GUEST OPINION

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Is Iowa Legislature set to repeat mistakes of Kansas?

By Peter Fisher

It's likely that no one campaigned for the state Legislature this fall on a platform of cutting funding for education. Yet one of the first items on the agenda of many lawmakers would do exactly that.

Many propose a substantial income tax cut — the details yet to be offered — despite projections for another tight budget year. With education accounting for over half the state general fund, that would force cuts in education and other popular and important state services.

Many in the Legislature, as well as our Governor, have ties to the American Legislative Exchange Council (ALEC), a group that continues to push the widely discredited view that income tax cuts will pay for themselves through economic growth. The experience of Kansas should be a cautionary tale for all.

Kansas was supposed to be the poster child for ALEC's agenda. ALEC economists sold the Kansas Governor and Legislature on the idea that large income tax cuts would provide an "immediate and lasting boost" to the state economy. Unfortunately for the citizens of Kansas, the drastic cuts enacted in 2012 have been a disaster.

Instead of boosting the state economy, the tax cuts have had the opposite effect. The Kansas economy actually outperformed the U.S. economy in the 11 years before the tax cuts. But in the three years since (2013-2015), Kansas gross domestic product (GDP) grew at just one-tenth the rate of the nation as a whole. If we exclude the Wichita economy (as recommended by ALEC's own economists) because it is driven by the vagaries of the aircraft industry, the state still outperformed the nation before the tax cuts, and lagged the nation afterward: 1.2 percent vs. 5.9 percent cumulative national GDP growth in the most recent three years.

The jobs picture has been even more bleak. The state (outside of Wichita) outperformed the nation from 2001 through 2012. But from 2013 to 2016, with the tax cuts in place, Kansas nonfarm jobs grew just 2.2 percent, while national employment grew 6.0 percent. Furthermore, the state income tax cuts were supposed to stimulate new business development. Instead, the state's share of new business openings and employment actually declined after the tax cuts.

The harm to the state did not end there. The budget consequences have been devastating. Reserves have been completely depleted, emergency budget cuts enacted, pension fund contributions delayed, credit ratings downgraded three times. School children across the state have been sent home before the school year was scheduled to end because the districts ran out of money. The state is looking at an $800 million hole in next year's budget.

Many of those bearing the brunt of the public service cuts got a double whammy. Popular tax credits benefiting low and moderate income taxpayers were eliminated so that taxes on those earning less than $25,000 actually increased. Meanwhile, nearly $400 million — a majority of the income tax cuts — went to those with income over $250,000. (See Kansas Center for Economic Growth.) This reflects the actual but unstated ALEC agenda: to redistribute income from the bottom to the top.

After four years of this, the people of Kansas are fed up. In the recent election, they voted for candidates who favor rolling back much of the tax cutting and restoring adequate funding to state education. Let's hope the Iowa Legislature takes note of the Kansas experience, and saves Iowans from enduring another failed experiment promoted by the snake-oil salesmen at ALEC.

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