

Who Pays?



Recent tax cuts have prevented Kansas from restoring critical investments in schools and other services that were cut during the last recession. This continues to strain the ability of communities to provide the level of services that create a strong workforce, sense of community and high quality of life – all things necessary for Kansas to grow and thrive. Counties have increased their property taxes to try to cover funding gaps but are struggling to make ends meet and provide the basic amenities we need to attract people and grow businesses right here in Kansas.

STATE CUTS TO LOCAL COMMUNITIES IN KANSAS CONTINUE

In an earlier report from the Kansas Center for Economic Growth, we documented cuts to services designed to keep neighborhoods safe, local schools fully staffed and public libraries stocked with books and resources. Since then:

- Support for locals has declined by more than 5 percent:¹ Dollars that support services that make it possible to keep communities healthy, safe and educated across Kansas is down when taking into account rising costs.
- Support for neighborhood schools is down almost 6 percent:² State cuts to education risk the high quality of public schools that Kansas has always provided its residents. Cuts have inflicted significant damage on schools, with some districts freezing teacher pay and shuttering school buildings altogether.
- State aid to libraries was slashed again by nearly 23 percent:³ Cuts to local libraries have forced them to trim critical services. They have scaled back operating hours, cut book purchases and limited public Internet access that connects Kansans to jobs or educational opportunities.
- State support for community-based corrections is up about 10 percent, but still below pre-recession levels:⁴ Strained public safety budgets have led to some inmates being released without substance abuse treatment. Strong corrections funding helps to keep the number of repeat

offenders down and saves taxpayer dollars in the long term.

- Communities are raising property taxes to make up the difference:⁵ The latest county property tax data shows that taxes went up over 3 percent in just one year. As costs increase, the burden of maintaining even basic levels of services is now being shifted to counties, with Kansas' rural counties hit especially hard. Of the 20 counties with the highest increases in property taxes, 17 were rural.

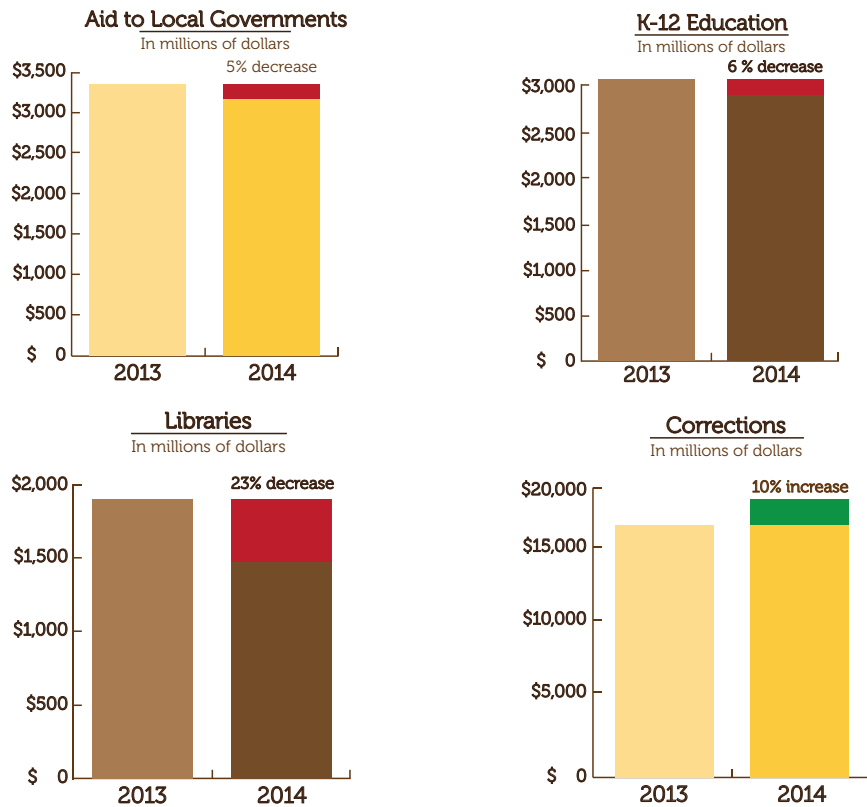
When a recession ends, recovery is supposed to begin. Yet communities across Kansas feel like they're still locked in a recession because we have yet to turn our attention back to these important areas. The unaffordable tax cuts of 2012-13 don't give us the resources we need to reinvest in Kansas communities. More tax cuts are scheduled for 2015 and beyond, promising never-ending recession conditions. People want to raise families and build businesses in strong, safe communities with a well-educated workforce. Continued cuts will make it more difficult to provide these essentials for a successful economy.

Like other states, Kansas has provided aid to local governments for decades. But it has plummeted by more than \$1 billion since 2008.⁶ These budget cuts and abandoned revenue transfers have hampered local officials' ability to keep property taxes stable and eroded assistance to local governments for key support services and programs.⁷

FIGURE 1

Cuts to Local Communities in Kansas Continue

State support to localities continues to decline. Due to the tax cuts of 2012–13, Kansas has not been able to restore recession-era cuts to local communities across the state.



Source: Analysis of data from Kansas Division of Budget documents, 2013 and 2014

With fewer dollars to invest in our state because of the tax cuts of 2012–13, communities across Kansas are first to feel the effects, and reduced revenue in the future will leave us unable to undo the harm to these important areas.

Schools Continue to See Declines in State Support

Schools play a big part in driving the success of Kansas communities, yet cuts that started during the recession continue unabated.⁸ Overall, lawmakers have cut total school funding from the state by more than \$177 million during the past year. Many districts continue to feel the pinch, with teachers dealing with frozen salaries, superintendents doing double-duty as principals and, in some areas of the state, schools closing.⁹

Libraries Reducing Much-Needed Services Because of Cuts

Local libraries, a key part of Kansas towns big and small, are seeing state support dwindle. Because

of significant cuts in funding, these community learning and gathering places are scaling back – or even eliminating – some services that once helped connect Kansans to jobs and other opportunities around the state. Cuts have brought an end to the Blue Skyways online program, which connected about 200 communities and all 105 counties in Kansas.¹⁰ The student tutoring program, which assisted students with homework outside of school, also was eliminated.¹¹

Corrections Funding Still Below Pre-recession Levels

Despite moderately increased support for community corrections programs in the last year, funding still remain below pre-recession levels. This has prompted the Kansas Department of Corrections to release inmates “without substance abuse treatment or behavioral skills training.”¹² This ends up costing the state more in the long run as some of these former inmates are much more likely to end up back in the state correctional system.

PROPOSED BUDGET SHOWS MORE OF THE SAME

With the release of the new state budget local communities will continue to see reduced or stagnant state investment. Between 2009 and 2014, total aid to locals has been slashed by more than \$616 million, or more than 16 percent. The proposed budget continues this by shaving another \$11.5 million over the next few budget years.

Also proposed in the budget are radical shifts in education funding. Instead of funding local schools through the current formula, the governor put forth a plan to fund schools with 'block grants' through 2017. To cover budget shortfalls directly caused by the failed tax cuts, dollars that go directly to Kansas classrooms will be cut by \$154.5 million between

2015 and 2017. This is on top of the more than \$358 million in cuts between 2009 and 2014 to money that goes straight to educating Kansas kids.

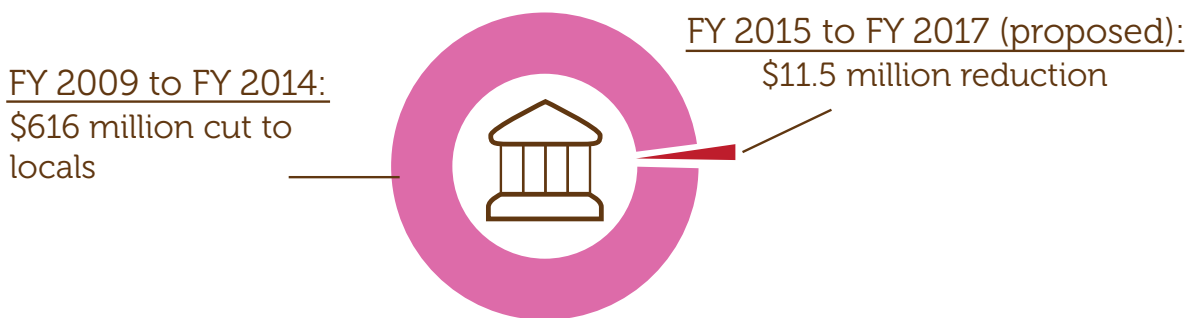
SHIFTING THE LOAD TO THE LOCALS

With the state not investing in services like libraries or corrections at the levels needed, communities have to dig deeper in their own pockets. They are raising property taxes to try to fill the holes in funding as state support declines.

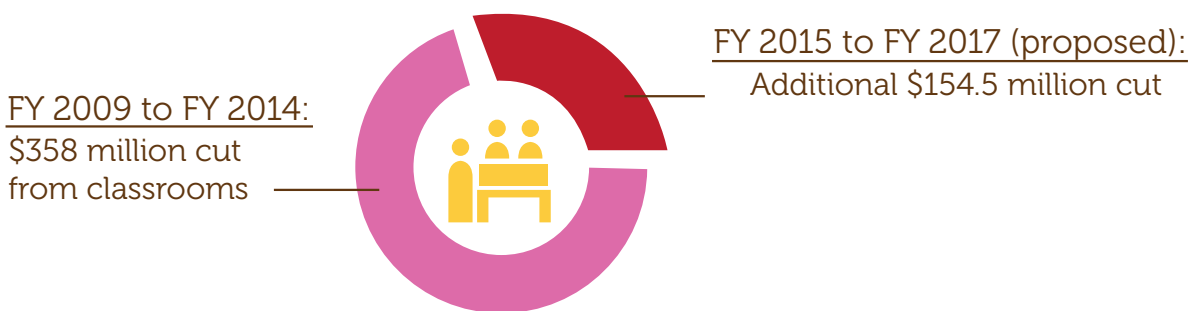
Counties are now pressed to increase revenues just to maintain a basic level of service. The total amount collected in county property taxes increased by 3.3 percent in the past year. Based on the average tax rate for all Kansas counties, an owner of property

FIGURE 2

Proposed budget continues cuts to Kansas Communities



Cuts to Kansas classrooms to reach half a billion



Source: Kansas State Department of Education: 2016 Governor's Proposed Budget.
Note: All FY 2009 to FY 2014 figures are adjusted for inflation

valued at \$150,000 would have seen an increase of more than \$82 in just one year.

Rural Counties Hit the Hardest

Increases in county property taxes are happening statewide, but they are hitting some areas harder

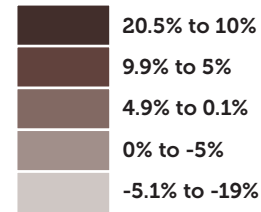
than others. Rural Kansas counties have seen their property taxes increase at triple the rate of the top five most-populated counties.¹⁵ All told, 71 of Kansas' 105 counties have increased their property taxes at least 10 percent since 2010.¹⁴ As Figure 3 shows, many of the counties with the highest rates of tax increases are rural counties. Indeed, 17 of the 20 counties

FIGURE 3

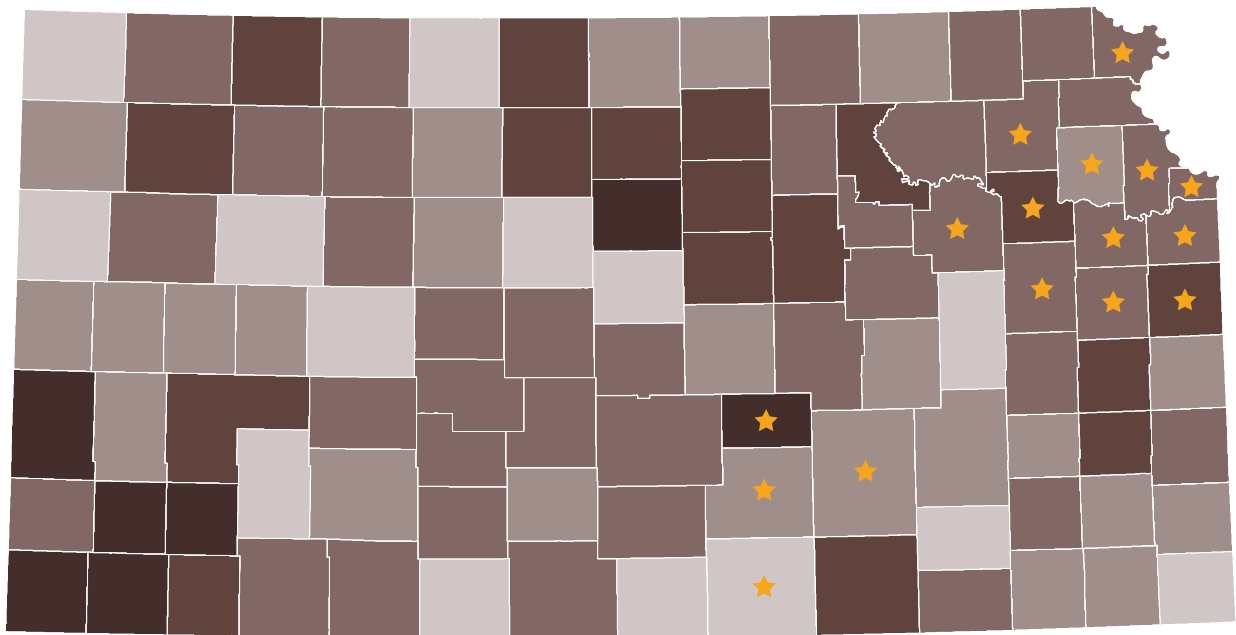
Property Tax Increases Hit Rural Kansas Counties Hard

To offset increasing demand and costs, Kansas counties are raising property taxes just to maintain basic levels of services. Between the year before (2012) and after (2013) the tax cuts went into effect, 67 counties raised property taxes. Rural counties are being hit the hardest as 17 of the 20 counties with the highest increases are rural.

% Property Tax Increase/Decrease



★ Indicates Urban County, as designated by the Economic Research Service, USDA



Source: Analysis of data from Kansas Association of Counties Research Report, 2012 and 2013

with the highest increases were rural counties. This is especially hard on rural counties that have fewer service providers and rely on more help from the state to ensure that residents have quality schools, good health care and safe communities.

TAX CUTS COSTING KANSAS COMMUNITIES FOR YEARS TO COME

The tax cuts were sold as a job-growing plan that would benefit every corner of the state, but unfortunately we've trailed our neighbors in private job growth and we've increased the bill being sent to local communities. We have yet to reinvest in key services cut during the recession because the tax cuts have simply left us without the revenue to do so. The resources lost because of unaffordable and unprecedented tax policy changes could have been reinvested in Kansas communities to help them

become stronger, safer and more appealing to people and businesses looking to grow.

Investment in local services has proven to pay off – some communities were able to fend off the worst of the recession because they invested in schools, parks and other services needed by the community. With more tax cuts scheduled to take effect, we can expect things like corrections, libraries and other public services to lack the resources they need to do their job effectively. One thing remains certain – Kansas communities will continue to bear the burden for tax cuts that simply aren't paying off for our state.

¹ Analysis of data from Kansas Division of Budget documents, 2013 and 2014

² Analysis of data from Kansas Division of Budget documents, 2013 and 2014

³ Analysis of data from Kansas Division of Budget documents, 2013 and 2014

⁴ Analysis of data from Kansas Division of Budget documents, 2013 and 2014

⁵ Analysis of data from Kansas Association of Counties Research Report, multiple years

⁶ See Kansas Center for Economic Growth, "Who Pays? The Cost of Kansas' Tax Cuts for Local Communities", <http://realprosperityks.com/kac/wp-content/uploads/2013/12/KS-Center-for-Economic-Growth-Local-Impacts-Report.pdf>

⁷ Two sources for local support were defunded in 2003 are the Local Ad Valorem Tax Reduction Fund (LAVTRF) and the County and City Revenue Sharing Fund (CCRSF). For a more in-depth explanation of these funding sources, see "Who Pays? The Cost of Kansas' Tax Cuts for Local Communities", <http://realprosperityks.com/kac/wp-content/uploads/2013/12/KS-Center-for-Economic-Growth-Local-Impacts-Report.pdf>

⁸ See Kansas Center for Economic Growth, "Quality at Risk: Impact of Education Cuts." September 2014. Available online: <http://realprosperityks.com/kac/wp-content/uploads/2014/09/KCEG-school-funding-report3.pdf>

⁹ See Tim Jones and Jennifer Oldham, "Brownback Faces Blowback as Kansas Tax Cuts Shutter Classrooms." November 2, 2014. Available online: <http://www.bloomberg.com/news/2014-11-03/brownback-faces-blowback-as-kansas-tax-cuts-shutter-classrooms.html>

¹⁰ See Becky Tanner, "Library website Blue Skyways a victim of budget cuts." The Wichita Eagle, July 17, 2014. Available online: <http://www.kansas.com/news/article1148743.html#tabPane=tabs-170f8633-1>

¹¹ Kansas Library Association, "Letter to Legislators," February 2014. Available online: <http://kslibassoc.org/home/wp-content/uploads/2014/02/2014-Intro-Letter-from-Libraryrev.pdf>

¹² See Andy Marso, "Corrections secretary: Funding cuts drive recidivism." Topeka Capitol-Journal, January 14, 2014. Available online: <http://cjonline.com/news/2014-01-14/corrections-secretary-funding-cuts-drive-recidivism>

¹³ See David A. Seaton, "Flentje: Property taxes will continue to rise in Kansas." The Winfield Daily Courier, October 2, 2014. Available online: http://www.winfieldcourier.com/news/article_2c875304-49ed-11e4-b375-b7caf46638b4.html

¹⁴ See Patrick Lowry, "Paying for schools." Hays Daily News, October 19, 2014. Available online: <http://hdnews.net/opinion/editorial101914-edit>

¹⁵ See Brad Cooper, "Many in Johnson County say prosperity comes from government services, not tax cuts." Kansas City Star, September 27, 2014. Available online: <http://www.kansascity.com/news/government-politics/article2276603.html>
