State of the State:
Government, Politics, and the
Kansas Economy

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Kansas Economy

• Good news
  – Record commodity prices and crop insurance payments
  – Oil and Gas Industry

• Bad news
  – Aircraft industry in Kansas
    • Worldwide demand for corporate jets is weak
    • Boeing leaving Wichita
Kansas Economy

UNEMPLOYMENT RATES FOR AUGUST 2012
State Rate = 6.2%

Source: Kansas Department of Labor, Labor Market Information Services, in conjunction with the Bureau of Labor Statistics
Kansas Economy

Per Capita Disposable Income: KS and US

Source: BEA
Kansas Economy

Real Per Capita Disposable Income: KS and US
(1982-84 Dollars)

Source: BEA
Kansas Economy

• Mirrors the ups and downs of the national economy
  – Although the negative peaks are not as extreme in KS as the US economy
    • Ag, Mineral Extraction, and military expansion helped to buffer KS economy from the worst of the recession
    • Plus, KS did not have much of a housing bubble

• Uncertainty, however, is pervasive
  – Federal fiscal cliff
  – Price of Energy (gasoline)
Kansas Economy

96 Month Average Retail Price Chart

Regular Gas Price (US $/G)

Date (Month/Day)

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The Changing Face of Kansas Government
Kansas Government
Tax System
Tax Reductions 1995 to 2013
(in Millions)

Source: KS Dept of Revenue
Cumulative Tax Reductions 1995 to 2013
(in Millions)

Source: KS Dept of Revenue
Tax Cuts

• Three basic changes to income tax
  – Eliminate tax on pass through entities ($180 million)
  – Reduce marginal tax rates from 6.45% to 4.9% ($600 million)
  – Reinstate severance taxes and eliminate deductions for poor

• Allow sales tax to decline from 6.3% to 5.7% ($400 million)
SGF: Current Projections
Expenditures and Revenues

Based on Data from KS Legislative Research Dept.
SGF Projections: Expenditures and Dynamic Revenues + Keep Sales Tax at 6.3%

Based on Data from KS Legislative Research Dept.
Kansas Politics?

- The pendulum has swung to the ideological right
  - Determine level of taxation first, then right size government to match tax revenues
  - Privatization, competition, and profit lead to efficiency
  - Government power is appropriately used to enforce a conservative vision of social order
  - Responsible party model is enforced
Kansas Politics?

• Where have all the moderates gone?
  – Retired, Beaten, or Converted
  – Republican primary constituency has swung to the right

• Can the Democrats become a viable alternative?
New Right Voting Structure
Estimated Factor Scores

Party Alignment
- Strong Democrat (2.00 to 4.00)
- Competitive (0.75 to 1.99)
- Lean Republican (0.20 to 0.74)
- Strong Republican (-4.00 to 0.19)

SOURCE: ICPSR, Authors
Kansas Policy Debate

• Short-term
  – Taxes and Budget Cuts
  – K-12 Education
  – Medicaid expansion under Obamacare

• Long-term
  – Consolidation of School Districts and Counties