use-value appraisal. It is a deception to call this tax an excise tax when it is obviously another tax on property. The idea would be highly inequitable among widely different parcels of ag land. Additionally, since the constitution mandates use-value appraisal for taxing ag land, this concept would be unconstitutional. I do not see how this highly flawed concept can survive into law, but the talk continues, so once again the ag community must remain vigilant.

Many Kansans, and many legislators, believe that business and farmers should pay some income tax in Kansas. However other legislators and members of the Brownback administration are resisting this suggestion, calling it a tax increase on business that will harm the economy. But my colleague Mark Hutton, a strong fiscal conservative and successful businessman, has analyzed the tax break that small businesses and farmers received in 2013. He concluded that the size of the tax break that most recipients enjoyed was too small to provide much if any stimulative effect to the economy.

As the discussion swirls around whether the supply-side theory of tax cuts is valid, [both sides point to their own set of data](#) to make their point. But it seems clear to me that enacting an income tax cut and expecting to make back the state revenue with increased sales tax receipts is a doomed proposition. For a dollar of income tax cuts to replace itself with increased sales tax revenue, that dollar would have to turn over in the Kansas economy sixteen times! If anyone believes that is possible then I have some beachfront property in Lane County I would like to sell them. I would also observe that if one is to embark on a grand supply-side economic experiment, as Kansas did in 2012, then enacting it as the economy is coming out of a major recession is the perfect time to start. Then, as the economic benchmarks turn upward, it makes it easy for supply-side proponents to take credit for something that was going to happen anyway.

In the meantime, we received [bad news](#) last week as the Kansas unemployment rate edged upward and Kansas actually lost jobs over the first four months of 2015. The promised expansion in jobs is not yet a reality, and for at least the past year Kansas lagged most other states in job growth.

Consumer Protection
800-423-2310

Crime Tip Hotline
800-252-8477

Crime Victim Assistance
800-828-9745

Gov- Brownback
800-748-4408

Highway Road Conditions
511 (in Kansas)

Housing Hotline
800-752-4422

KanCare Assistance
866-305-5147

Kansas Lottery
800-544-9467

Legislative Hotline
800-432-3924

Mental Health Services
888-582-3759

School Safety Hotline
877-626-8203

Social Security
800-772-1213

Taxpayer Assistance
785-368-8222

Tax Refund Status
800-894-0318

Unclaimed Property
800-432-0386

Unemployment Insurance
800-292-6333

Vital Statistics
785-296-1400

Voter Registration
800-262-8683

Welfare Fraud Hotline
800-432-3913

Worker's Comp
800-332-0353

Chart 2. Percentage change in nonfarm employment by state, seasonally adjusted, April 2014 – April 2015



At this point, two days after Memorial Day, it appears the legislature and the governor are at an impasse, and the search for reasonable solutions is being hindered by the belligerence of outside groups. Kansas Chamber of Commerce, Americans for Prosperity, Club for Growth, and National Federation of Independent Businesses are all aggressively calling for no change in the income tax code, which is what got us in such a dilemma to begin with. That is not at all helpful to finding a workable solution, and in my opinion is largely responsible for the current governmental paralysis.

There are 36 House members (out of 125) who have signed a no-tax pledge with Grover Norquist's group. Eleven of forty Senators have also signed the pledge. If those legislators (many of whom voted for the overly-aggressive tax cut in 2012) meant what they signed, then finding enough votes to pass any tax increase will be extremely difficult.

But as the legislature struggles to find a solution there are some problematic deadlines fast approaching. If a budget is not passed very soon, then state workers may be furloughed, pay checks may be delayed, and state aid payments to schools may go out late. I find it extremely unfortunate that those consequences are now imminent. We knew that a revenue shortage existed as early as last November, and to delay facing that reality until late May is absurd. I believe it to be an injustice to state employees and the citizens of Kansas.

<http://cjonline.com/news/2015-05-27/brownback-plays-down-possibility-furloughs-state-can-send-workers-home-without>

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Flying with the 190th Air Refueling Wing

On May 2 I was invited to fly with the 190th Air Refueling Wing of the Kansas Air National Guard on a refueling mission aboard a KC-135 refueling tanker out of Forbes Air Base at Topeka. We flew southward and met up with three B1s over west Texas where we refueled each of them before heading back.



This was an incredible opportunity, and I gained a deepened appreciation for the Kansas National Guard and the vital work they do to keep us all safe and protected. I am very impressed with the career opportunities available through the Guard. I would urge any young person looking at career options to give the Air National Guard a close look. WWW.GoANG.com, 785-430-5436.

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Filing for Re-election

The deadline to file for re-election to the Kansas House of Representatives is more than a year away, but I have already filed to run again. Our state is facing serious challenges in the next few years as we continue to deal with the problems of adequately but efficiently providing the governmental services the people of Kansas need and expect. Budgetary challenges and a disappointingly sluggish state economy are significant obstacles, and I am ready to be among those who responsibly deal with these issues as we look to making Kansas a better place to live, work, and raise families.

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This newsletter is primarily intended for the residents of the 118th District (all of Wichita, Scott, Lane, Logan, Gove, Trego, and Sheridan Counties and portions of Thomas and Graham Counties). However it is available to anyone who finds it of interest. Please forward to your friends, or if you are not now receiving a FREE subscription to my newsletter [click here to sign up](#).

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Cowboy Logic

Twenty years ago I started out with nothing – and I still have most of it.

Quote of the day

Ideas are like children... your own are wonderful.

Sermon in a sentence

“The one who forgives never brings up the past” – *Louie Zamperini*

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Representative Don Hineman

Visit My Website at <http://www.hinemanforkansas.org/>

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Newsletter Paid for by Hineman For Kansas - Derek Martin, Treasurer