

By EARL WATT • Daily Leader While the state waits to hear the budget projections that will be coming out later this month, lawmakers are considering how they will fill the \$400 to \$600 million shortfall. Usually by this time, a budget has been proposed, but with the amount of the shortfall and still waiting on projections, the Kansas House and Senate went into the recess without a plan to talk to constituents to see what input they would have. Liberal's Carl Holmes was in town to do that before he returns to the House of Representatives.

"This is the first time I've come home without a budget because the financial situation is so bad," he said.

According to Holmes, 48 of the 50 states are experiencing major budget problems, the two exceptions being North Dakota and Alaska.

"Both have low populations and lots of minerals," he said.

Kansas could have been facing more than \$1 billion in shortfalls if the stimulus money hadn't bolstered the numbers. But that is a temporary fix. There is only one more year of the stimulus funds coming, and after that, Kansas will be on its own and will have had an economic recovery or will have to make additional cuts.

But for now, the state is considering a variety of options to fill the current shortfall, from cuts at the state level to tax increases.

According to Holmes, the state is considering a \$200 million cut to education alone. Education makes up 65 percent of the state's budget. An additional 20 percent is social programs (Medicaid, Social Rehabilitation Services, etc.) and the remaining 15 percent is the rest of state government (prisons, court system, highway patrol, etc.).

"If you cut that out of education, Liberal and Southwestern Heights would have to make up that shortfall by raising property taxes," Holmes said. "The choice becomes does the state issue a tax to come up with the \$200 million for education or will local districts make it up by raising property taxes?"

One of the proposals made by Gov. Mark Parkinson was to institute a statewide one-cent sales tax to help fill the chasm between government spending and the near \$600 million shortfall.

Projections have a one-cent sales tax bringing in about \$300 million. That coupled with tax increases on alcohol and tobacco could bring in about \$400 million, leaving the state to tighten its belt for the remaining shortfall.

Some cuts already being proposed are canceling highway projects, reimbursements to city and county governments from adjustments in the "slider" fund.

Holmes said the alternative would be for local school districts to shut down schools or for the community college to suspend operations as well as other local cuts.

“Do we want to continue with services we are used to or are we willing to cut police departments in half, kick people off disability payments and put them out on the street?” he said. “Are we ready to take people off Medicaid, stop building and repairing highways, are we ready to stop maintaining streets, willing to become less tough on crime and put prisoners on streets? We’ve run legislation to cut the number of people who go to prison, take parole supervision away for parolees coming out of prison. Do we want that or the status quo as far as local spending and state spending are concerned? Do we want the community college to shut down because state money is not there? These are decisions that have to be made. If the state dollars come down, property taxes go up to keep the doors open at the community college.”

If the state votes to cut funding, local school boards, cities, counties and Seward County Community College/Area Technical School would have to use their taxing authority to make up the difference, which in most cases would result in higher property taxes.

While the state is considering property taxes and payroll taxes, the plan with the most support is the sales tax proposal.

Holmes said that most of the sales tax increase was set to sunset in two or three years.

The bottom line was which way did local voters want to handle the shortfall, through a state-initiated tax or through local property taxes.

“If the state doesn’t raise revenues, local units will have to through property taxes or cut schools and services.”

EDITOR’S NOTE: Part 2 will discuss the business climate in Kansas and how it can effect the state’s revenues.