

03.05.10 : Budget Press Conference

The following is the video transcript to Governor Parkinson's press conference on balancing the current 2010 budget:

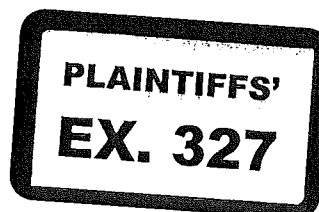
Governor Parkinson : As you know, we continue to work our way through one of the most challenging recession we have faced since the Great Depression itself, and in terms of state revenue, this recession may be the most challenging. When I made my allotments in November, my hope was that those would be the last budget changes we would need to announce until we passed a 2011 budget, which we will hopefully do this coming April. Unfortunately, the revenue situation has deteriorated to such a point that I feel like we need to make some adjustments right now. In my view, when the pull was 20, or 30, or 40 million dollars that that was still a manageable enough level that I felt we could continue to work our way through the year in hopes that things would get better or that we would come up with a way to fill the hole towards the end of the fiscal year. With a budget hole of over a 100 million dollars, my concern is that failure to act right now would lead to a situation where at the very end of the fiscal year we would need to make some draconian decisions to some programs that would have virtually have no time left in the fiscal year. In other words, I just feel like it's time to act right now.

The two prisms I used in analyzing a way to fill this 106 million dollar short fall were these. First, I felt it was very important that if possible we don't make a 2011 budget year any more difficult. We always have the option available to us of drawing down 2011 Recovery Act money and using it in 2010, and while there may be a time in this fiscal year when I need to do that, my goal is to avoid that if at all possible, because 2011 is challenging enough and I didn't want to make it any more difficult.

Secondly, I wanted to, if possible, keep with the priorities I talked about in the State of the State address, which is to not make any additional cuts to education, to public safety, and to our safety net. My view is that those programs have been cut at such a significant level that further cuts are simply not acceptable. And although the decisions I have been required to make today have been difficult, and are certainly not good public policy, fortunately I have been able to satisfy both of those criteria. When I say they aren't good public policy, what I mean by that is we do not have any easy solutions. We don't have any good cuts we can make. It is simply a matter of which are the worst of the cuts that our out there and try to make the decisions that have the minimal, the least impact Kansas citizens as possible.

Let me run through with you, very briefly, how we're filling this 106 million dollar hole. The first thing that I looked at was to analyze what was the actual hole. And in my view, the whole is not 106 million, it's 85 million. And that is because there were some revenue losses we recognized in February that I believe will be made up in the next couple of months. And those are principally due to the fact that people are filing their returns electronically. We have a lot more returns that have been filed. We've made 35,000 additional refunds over this time last year. And so I believe that because we won't have to make those refunds in March and April and subsequent months that 15 million of it can be explained for that reason. Another six million can be explained because of a large tax refund that we made in February that we had budgeted to make in the last quarter of the year. So when you take those two factors into consideration the true hole is 85 million dollars.

There are three things that have happened in the last several months that also mitigate the impact of the hole by additional 35 million dollars. One is that Secretary Sebelius made the decision at HHS that there would be a reduced Medicaid clawback to the states that results in a positive amount of 16 million dollars to Kansas in fiscal year 2010. The second change that's taken place is that Insurance Commissioner Praeger has removed an exemption on an assessment that she was able to remove, which will result in 4 million dollars additional to the state in 2010. The third change that has taken place is that payments under the TANF program (Temporary Aid to Needy Families) are down



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15 million dollars. We believe that the reason they are down 15 million dollars is that people are having an extended period of unemployment compensation which makes them ineligible for those funds. So we have 15 million dollars that we did not budget for that we're now able to transfer.

That leaves us with a deficit of 50 million dollars and we are filling that deficit in three ways. First, we will not be making the final quarter payment to the death and disability fund under KEPRS. As you're aware, KEPRS has a separate death and disability benefit that is funded by the state. That fund is actually over funded. It does not need this payment in order to be solvent. So we will be withholding that \$12 million. Secondly, I am calling on the legislature to pass the primary seat belt law. It is currently illegal in the state to be in the front seat of a vehicle without a seat belt on, but because we do not have a primary seat belt law you cannot be stopped for that offense, you can only be ticketed if you are stopped for another reason. The federal government has said that if a state passes a primary seatbelt law they will receive a certain amount of money. In Kansas this amounts to \$11 million dollars. The legislature has refused to pass a primary seatbelt law, but it is close. It has passed the Senate, it is now in the House, and I am calling on the House to pass the primary seatbelt law. Not only would this give us an additional \$11 million from the federal government, \$10 million of which can be used toward the general funds, it would also save lives. Research indicates, and I was just looking at this yesterday, in states that have enacted primary seat belt laws, seat belt usage goes up 10 percent. We can anticipate that there would be less deaths and serious injuries if that law was passed.

Third, I am announcing that we are cancelling the lettings highway maintenance projects for the remainder of FY 2010. That includes both light maintenance and heavy maintenance. It does not affect any program that's been announced under the Comprehensive Transportation Plan, but it does affect a large number of projects, about \$60 million of which was light maintenance, about \$40 million of which was heavy maintenance. \$26 million of that would have been spent in FY 2010, the remainder would have been spent in FY 2011. By eliminating those lettings, we will recognize in FY 2010 that \$26 million, it will also help us fill that gap we face in FY 2011. I've obviously consulted significantly with the Secretary of Transportation, and while the Secretary of Transportation certainly does not want us to cancel any road project, she's assured us that this is not a matter of public safety. The roads will not be in as great of condition that they would have been otherwise, but public safety will not be jeopardized.

The final thing I would like to talk about before I open it up for questions, is I think we need to analyze why are we in the situation that we're in. I've spent considerable amount of time over the last several months taking a look at our monthly revenue figures, where we get our revenue from, what our revenue patterns have been over the last 5, 10, and 20 years. And unfortunately, I've come to the conclusion that it's not just the recession that's put us in this current situation. If it were just the recession that put us in this current situation, the good news is that obviously the recession is going to end. We would then be in a position that we can recover. We are certainly in this position partially because of the recession, but we are also in this situation also because the legislature has been on a tax-cutting binge over the last 20 years that has decimated the revenue stream. In the process, in my view, the average working man and woman in this state has been left out. That's true for two reasons.

First, special interest groups have been rewarded time after time again in this building. If you look at the taxes that have been cut, these aren't taxes that are being paid for by the 2.8 million average Kansans. These are taxes that are paid for by a very narrow group of wealthy special interests. We have eliminated the estate tax. 900 people a year benefit from that, it costs the state \$40 million. We have eliminated the franchise tax. We have lowered the property tax from 35 mills to 20 mills. We have gone from 30 exemptions in sales tax, to 99. And we've said if you're wealthy and on Social Security, you're going to receive a tax break, unlike what the federal government does or virtually every other state. And yet, what have we done for the average person? Virtually nothing.

If you go out and talk with the average person and ask if we've cut taxes in this state, they will tell you that we haven't. Because they haven't seen it. Sales taxes haven't gone down, income taxes haven't gone down, maybe they've gotten a little break with their property taxes, but more than likely their property taxes have gone up, because we've put so much responsibility on local units of government as we've gone on this tax-cutting binge that the average Kansan, during this time of massive tax cuts, has seen their taxes go up. So what cumulatively have we done? Since the mid-1990s, on a cumulative basis, we've cut taxes over \$9 billion. But virtually none of that is seen by the average person. It's seen by special interest groups who are powerful enough to hire lobbyists and come into this building and get what they want.

The second reason that this is particularly bad for the average person is that this tax-cutting binge has impacted the integrity of the very programs that Kansans want and need. We aren't able to spend the money that we need to spend on education. We aren't able to spend the money that we need to on universities. We aren't able to spend the money on our safety nets. We aren't able to spend the money on public safety because it's all been given away to special interest groups.

We can get through this current budget problem today with the adjustments that I've announced. But if we are going to solve this problem for the long-term, we've got to undo some of the very poor public policy decisions that we've made. We've got to quit giving away the tax base to the special interest. I'm not asking the legislature to undo all of the \$9.5 billion, what I'm asking the legislature to do is on a temporary basis give us back \$400 million, for 3 years, so that we can fund these programs at the level that they need to be funded. In the meantime we will work our way out of this recession, and we'll get back into a growth mode. But if we continue to give these breaks to special interest groups and we continue to maintain that we won't undo any of them, the only people that will benefit from this is a very small number of wealthy, well-connected individuals and the average Kansan is left out. That's not acceptable and I'm asking the legislature today to take a long, hard look at what's happened over the last 20 years, because if you do, I think you'll conclude that it's time to stand up for the average Kansan.