

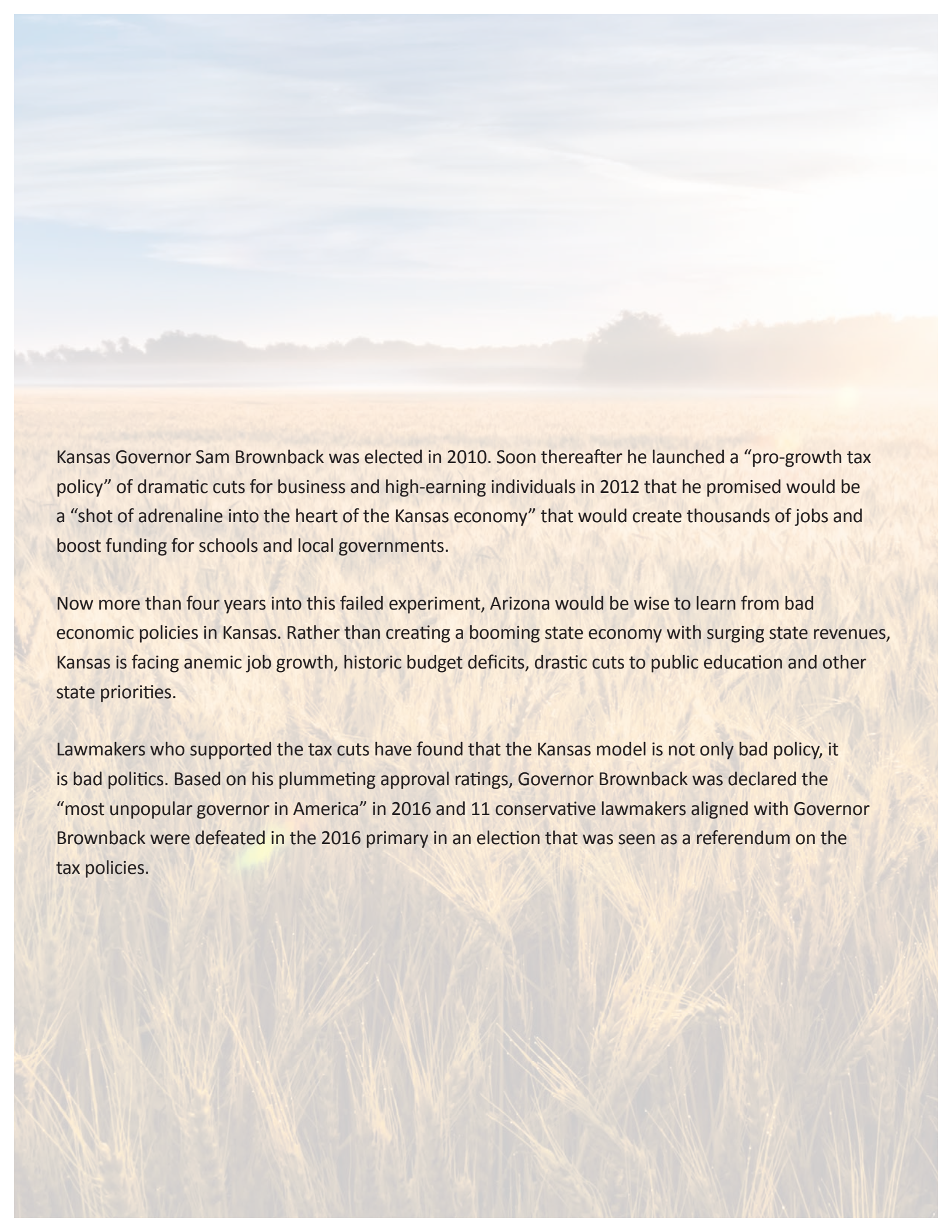


THE ARIZONA CENTER —FOR ECONOMIC PROGRESS—

JANUARY 2017



**KANSAS TAX
CUTS FAILED
TO SPUR
JOBS AND
ECONOMIC
GROWTH**



Kansas Governor Sam Brownback was elected in 2010. Soon thereafter he launched a “pro-growth tax policy” of dramatic cuts for business and high-earning individuals in 2012 that he promised would be a “shot of adrenaline into the heart of the Kansas economy” that would create thousands of jobs and boost funding for schools and local governments.

Now more than four years into this failed experiment, Arizona would be wise to learn from bad economic policies in Kansas. Rather than creating a booming state economy with surging state revenues, Kansas is facing anemic job growth, historic budget deficits, drastic cuts to public education and other state priorities.

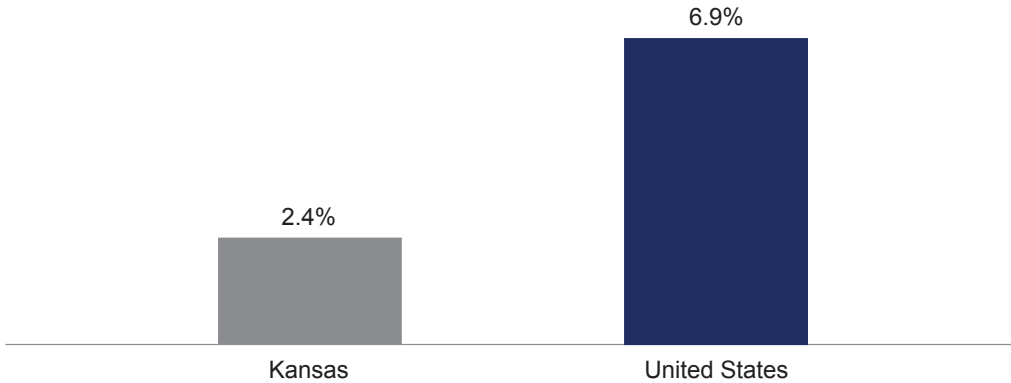
Lawmakers who supported the tax cuts have found that the Kansas model is not only bad policy, it is bad politics. Based on his plummeting approval ratings, Governor Brownback was declared the “most unpopular governor in America” in 2016 and 11 conservative lawmakers aligned with Governor Brownback were defeated in the 2016 primary in an election that was seen as a referendum on the tax policies.

HERE ARE SEVEN KEY RESULTS FROM THE KANSAS EXPERIENCE THAT ARIZONA SHOULD AVOID:

1. Tax cuts aren't improving Kansas' economy – job growth is slow.

Job growth in Kansas has lagged far behind the national average since the tax cuts

December 2012-July 2016

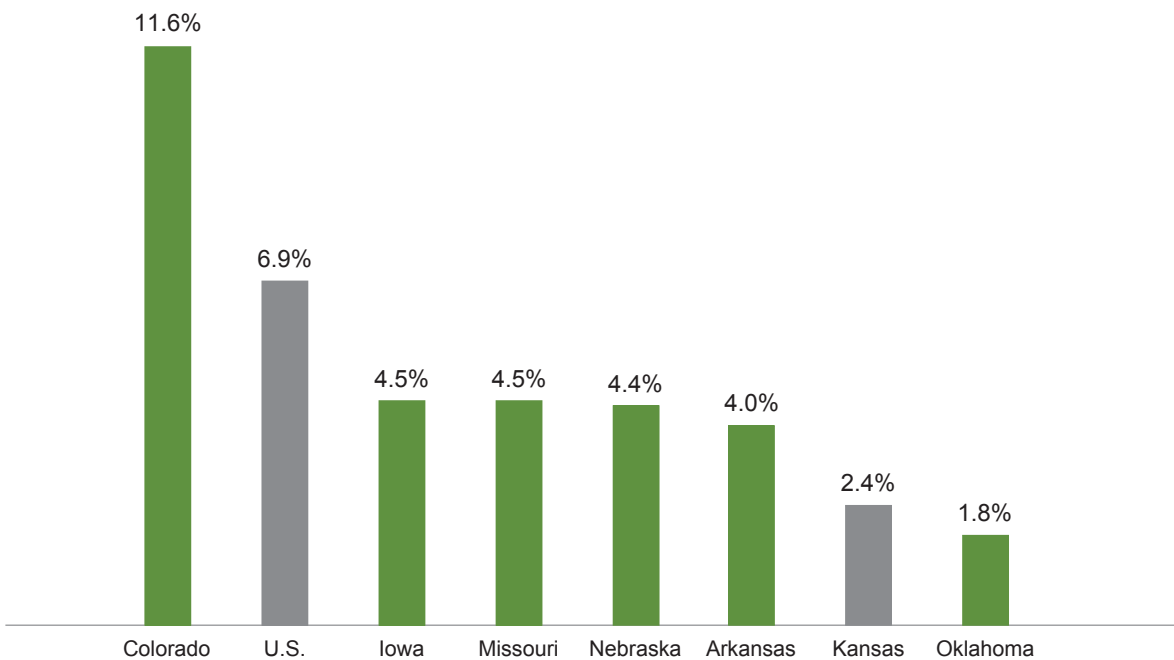


Source: United States Department of Labor, Bureau of Labor Statistics; State and Metro Area Employment, Hours & Earnings

2. Kansas lags behinds its neighbors in job growth.

Kansas is second to last in job growth in its six-state region

December 2012-July 2016

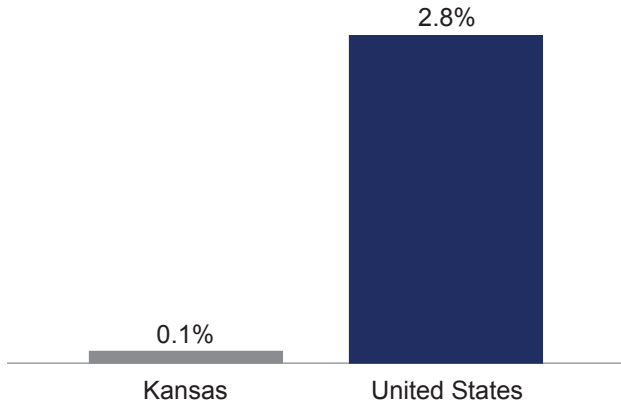


Source: United States Department of Labor, Bureau of Labor Statistics; State and Metro Area Employment, Hours & Earnings

3. Economic growth in Kansas lags behind the nation.

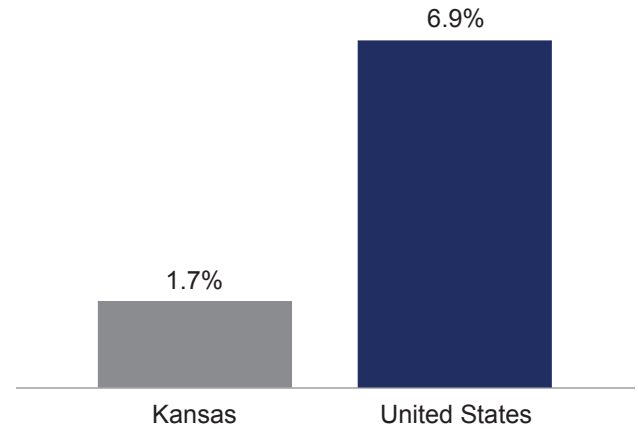
U.S. growth in real personal income per capita has far outpaced that of Kansas

2013 vs. 2014



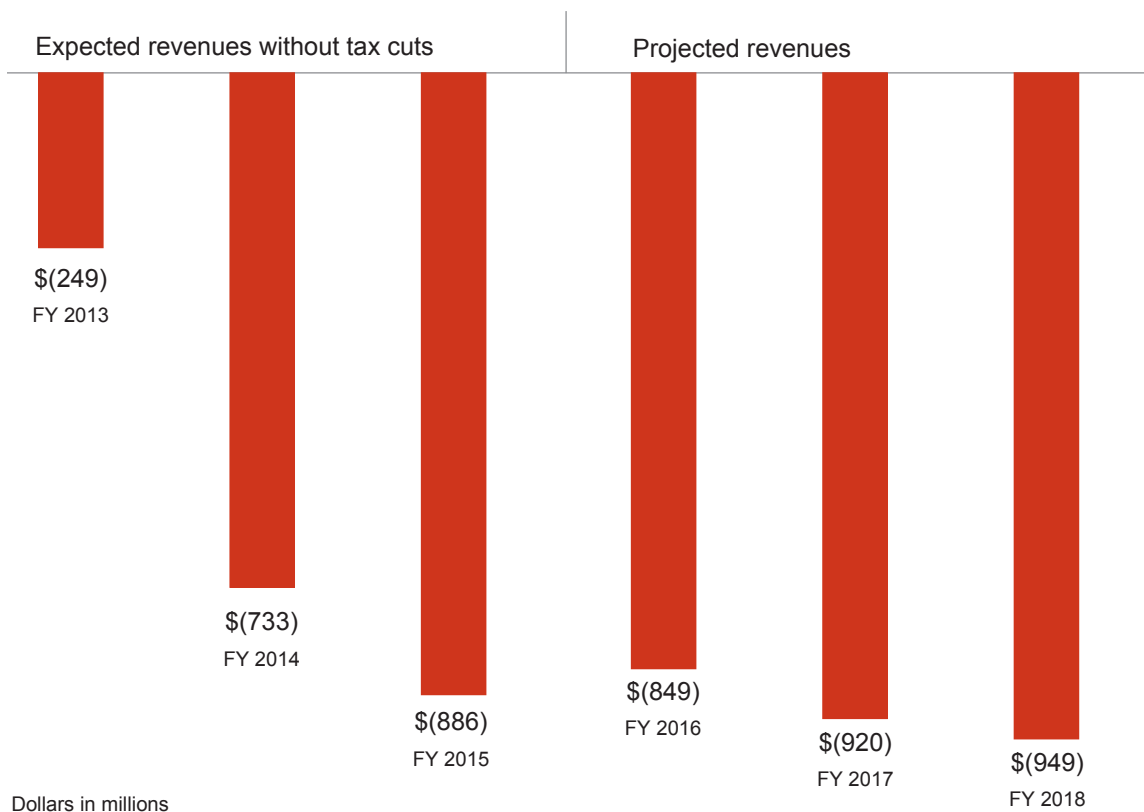
The national GDP has grown four times faster than the Kansas GDP

Fourth quarter of 2011 vs. first quarter of 2016



Source: Bureau of Economic Analysis, Real Personal Income

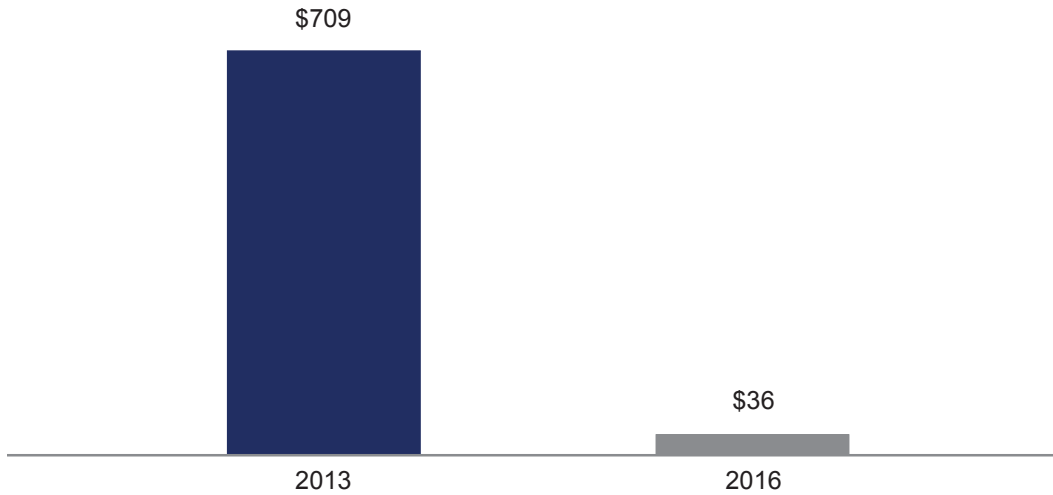
4. Kansas tax cuts sharply decreased tax revenues.



Dollars in millions

5. The tax cuts have wiped out Kansas' budget surplus.

In Kansas, \$700 million dollars in cash reserves gone since tax cuts



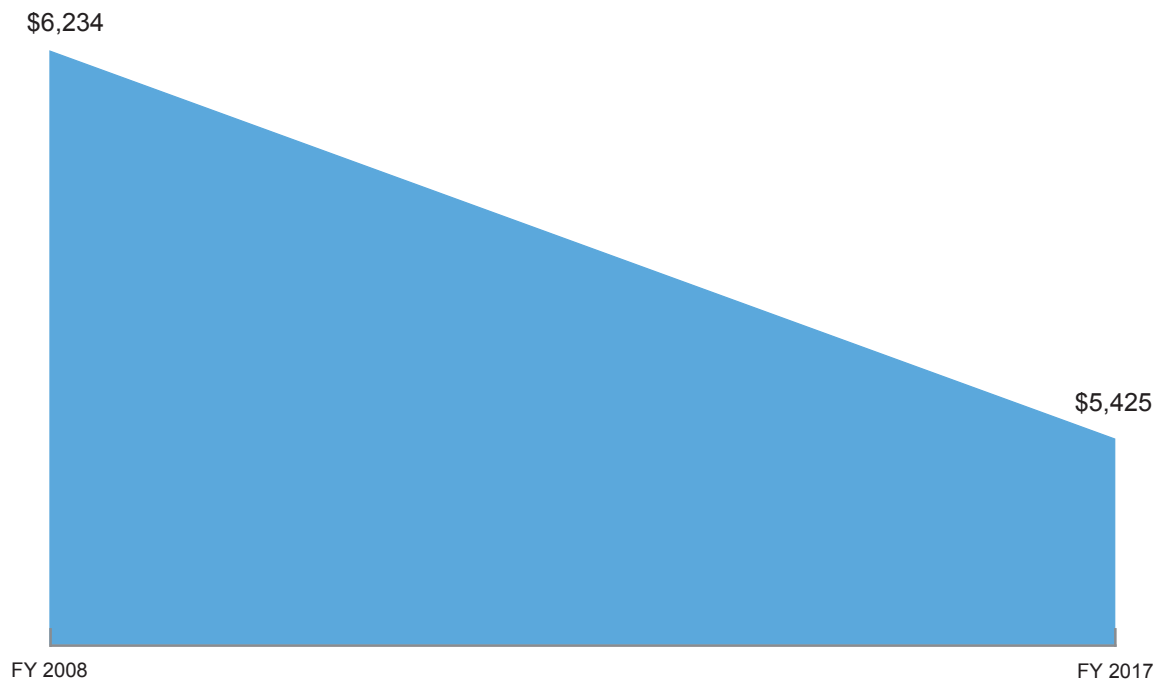
Dollars in millions

Source: *The Pew Charitable Trusts, Fiscal 50: State Trends and Analysis*

6. To pay for the tax cuts, Kansas has been forced to cut education spending.

Only three states had bigger drops in K-12 spending than Kansas

State general funding per student inflation adjusted, 2008-2017



Source: *After Nearly a Decade, School Investments Still Way Down in Some States; Center on Budget & Policy Priorities; October 20, 2016*

7. Budget deficit has widespread impact on kids and families.

- Significant cuts to Medicaid, childcare assistance and early childhood education
- Sales tax increase on food
- Eliminated the Child and Dependent Care and Refundable Grocery tax credits
- Major cuts to state support for libraries, local health services and neighborhood safety programs

Arizona Can Create a Better Recipe for Economic Growth Than Kansas

Arizona used to be a high tax state, but not anymore. In 1990, Arizona was ranked the 10th highest for state and local taxes as a percentage of personal income. Due to the steady stream of tax cuts since then, Arizona now ranks 37th.

State and Local Taxes as a Percent of Statewide Income	
United States	9.9%
Arizona	8.8%

Source: Tax Foundation; State-Local Tax Burden Rankings FY 2012, taxfoundation.org/article/state-local-tax-burden-rankings-fy-2012

With an already low, competitive tax structure, Arizona should look to the other ingredients needed for its recipe for economic growth. Arizona business leaders say the best way to create jobs and economic growth is to invest in public education and build a quality workforce.

Alliance Bank Arizona – 2016 CEO Outlook Key Findings	
#1 Business Challenge	Education System and Workforce
#1 Issue State Government Should Address	K-12 Education
#1 Issue Local Government Should Address	K-12 Education
#1 Action State Government Could do to Improve Business Climate	Increase K-12 Funding

Based on 2016 poll of 400 C-suite executives from throughout Arizona

ARIZONA CENTER FOR ECONOMIC PROGRESS

The Arizona Center for Economic Progress advances thoughtful analysis and effective solutions to raise the economic power of all Arizonans with good jobs and strong communities and the policies that create them. We engage a diverse group of partners toward a long term plan that includes great education, balanced tax and budget policies, and robust infrastructure.

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