

State Representative

Don Hineman

Don's Legislative Update

April 23, 2016

Another Fine Mess

As many of you know, the current revenue estimates for the state of Kansas were released on Wednesday. And as many of us feared, the news was not good. Revenues continue to disappoint, and some truly terrible decisions await us legislators when we return for the legislative wrap-up session on April 27.

Many of you are also aware that I write my own stuff. I feel it is the best way for you, the reader, to truly come to know me and the thinking I bring to the task of representing my constituents. This week I am making an exception. The following was authored by Rep. Melissa Rooker, a colleague of mine in the Kansas House and an ally I value highly. Some might think that strange, given that Melissa resides in Johnson County (Fairway) and represents one of the most urban districts in the state while I represent the most rural district (larger than the state of Connecticut and not a single Wal-Mart). Melissa spent a number of years in California, working for Clint Eastwood's production company before returning to Kansas to raise her children, while I am a farmer and rancher.

But we have learned that we share many of the same pragmatic common-sense Kansas values, and her words on this subject reflect my thoughts entirely. Melissa delivered these remarks on Friday at a legislative forum during a joint meeting of Johnson County Chambers of Commerce. Her remarks were very well received: [Shawnee Mission Post: Rep-Rooker-Lays-Out-Different-Views-Gets-Long-Appraise](#)

Thank you Melissa, for your contributions to this state which we both love, and thank you for allowing me to share your words.

The April revenue estimates are out and as expected, the outlook is grim. The amount of revenue we expected to bring in was \$290 million more than actual revenues and our budget needs to be adjusted accordingly for the rest of FY 2016 and FY 2017.

Governor Brownback's proposals include three options:

- Transfer millions more from KDOT and higher education into the state general fund to pay for basic state operations. Additionally, "securitize the tobacco settlement fund" which sells off the state's future payments from the National Tobacco Settlement for a one-time \$158 million payment. (Keep in mind the funds received are dedicated by law to the Kansas Endowment for Youth and the Children's Initiative Fund in order to pay for early childhood programs in the state - pre-school grants, Parents as Teachers and other evidence-based, highly successful programs aimed at our



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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

Consumer Protection

youngest and most vulnerable Kansans

- All KDOT and higher education cuts in Option 1, plus delaying KPERS payments until 2018.
- All the KDOT and higher education cuts, plus cut all state agency budgets 3-5%. This would mean a \$57 million direct hit to K-12 schools which translates to \$124 per pupil

<http://www.kansas.com/news/politics-government/article72918647.html>

For most of us, it is abundantly clear the tax cuts are not working to grow the economy. However, keep in mind that for many of my colleagues the goal has always been to shrink the size of our state government. For those folks, the tax plan is a raging success. When “smaller government” is a campaign promise, the image evoked is wasteful government spending and faceless bureaucrats taking advantage of taxpayer dollars while contributing nothing to society. With the proposals made this week by the governor, the public is seeing what “smaller government” actually looks like in reality – preschool programs, classroom teachers, college tuition, construction work, retirement benefits, and some parents scrambling to find childcare on Fridays because school districts have moved to 4-days weeks to save money.

How can we grow the economy when \$554 million worth of construction work is cancelled, leaving private companies scrambling for out-of-state contracts or downsizing their workforce? The ripple effect throughout our communities will be evidenced through the lens of small business – equipment sales, material suppliers, fuel, food vendors, lodging, and other ancillary businesses will suffer. Many of these businesses are LLCs “enjoying” the benefits of no state income tax, and yet, due to lack of demand, they may sacrifice their entire business at the alter of zero income tax. Who will want to bring their business to Kansas when our roads deteriorate, we cannot produce an educated workforce and our ability to invest in the infrastructure businesses need to grow and thrive is decimated?

Recent press attention has been given to statements by a number of my colleagues who are now saying we need to fix the “LLC loophole.” I appreciate the change of heart from these lawmakers – they voted in favor of the cuts and have resolutely stuck by them for the last 42 months. It will take exactly this change in thinking to fix the structural flaws in our current system.

However, it bears remembering the effect of the LLC exemption is hardly an “unintended consequence,” nor is it the only element of the tax code that needs attention. Even if we were actually able to pass the “LLC fix” being proposed, it merely gets us almost back to zero, but we will still face crippling cuts to essential services. Worse, passing such a bill will make it much less likely that we will ever see real reform that fixes the problem for the long haul. This “fix” still leaves us on a march to insolvency, a path that is reckless and irresponsible.

Many of us knew these tax cuts were too much too fast and called for more reasonable tax policy from the beginning. Historically, Kansas has maintained a very balanced tax code, spreading the tax liability around income, sales and property taxes so the burden was shared without falling too heavily on one source of income. This balance helped mitigate the risk of volatility in sales tax revenues, or a slumping economy that reduces personal income, or a drop in property values tied to weak prices in agriculture or oil and gas. Failing to resolve this imbalance will only serve to mask the problem for the moment, but fails to position Kansas on strong

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**

financial footing for the future.

Re-evaluating our tax code and making comprehensive structural changes to restore balance and fairness is the right path forward. Fund sweeps, borrowing and delaying payments are reckless behaviors that typically precede insolvency. Our bond rating has already suffered, making the bonds we keep issuing more costly to pay back. We will be paying interest only until 2027 on the most recent \$400 million in transportation bonds sold – no household, let alone a business, would run this way for long.

Drastic budget cuts are looming, threatening the ability of already-beleaguered state agencies to deliver critical services – law enforcement, criminal investigations, the corrections system, our state mental hospitals, even the Department of Revenue, are woefully understaffed. This month an unprecedented number of constituents have called me for help with the state's KanCare health delivery system. Children are dying in our foster care system, road construction projects and payments to the state retirement fund KPERS have been delayed, and our Regents colleges and universities are suffering. The ongoing problems our public schools are facing have been well documented, and now even data-driven evidence based early childhood education programs are under attack.

The governor likes to refer to the “lost decade” that preceded his election, a time when Kansas lost population and jobs (and also happened to include the Great Recession that affected the global economy). It is important to remember that we are at risk of a “lost generation,” a generation of Kansas children who have gone through their formative years in schools starved of appropriate funding.

We can do better.

We must do better.

The path forward is clear, but the obstacles in the way are real – a governor who steadfastly refuses to discuss changes to his tax plan and a legislature stacked with politicians who refuse to admit we have a revenue problem. The budget director said yesterday at the public hearing held by the joint legislative budget committee, “Now is not the right time to have a debate on taxes.” When pressed about why not now, the response was stunning, “We hope revenue sources will grow at a more historical rate in the future.” That's the plan, folks – keep gutting programs, delaying payments and borrowing money in the HOPE that things will get better someday.

This governor will not stand for election again, yet Kansans have a historic opportunity to take control. This year, all 165 seats in the Kansas House and Senate are up for re-election. My HOPE is that you will remember those of us who have been fighting for real reform and sustainable solutions when the time comes.

LINKS:

2012:

- [Governor Brownback op-ed](#): Our new pro-growth tax policy will be like a shot of adrenaline into the heart of the Kansas economy. It will pave the way to the creation of tens of thousands of new jobs, bring tens of thousands of people to Kansas, and help make our state the best place in America to start and grow a small business. It will leave more than a billion dollars in the hands of Kansans. An expanding economy and growing population will directly benefit our schools and local governments.

- KHI News: [Governor signs tax cut law](#)

Conservative Republicans who favor smaller government said they hoped the law would force state spending cuts. Rep. Owen Donohoe, R-Shawnee, called the tax package "the greatest thing that's ever happened to Kansas." He said shrinking state government was long overdue and that he hoped the law would push the Legislature in that direction.

- Tax Foundation: [Not Kansas anymore, income taxes on pass-through businesses eliminated](#)

the exemption creates an incentive for businesses to structure as pass-throughs for tax reasons, even if it might be unwise to do so for non-tax reasons. Instead of the Kansas tax system treating similar activity similarly, the system will encourage economically inefficient, though tax-reducing, activities.

- [Wall Street Journal](#)
- Kansas Legislative Research: [Projected impact of 2012 tax plan](#)

2013:

- [Kansas City Star: Brownback signs Kansas tax measure. "This is the best package in America." Brownback said. "based on what any state is doing to be pro-growth."](#)
- Tax Foundation: [Kansas governor signs encouraging tax reform](#), "While legislation ultimately passed in Kansas has been a mixed bag over the past two years, and the end result is still a code that has a large carve out for pass-through income, the positive elements outweigh the negative elements."

2014:

- New York Times: [Kansas ruinous tax cuts](#)
- New York Times: [Kansas tax cut leaves Brownback with less money](#)
- Wall Street Journal: [Sam Brownback's tax cut push puts Kansas out on its own](#), "So far, the results are serving as more of a warning than a beacon. Employment growth is below the national average, while Kansas faces plunging revenue, dwindling reserves and a rare debt downgrade."

2015:

- Wichita Eagle: <http://www.kansas.com/news/politics-government/article24640072.html>
- Topeka Capital-Journal: [Gov Sam Brownback tax package not tax increase](#)
- New York Times: [The Kansas experiment](#), "In keeping with the state motto — ad astra per aspera, or 'to the stars through difficulties' — Kansas politics have always been touched with a spirit of the avant-garde and the unorthodox, from popular sovereignty to prohibition and beyond. Today, thanks in large part to Brownback, the state is a petri dish for movement conservatism, a window into how the national Republican Party might govern if the opposition vanished."

From 2016:

- Tax Foundation: [Kansas pass-through carve out national perspective](#), “Kansas’ pass-through exemption is costly and forced other tax increases.”

The Future of Public Education in Kansas

I have written and distributed to the press an op-ed piece regarding public education in Kansas. It now [available on my blog](#).

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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

It’s all what you learn after you know it all that counts.

Quote of the day

“Facts do not cease to exist because they are ignored” — *Aldous Huxley*

Sermon in a sentence

There are only two mistakes one can make along the road to truth; not going all the way and not starting..

Representative Don Hineman

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