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Brownback's 5-year budget projects big surpluses

GOP senator skeptical of long-range projections

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By Andy Marso

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Steven J. Anderson, the Kansas budget director, unveiled a ground-breaking budget Thursday that projected surpluses growing steadily through fiscal year 2018, but some senators on the Ways and Means Committee expressed skepticism.

In presenting Gov. Sam Brownback's 2013 budget report to the committee, Anderson emphasized that Kansas is the first state to provide a five-year projection, as recommended by the Government Accounting Standards Board. He said the long-term view would help the state prepare for the future.

"What I like to say is, if you're always walking and looking at your feet, you might run into a wall," Anderson said, an hour after using the same analogy in the House Appropriations Committee.

But Sen. John Vratil, R-Leawood, sparred with Anderson on the numbers, picking out several projections within the budget and asking him precisely how his office determined them.

When Anderson said many were estimates of what future Legislatures might do, Vratil questioned the value of the projections.

"Projecting out five years is virtually impossible and useless," Vratil said. "Because you don't have any facts to base your projections on."

"Senator, what I would point out to you is the Government Accounting Standard Board is the driver of this," Anderson said.

Anderson then noted that making accurate projections that far in the future is "difficult," but that didn't mollify Vratil.

"It's not just difficult, it's virtually impossible," Vratil insisted.

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The governor's budget projections show human services costs declining from fiscal year 2014 to 2017 because of a switch to Medicaid managed care. They project modest but steady increases in funding to K-12 schools, higher education and the public employees retirement fund. Those increases are made possible by tax revenue that the plan estimates will go from about \$6 billion this year to about \$6.9 billion in FY 2018, even with the income tax cuts Brownback proposed in Wednesday's State of the State address.

That still leaves more than the mandated 7.5 percent ending balance, based on projections of a recovering economy continuing to pump money back into state coffers. This year, the recovery and spending cuts initiated in Brownback's first term have resulted in a surplus that the Kansas Legislative Research Department now estimates at \$378 million.

"It's certainly good news," Alan D. Conroy, the department's director, told the House Appropriations Committee on Thursday. "These are very good economic numbers, especially the individual income tax."

Anderson said that based on some projections, the state income tax could be eliminated in as few as six years without blowing the budget. Eliminating the income tax, he said, would drive population and business growth, thereby increasing sales tax revenue so that no property tax hikes would be necessary.

But Sen. Carolyn McGinn, R-Sedgwick, said she isn't sure the state can count on creating a population boom simply by lowering income taxes. She said seniors seeking warmer climates and people moving out of farming also are factors in the state's stagnation.

Sen. Terrie Huntington, R-Fairway, expressed concerns that accounting methods used to project five-year business revenues might not translate well to government.

"Our revenues are so variable," she said. "We don't know from one year to the next if there's going to be a housing bubble or the economy's going to drop. When you're in a business you have an opportunity to cut your expenses much differently than in government."

Anderson said the projections are meant to provide more transparency to the long-term fiscal picture. He cited the massive unfunded liability in state public employee pensions as a crucial problem that had identified by doing long-term accounting projections.

But after the meeting, Vratil cautioned against putting too much stock in the dollar amounts typed onto the governor's budget report.

"You can create a five-year projection that looks really rosy," Vratil said. "So Kansas citizens think 'Wow, our economy's doing great. We've got gobs of money. Why don't we cut taxes.' Well, we don't have a clue how much revenue's going to be coming in three years from now."

Andy Marso can be reached

at (785) 233-7470

or andy.marso@cjonline.com.

Follow him on Twitter
@andymarso.



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