

2017 Legislative End of Year Update No. 15

Merry Christmas to everyone! I ask God to bless you, and all Kansans with a Happy New Year.

This has been the busiest off session period I have had since first being elected. Several of you have contacted me to seek help with issues dealing with a state agency. I have been able to help most by interceding for them to find a satisfactory solution. Helping someone in need is the most rewarding aspect of being your Representative.

I have visited with other Representatives and Senators, and they say that this year has been the busiest for them as well. Many of us are wondering why this is happening, and will be asking many questions in the session coming up in 2018.

One of my inquiries led to the discovery that numerous state employees, whose primary responsibilities are to administer federal programs, are funded by Kansas taxpayers at a considerable cost. An example of this is the flood plain designations currently going on in Kansas by FEMA. I call them "Federal Exploitation of Middle America." They are harming businesses and causing families to be unable to sell their properties. As a result, I led an inquiry at the Capitol, and have written a letter to the entire Kansas Congressional delegation.

Another issue that I am being contacted about is the herbicide, Dicamba. The drift after applications is causing damage to adjacent cropland. I will be looking into this in depth and plan for the Agriculture Committee to hold hearings.

The 2018 session begins January 9. If predictions are correct, it will be interesting and difficult. The decisions to be made involve choices between the needs of the elderly, those who cannot care for themselves, children's education, and infrastructure. All are very worthy. The problem is funding. We would like to fund all requests made, but the reality of staying within the budget comes into the picture. By January 1, you will have had your taxes raised twice in two years. Should they be raised again or should other solutions be considered? Agriculture is a very large part of our state's economy and it is in a serious downturn at present, with economists predicting no turn for the better any time soon. Those on fixed incomes are struggling to pay their income and property taxes.

My thoughts always go back to what is best for my constituents first, and then what is best for the entire state. Because of this, I have spent a great deal of time gathering facts and information to guide my decision-making process for next session. Some of those facts are below:

Debt: Debt is defined as money borrowed by issuing bonds that is allowed for many entities across the state. The total bond debt as of 2016 (the most recent information available) was \$24,887,227,038 for the State of Kansas.⁽¹⁾ That does not include the unfunded liability for KPERS which was \$9,465,500,000. The grand total of money owed (as of 2016) was \$34,601,599,308. The debt increases every year.

The state's portion of that debt is about \$5 billion. The remaining bond debt is at the county, city, and school district level. That debt repayment is reflected as part of our property taxes.

Population and Actual Taxpayers: The census for Kansas in 2016 was 2,907,289.⁽²⁾ The growth is essentially flat with less than 1,000 new citizens between 2015 and 2016. When compared to the rest of the U.S. we are falling behind. In 1890, we represented 2.27% of the total population. In 2016, we represent less than 1% (0.9%) and it has been declining, dropping from 0.92% in 2010.

Almost 3 million people in Kansas is a sizable number until you consider how many of those are actual taxpayers. It is consistently less than one half of the population that actually pay state income taxes. In the most recent data available for 2014, there were 1,372,257 taxpayers⁽³⁾ with a population of 2,889,360.

Property Taxes: Property taxes are for the most part considered local taxes. The first 20 mils of each school district's collection go to the state for redistribution. That money is then reallocated across the state school districts to "equalize" poorer school districts. All other property taxes collected are for local use.

An analysis of a county's property tax sheet shows that school districts in the counties account for an average of 35% of the total mils. The high is Johnson County with 59% and the low is Morton County with 14% of the total mils for school districts. These numbers are based on 2016 numbers and several counties have changed due to new school bonds being approved by the voters.

Income Taxes: Individual income taxes were raised in 2017 and again for 2018. Normally, any change would be reflected in the next year's tax code. The legislature did something unusual in that it raised your taxes retroactively to January 2017. The rate increase for a married couple filing jointly with an adjusted gross income of \$0 - \$30,000 is going from 2.7% to 3.1% (an increase of 15%). With AGI of \$30,001 - \$60,000, the rate increases from 4.6% to 5.25% (an increase of 14%). With AGI of \$60,001 - above, the rate increase is the largest from 4.6% to 5.7% (an increase of 24%).

Trend Analysis: To gain an understanding of where we have been and where we are going, I looked at the trends for various factors. Looking back to data readily available from 2002-2014, the following information was discovered: Population increased by 6.5%, the number of taxpayers increased by 12%, the number of KPERS members increased by 20%, and the total debt increased by 50%. With this trend, there will not be enough taxpayers to fund KPERS and pay the debt.

School Funding: This is the most discussed issue to face us in January. A special committee has been formed to study this issue and then advise the legislature. I chaired a special committee on this same issue in 2015 resulting in recommendations that the legislature chose not to consider then. All the information, to include research, minutes, and testimonies are still available through Legislative Research.

The crux of the issue is that the Kansas Supreme Court found the current funding formula to be unconstitutional because of the continual underachievement by more than 20% of

our Kansas school children, and further stated that the funding needs to be increased. They did not give a firm number (because they do not have funding authority), but they did give a suggested range for the increase. Their suggestion was \$600 million - \$1.2 billion. K-12 funding represents 51.49% State General Fund (SGF) spending for fiscal year 2018. The threat of closing the schools by the Kansas Supreme Court could be done but first they would have to declare unconstitutional a current law, 60-2106, that clearly states they cannot.

As a former teacher, I empathize with teachers today faced with balancing all the demands placed upon them. There are ever increasing new programs and information gathering along with assessments to implement, done to supposedly improve achievement. Maybe it is time for the federal and state governments, courts, NGOs, and legislature to step out of the way and let the teachers and families do their proper role of educating Kansas children.

Information Sources:

- (1) https://www.kansasstatetreasurer.com/prodweb/municipal_bond_service/bond_report_archive.php
- (2) <http://www.ipsr.ku.edu/ksdata/ksah/population/population.pdf>
- (3) <https://ksrevenue.org/prannualreport.html>

Other useful sites for information:

Kansas Fiscal Facts: http://www.kslegresearch.org/KLRD-web/Publications/FiscalFacts/2017_fiscal_facts.pdf

Appropriations Information: <http://www.kslegresearch.org/KLRD-web/Publications/AppropriationsRevenue/2018AppropriationsRpt.pdf>

What I am sharing with you is just some of the research I am doing to prepare for the 2018 session. There are many issues, and I have only shared my analysis of a few. I want to represent all my constituents to the best of my ability and to do so requires me to study several issues in depth. The information gathered so far is causing me to ask some tough questions of myself, and in turn, of you. Is it fair or even reasonable to consider another tax increase? Is it time to tell the courts that funding is a legislative obligation by constitution, not theirs? Is acquiring new debt a prudent course of action now or in the future? Should state employee hiring exceed population growth? Is it time to prioritize funding from most important to least important and stay within the bounds of actual revenue?

I am always interested in hearing from you on these topics or any other. I do read every letter and email. Thank you for entrusting me to represent you in 2018. It is an honor and privilege to serve you.

At my website, www.ronhighland.com, you can find a syllabus that explains in detail how to get the legislative information you need. My contact information is: Rm 561 W, State Capitol, Topeka, Kansas, 66612; ron.highland@house.ks.gov.

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