

State Representative

Don Hineman

Don's Legislative Update
February 19, 2017

Tax bill passes the House

This week the House of Representatives took an important step toward restoring fiscal responsibility while stabilizing state revenues. The bill eliminated the income tax exemptions for some Kansas businesses and made adjustments to individual income tax rates. It is important to note that even with those adjustments Kansans will still be paying income taxes at a lower rate than they were in 2012.

The bill is a positive step which allows us to restore fiscal responsibility by maintaining healthy ending balances, creating a permanent rainy day fund, moving towards the actuarially required contributions for KPERs, and repaying the pooled money investment board.

Additionally, the bill does not preclude us from making budget cuts when examining agency budgets during the next several months, and the Legislature will continue to look at performance based budgeting.

Here are the numbers:

Individual Income Tax Brackets, Married Filing Jointly

Taxable income	Tax Year 1992-2012	Current Law <u>Tax year 2016</u>	Sub for HB 2178 Tax year 2017
\$0 - \$12,500	3.5%	0%	0%
\$12,501 - \$30,000	3.5%	2.7%	2.7%
\$30,001 - \$60,000	6.25%	4.6%	5.25%
\$60,001 - \$100,000	6.45%	4.6%	5.25%
\$100,001 and above	6.45%	4.6%	5.45%

Additionally, the bill would restore full deductibility to medical expenses, which are disallowed under present law. The Department of Revenue estimates that the plan would generate \$590 million in additional revenue in Fiscal Year 2018 and \$454 million in Fiscal Year 2019.

The bill passed on a final action vote of 76 yes and 48 no, reflecting the sense of a large majority of the members that current tax policy must be adjusted to provide a system that is fair, balanced, and adequate without being excessive.

The state's structural imbalance between expenditures and revenues has gone on too long. The state cannot continue to spend more than its revenues, as it has done for several years. Ending balances have been depleted. Hundreds of millions of KDOT funds have been swept. With few options remaining, Governor Brownback has suggested selling the income stream from the tobacco master settlement (approximately \$55 million per year in perpetuity) for a one-time up-front payment of approximately \$500 million to address the current shortfall. He has also advocated for making



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Useful Phone Numbers

Department On Aging
800-432-3535

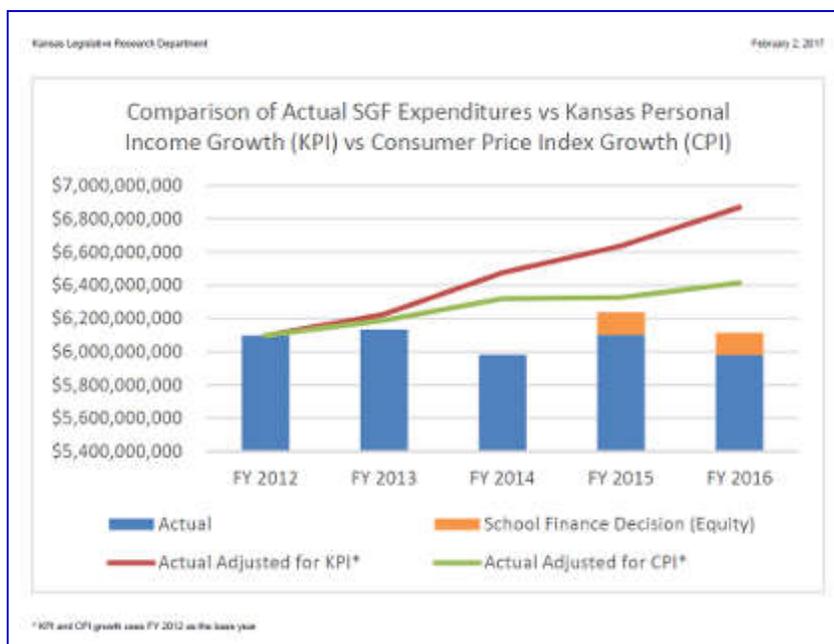
Child/Adult Abuse Hotline
800-922-5330

Child & Family Services
888-369-4777

Consumer Protection

reduced KPERS contributions at a level below what is statutorily mandated. And he has proposed liquidating a long-term investment fund, again to make up for revenue shortfalls.

The obvious question is why not just cut expenditures if revenues are not adequate? Consider that Sam Brownback, a strong fiscal hawk, has been governor for the past six years. And during that time the appropriations process in the legislature has been directed by strong fiscal hawks as well. They have been looking for unnecessary expenditures and have found places where budgets could be cut. Since 2014, tax receipts have grown by only 0.3 percent, well below the rate of inflation. Breaking it down further, entitlement expenditures (human services caseloads) increased nearly \$144 million while all other categories decreased by \$127 million. The entitlement programs (Kancare, Medicaid, TANF, and foster care) continue to increase, with little or no opportunity for the legislature to affect that trend, although KanCare was initiated several years ago, in attempt to bend that cost curve downward. In 2010 Kansas had 41,586 state employees, in 2017 we have 36,423 . . . a reduction of more than 5,000.



On Friday morning, the Kansas Senate passed an identical tax bill, which means the measure is now on its way to Governor Brownback. The governor has three options:

- Sign the bill into law
- Veto the bill and send the legislature back to the drawing board
- Allow the bill to become law without his signature, ten days after he receives it.

I would place very low odds on option one, because the bill radically alters the tax plan that the governor has promoted for the past four years. My hope is that Governor Brownback will accept the will of the people and the intentions of the legislature and allow the bill to become law without his signature.

Rescission Budget Bill Passes the House

On Thursday of this week the House passed a rescission budget bill to address the \$340 million projected shortfall in the budget for the fiscal year ending June 30. The main component of the plan is the liquidation of the state's long-term investment fund, totaling \$362 million. \$45 million represents the fund's capital gains, and the remaining \$317 million is the

800-432-2310

Crime Tip Hotline

1-800-KSCRIME

(1-800-572-7463)

Crime Victims' Information Referral

800-828-9745

Disability / Social Security Fraud Hotline

800-269-0271

Edler Abuse Hotline

800-842-0078

Governor Brownback Constituent Services

800-748-4408

Highway Road Conditions

1-866-511-5638

In-State Dial 511

Housing Hotline

800-752-4422

KanCare Clearinghouse

800-792-4884

Kansas Lottery

800-544-9467

Legislative Hotline

800-432-3924

Mental Health Services

888-582-3759

National Suicide Prevention Lifeline

800-273-8255

School Safety Hotline

877-626-8203

Taxpayer Assistance

785-368-8222

Tax Refund Status

800-894-0318

Unclaimed Property

800-432-0386

fund's principal, which will be paid back in six annual installments of \$53 million beginning in Fiscal Year 2019. The budget calls for not making the fourth quarter KPERS payment of \$86 million, but if projected ending balances are adequate, some portion of the payment may be made.

Both of those actions are bad choices. Liquidating the long-term investment fund is like cashing in one's savings account or IRA to meet current expenses. And delaying payments into KPERS is very unfortunate, given that KPERS has been severely underfunded in the past and recent legislatures have taken steps to move it toward fiscal solvency. But bad as these two choices are, they are necessary given the unstable fiscal situation of state finances. That we must look to these options to keep things going illustrates quite vividly how dire our plight has become. By passing the tax bill and coupling it with the rescission bill, we have taken steps towards sounder financial footing for state government. I voted yes on both measures.

Unemployment Insurance

800-292-6333

Voter Registration

800-262-8683

Welfare Fraud Hotline

800-432-3913

Workmans Compensation

800-332-0353

Town Hall Meetings

Saturday, February 25

8:00 a.m.	Jake n Chet's Cafe, WaKeeney
9:30 a.m.	Buck's Bar and Grill, Hill City
11:00 a.m.	Bowen Scout House, Hoxie
1:00 p.m.	Colby Community College, Colby
2:30 p.m.	Buffalo Bill Cultural Center, Oakley
4:00 p.m.	Jay Johnson Public Library, Quinter

Wednesday, March 1

10:00 a.m. Leoti, location to be announced

Saturday, March 4

Scott City and Dighton locations and times to be announced

Appearance on WIBW radio

On Wednesday, February 22 I will be on WIBW radio at 6:00 a.m. with my friend and colleague, Larry Hibbard (R from Toronto). We will be discussing the current legislative session. You can listen live to WIBW Radio 580 on:

FirstStreaming.com (<https://tinyurl.com/z7uo9p6>)

TunedIn Radio (<https://tinyurl.com/8xqgzus>)

Or, on your mobile device with the TunedIn Radio App.

Cowboy Logic

This week's installment is actually from Mark Twain, but I found it quoted in the New Year's letter of my good friend and former colleague, Tom Moxley. I think that qualifies it as cowboy logic:

"I have reached the age where the things I remember the most clearly never even happened".

Quote of the day

"You are never a loser until you quit trying." - Mike Ditka

Sermon in a sentence

"If you can solve your problem, then what is the need of worrying? If you cannot solve your problem, then what is the use of worrying?" - Shantideva

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