



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

Joe Aistrup

Professor Political Science

Kansas State University















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Government, Politics, and the
Kansas Economy



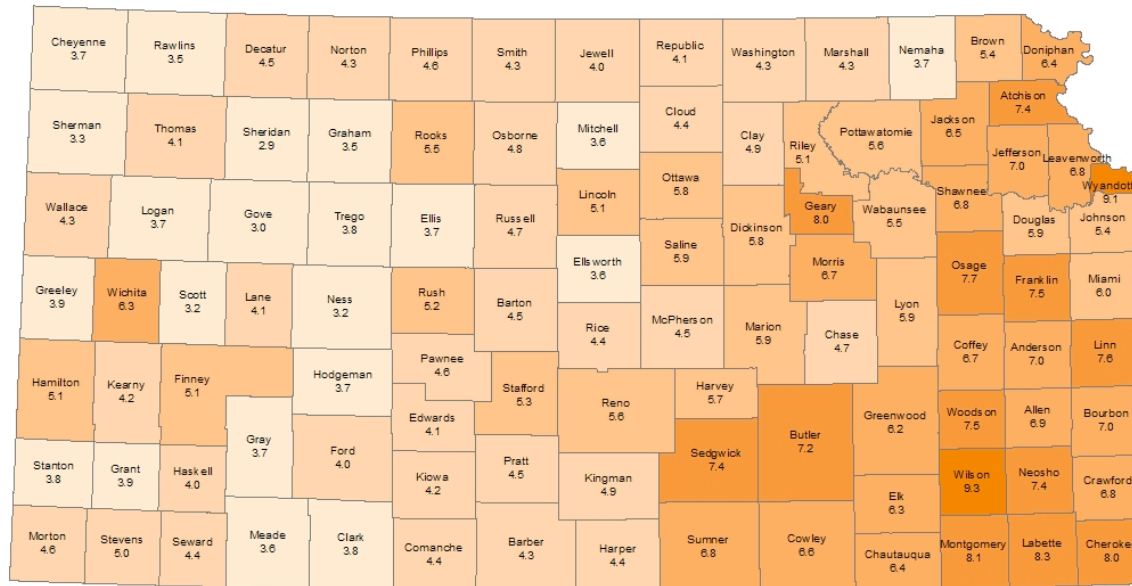
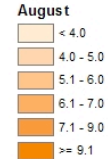
Kansas Economy

- 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

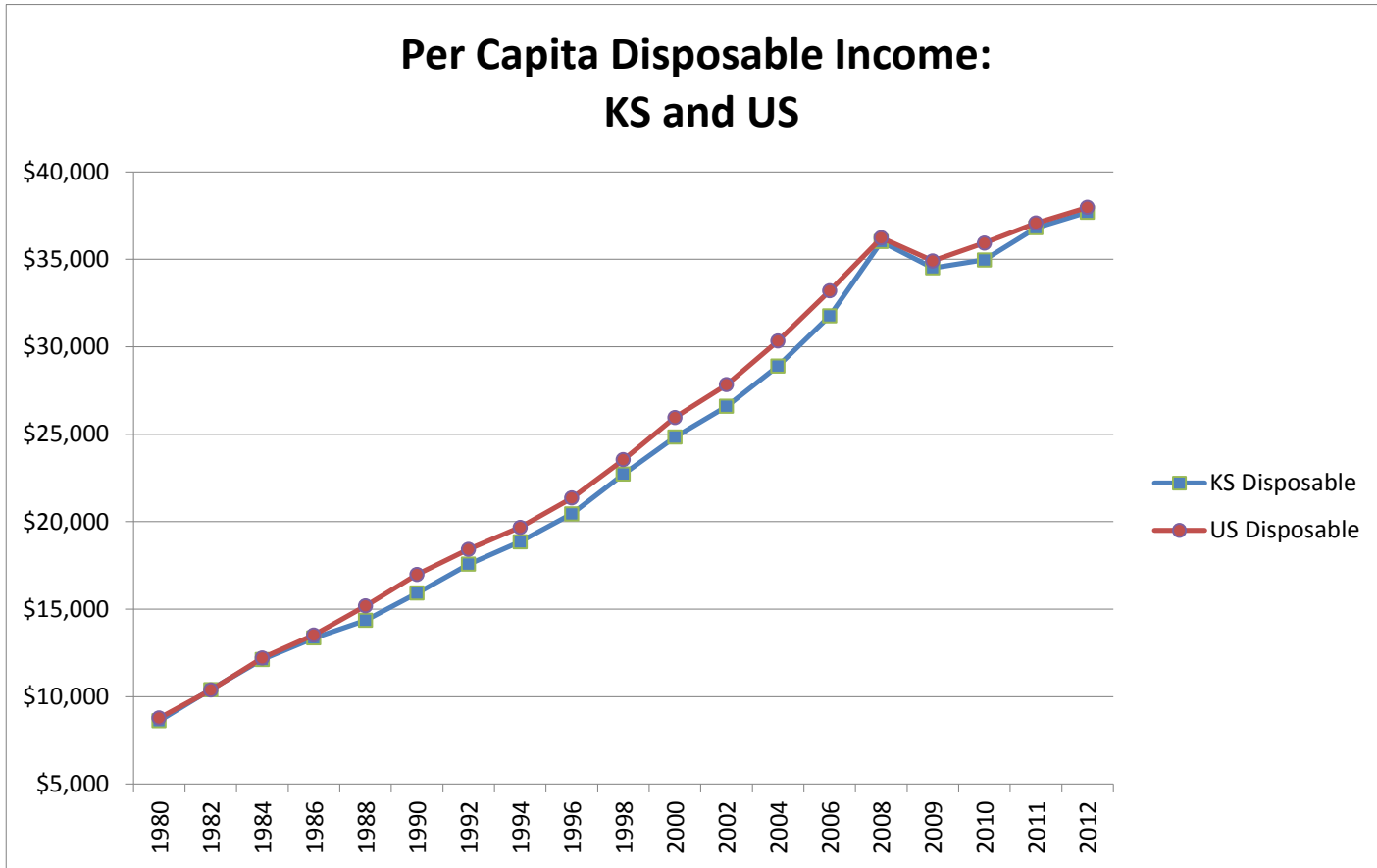
UNEMPLOYMENT RATES FOR AUGUST 2012

State Rate = 6.2%



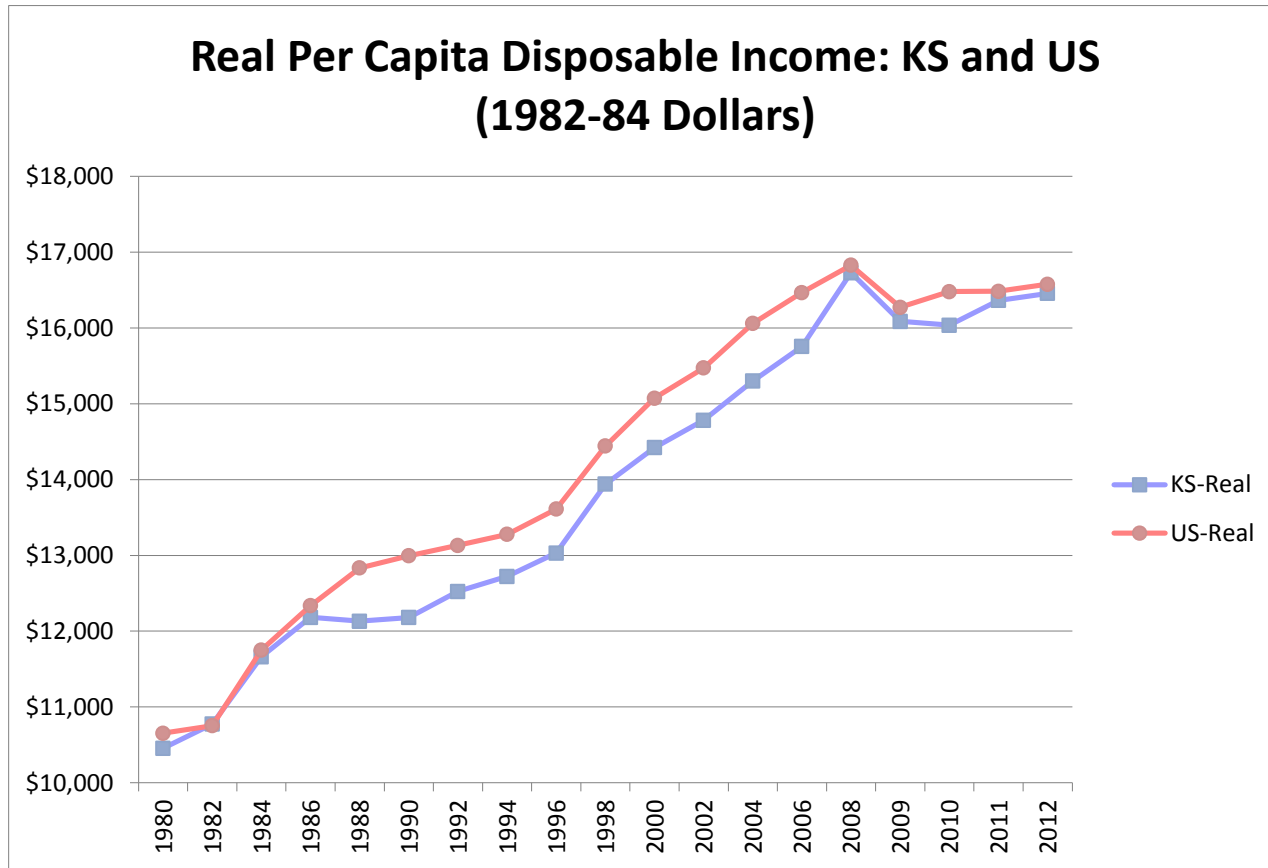
Source: Kansas Department of Labor, Labor Market Information Services, in conjunction with the Bureau of Labor Statistics

Kansas Economy



Source: BEA

Kansas Economy



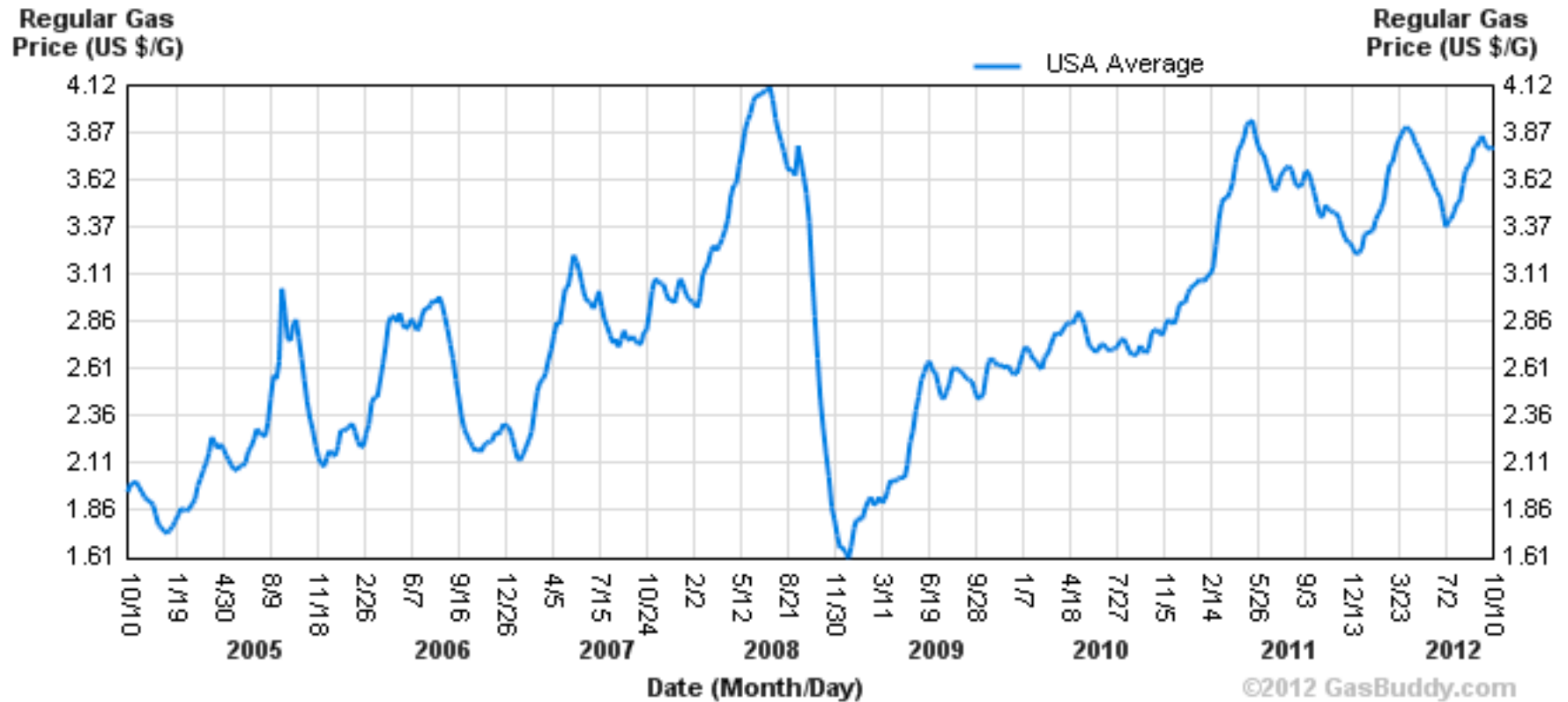
Source: BEA

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



The Changing Face of Kansas Government

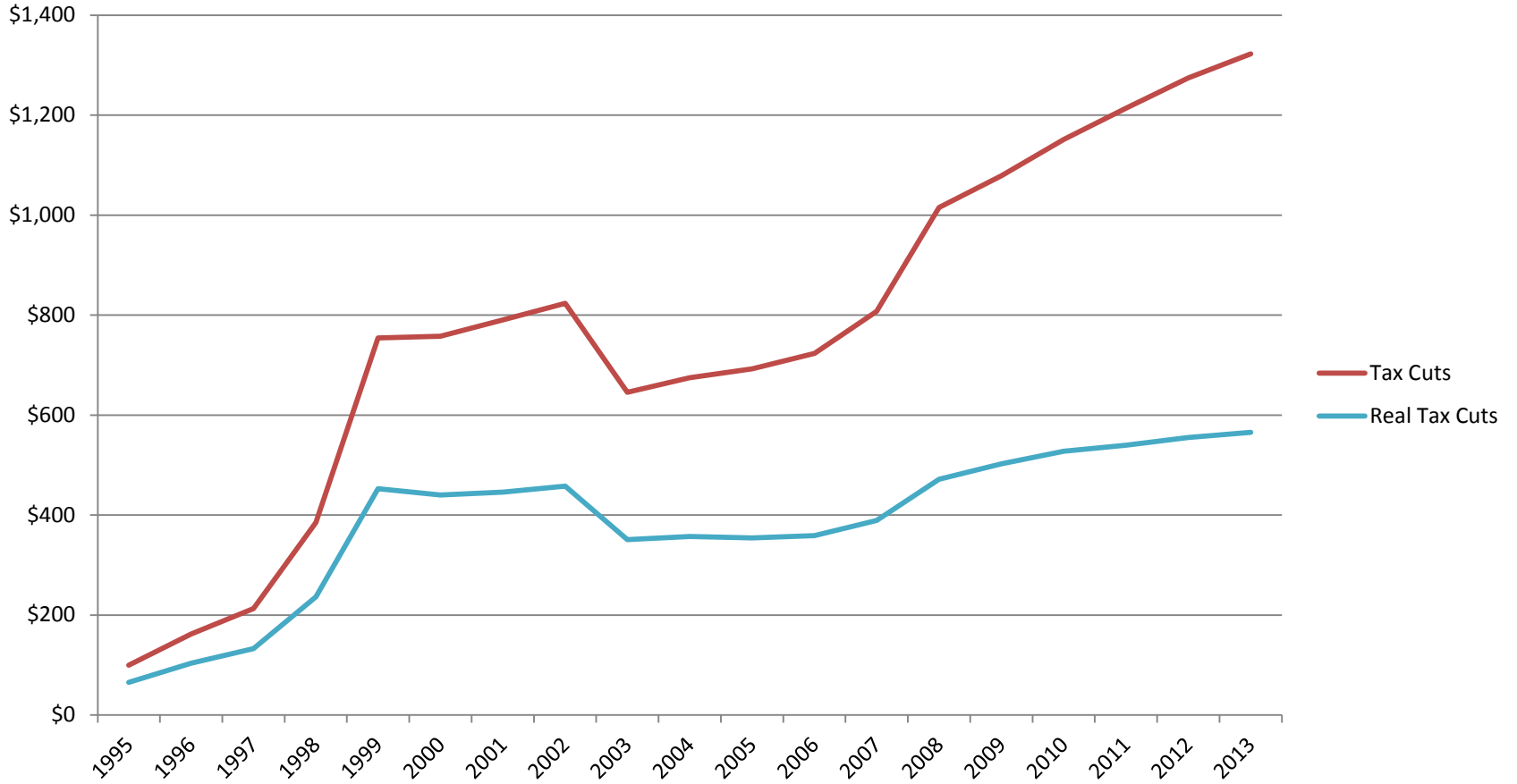


Kansas Government Tax System



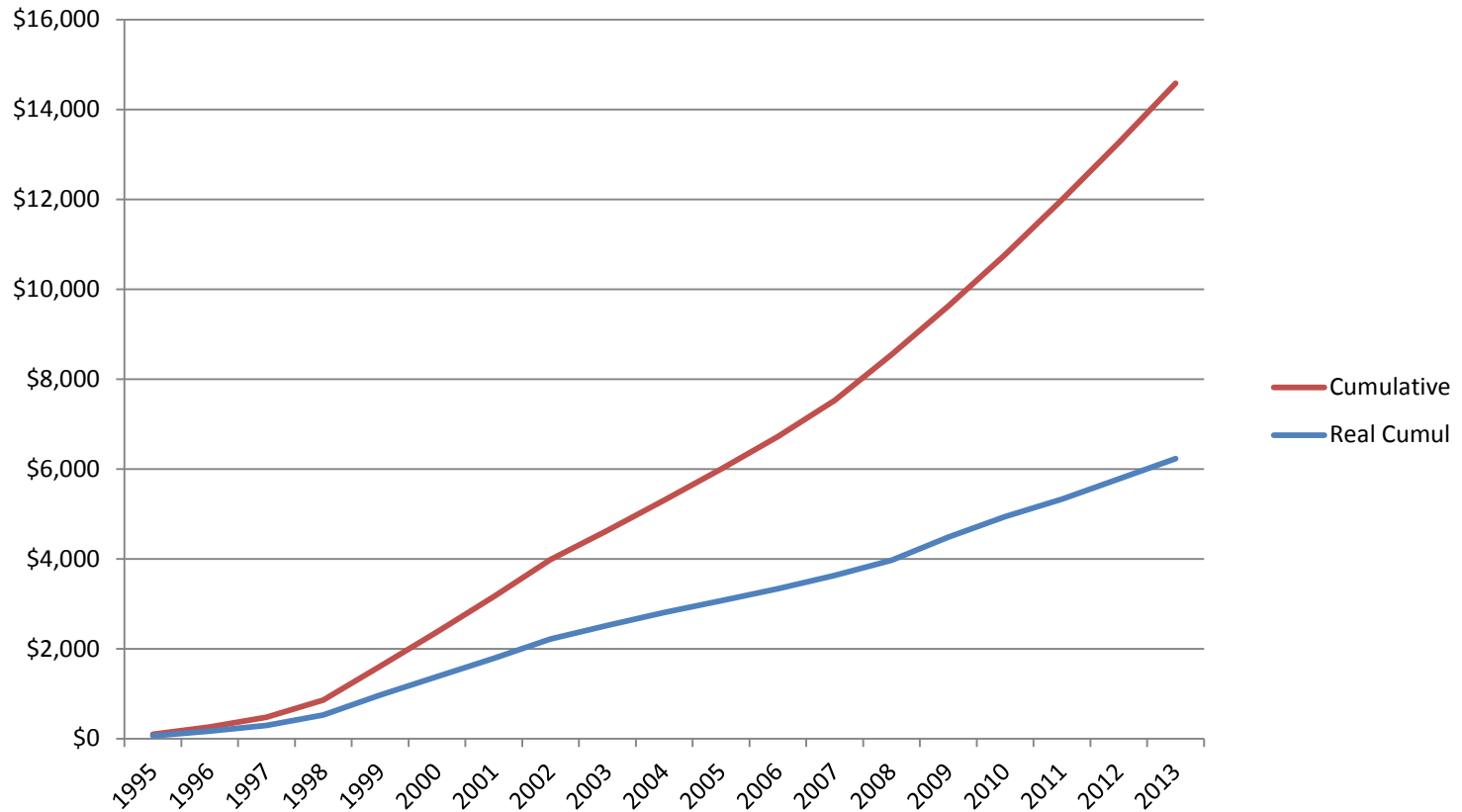


Tax Reductions 1995 to 2013 (in Millions)



Source: KS Dept of Revenue

Cumulative Tax Reductions 1995 to 2013 (in Millions)



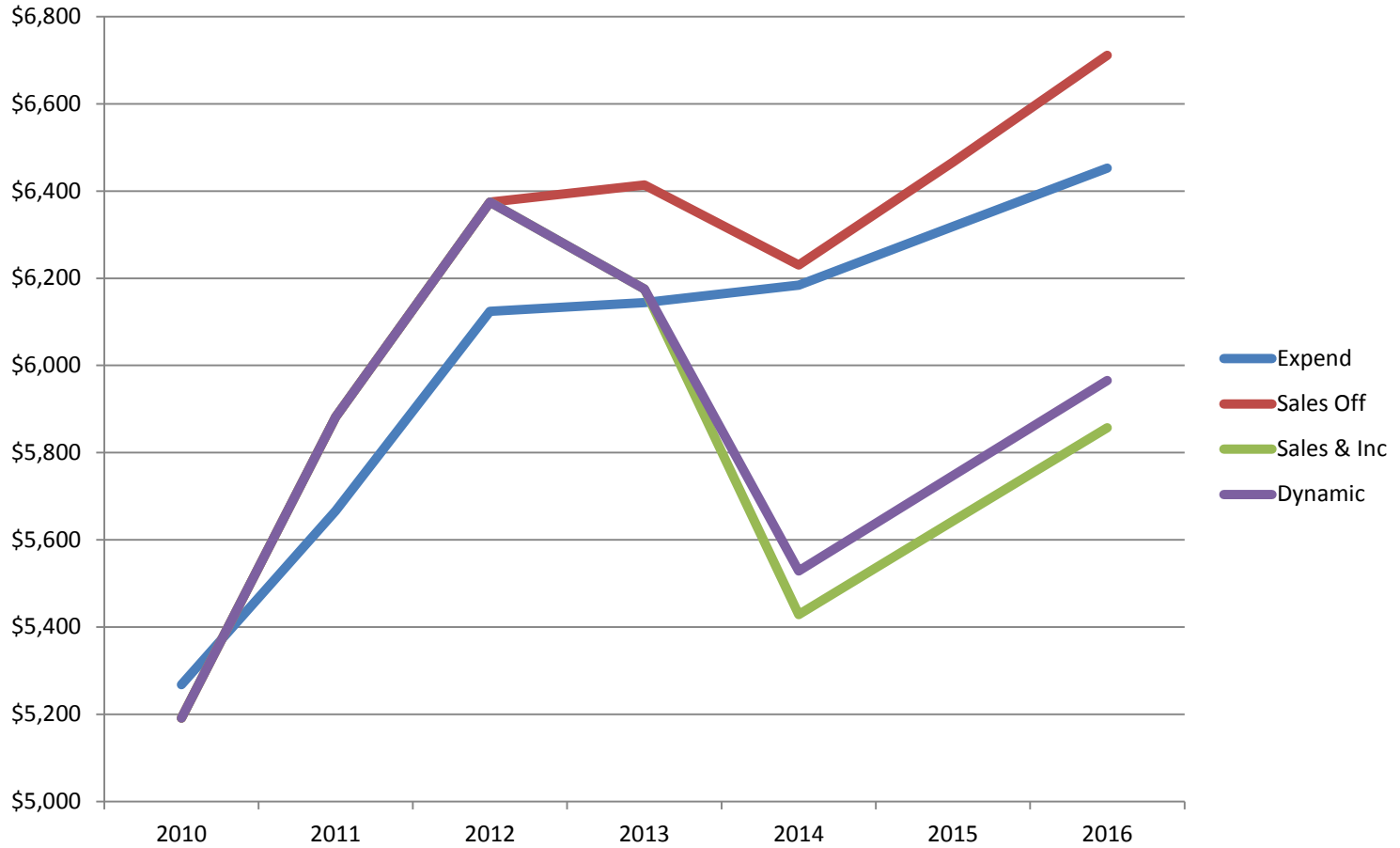
Source: KS Dept of Revenue

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)

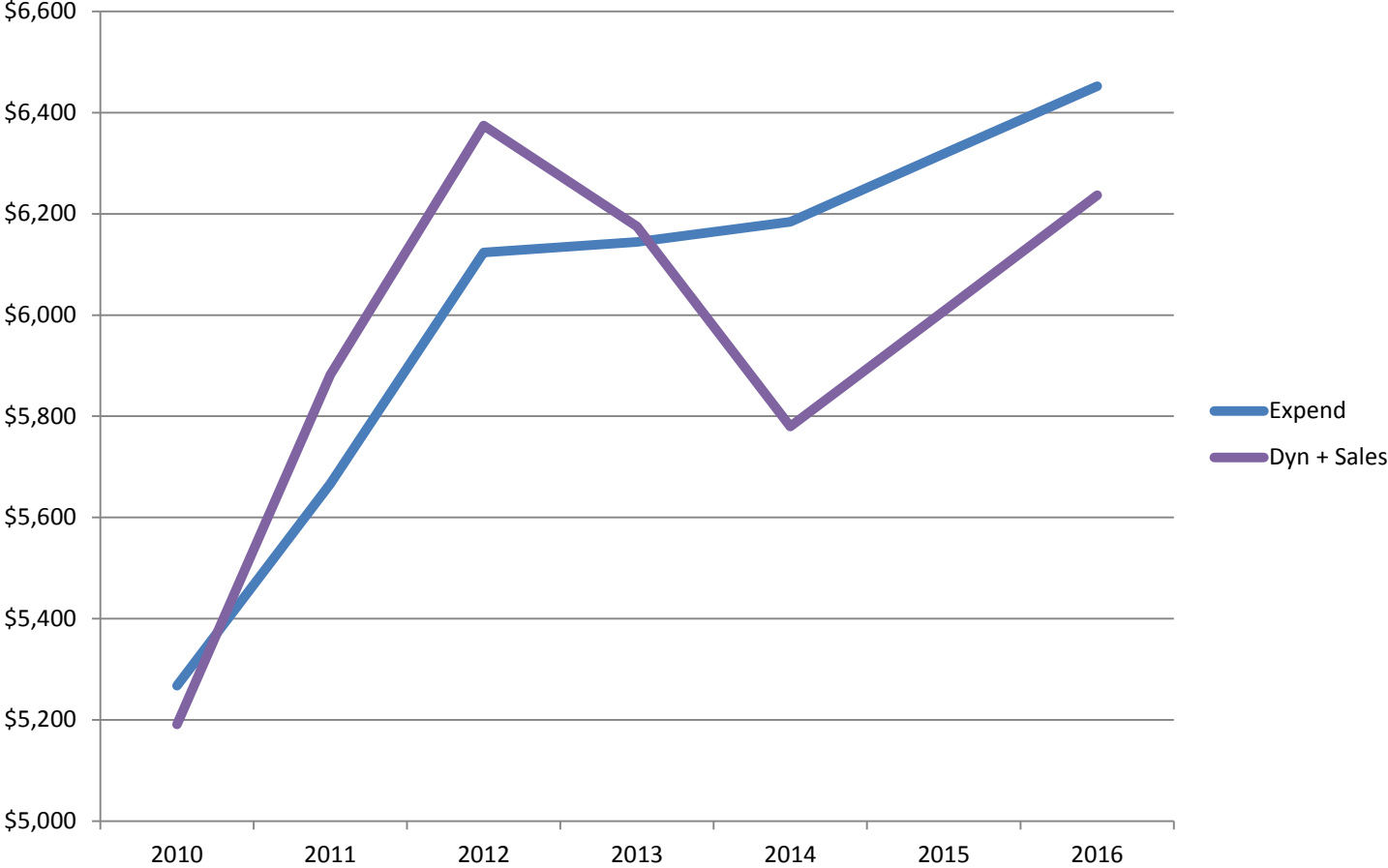


SGF: Current Projections Expenditures and Revenues



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?

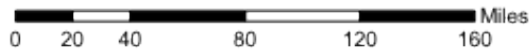
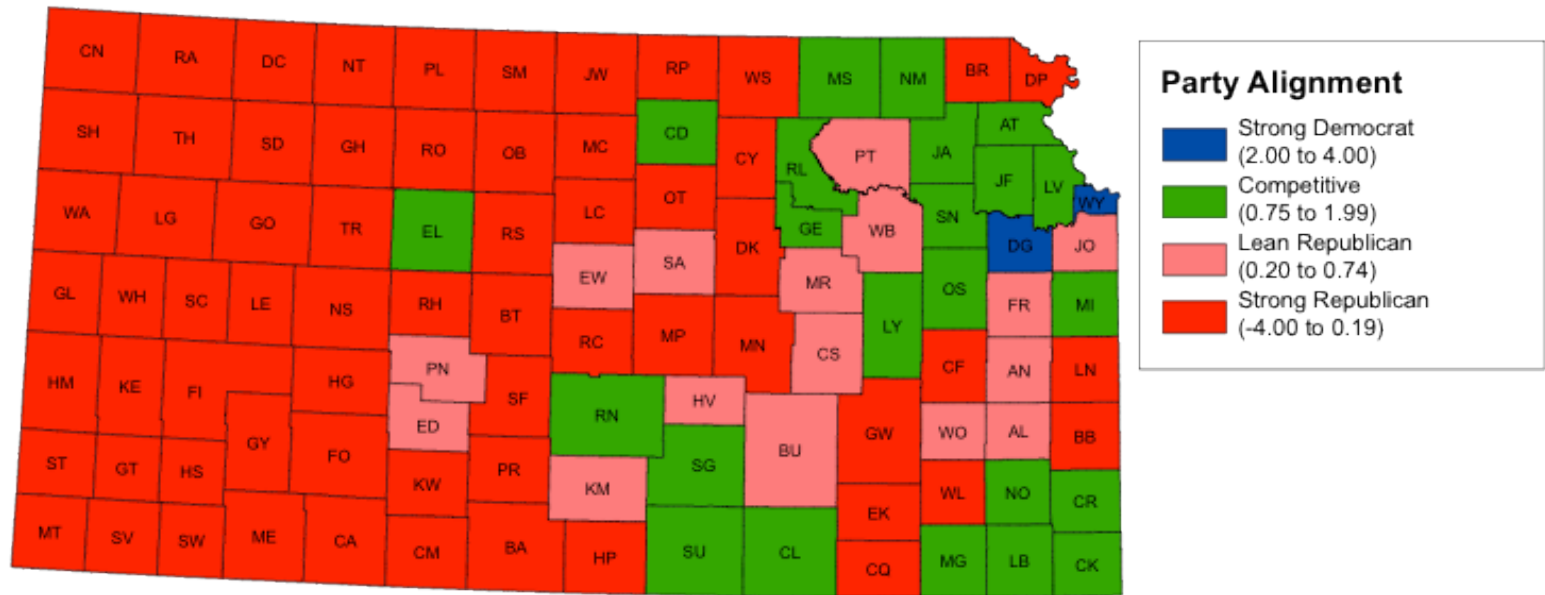
- The pendulum has swung to the ideological right
 - Determine level of taxation first, then right size government to match tax revenues
 - Privatization, competition, and profit lead to efficiency
 - Government power is appropriately used to enforce a conservative vision of social order
 - Responsible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



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