

# State Budget Crisis Largely Self-Inflicted

## Tax Increases and Service Cuts Not Necessary

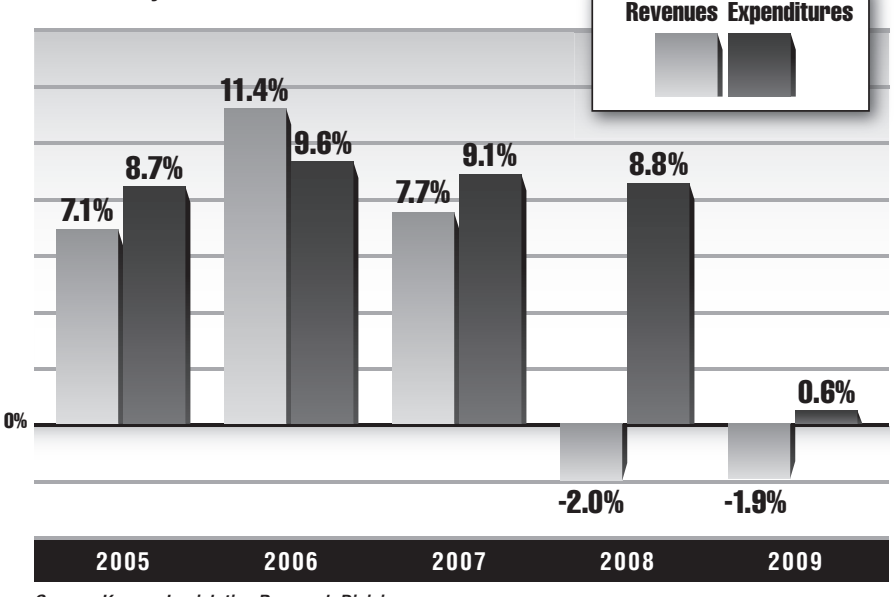
Declining revenues have forced dramatic changes in the state budget and prompted calls for tax increases. The revenue declines may be recession-driven but the budget crisis is largely self-inflicted. Recessions are not a matter of 'if' but 'when' and their inevitable appearance should be part of every government financial plan.

Responsible budgeting prepares for periodic revenue declines by setting money aside in good years. When downturns in the economy cause revenue declines, you can draw down some reserves to weather the storm without having to dramatically cut services or prolong the recession with tax increases. Crisis is avoided by prudent financial planning.

Crisis is invited, however, when you allow expenses to grow faster than your income and that is exactly what the State of Kansas has done over four of the last five years.

### Kansas Revenue and Expenditure

Growth rates over prior years for State General Fund for fiscal years ended June 30



Source: Kansas Legislative Research Division

Even though total State General Fund (SGF) revenues declined the last two years, FY 2009 SGF revenues were still 23.7% higher than five years prior. Spending, however, was 40.5% higher.

Imagine how different things would be today if state government had kept spending in check. In fact, had we limited spending to 4.5% annual increases (well above inflation) we would have finished FY 2009 with a \$3.0 billion surplus.

Instead, reminiscent of requests for taxpayer bailouts from irresponsible Wall Street firms, some government officials and others are calling for tax increases.

Governor Parkinson says further spending reductions simply are not possible. With all due respect, such claims are hard to believe absent confirmation by truly independent analysis. (If you would like to do your own analysis, the complete state check register, state payroll information and retiree benefits are now online at [www.KansasOpenGov.org](http://www.KansasOpenGov.org).)

Regardless, we can work through the existing crisis without cutting essential services or increasing taxes. This fiscal year began with over a billion dollars in unencumbered carryover cash reserves in state agency accounts. Some of that money might not be available but we only need a portion of it right now. Since most balances have been growing annually and the necessary ending balances have not been determined, we can probably find what we need to avoid tax increases or service cuts.

Excessive spending is to blame for the current budget crisis and it is wrong to ask taxpayers for a bailout. It's also unnecessary; the state should use a portion of the carryover cash reserves being held by state agencies to get through the immediate problem and implement a full independent review of state spending in search of ways to provide good services at lower costs.

**Now tell us what you think. Send your comments to [information@kansaspolicy.org](mailto:information@kansaspolicy.org).**

