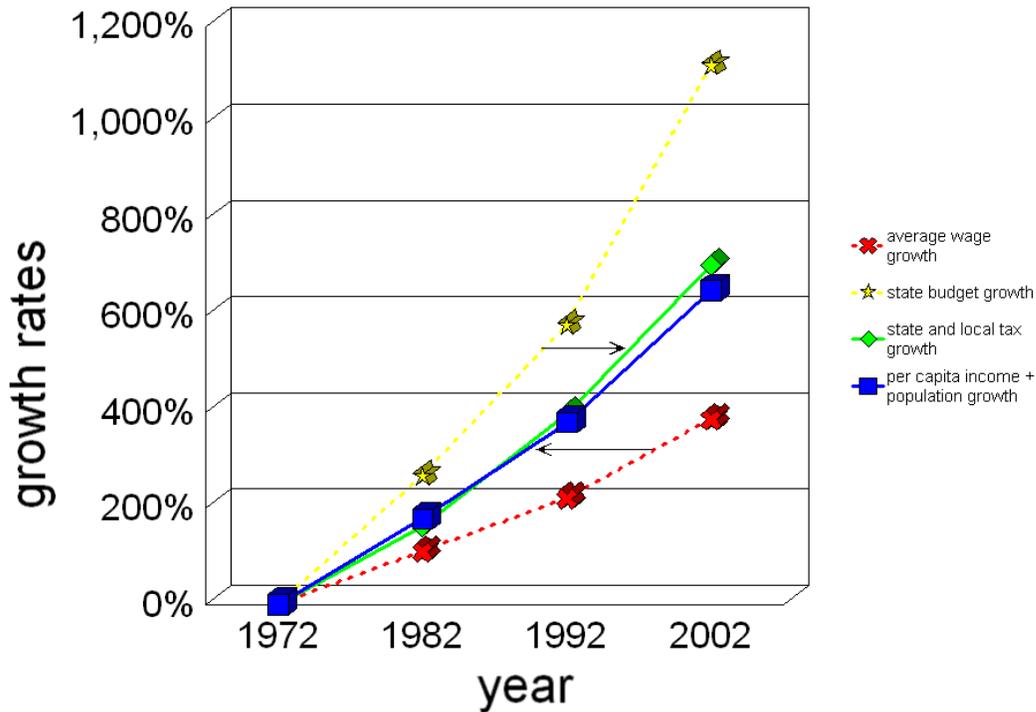


## Kansas Taxes and Wage Growth: Here's the REAL Story



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Revised October 20, 2005

A chart being circulated by Kansas State Representative Brenda Landwehr (R-Wichita) purportedly shows that Kansas state taxes and expenditures are out of control.<sup>4</sup> In fact, it shows no such thing. Here's why.

The original chart makes the comparison indicated by the dotted lines on the graph. It shows the Kansas state budget (the yellow stars) growing much faster than average wages (the red x's). That's irrelevant--it's like comparing apples and oranges.

1. Growth of the state budget was especially rapid during 1972-2002 for two important reasons: the state took over the major burden of taxation for public schools from local government, and at the same time there was an explosive growth in state Medicare and Medicaid payments (which are substantially reimbursed by federal government). Taxpayers are interested in the total tax

burden, both local and state. The shift in taxes from the local to state level resulted in *lower* local taxes and *higher* state taxes. Growth of state plus local taxes (shown by green diamonds), was much lower than budget growth (yellow stars).<sup>5</sup>

2. Growth in average wages is a misleading basis for comparison because it greatly understates growth in the tax base. It leaves out the following facts: population was growing, and more people were working, and non-wage income was growing. After you correct for all three factors you get income plus population growth (the blue squares), which is much higher than wage growth (the red x's).
3. In fact, the solid lines showing tax burden (blue squares) and state income (green diamonds) are very close to each other, meaning that Kansas taxes went up at about the same rate as ability to pay. The alleged “out of control budget” is a mirage.
4. Just to compound the error, Landwehr’s chart shows all of the comparisons in dollars that weren’t corrected for inflation. That makes all four lines look like they’re growing explosively. In real terms, the growth rates were fairly moderate.

As it turns out, the ratio of Kansas tax revenues to state income has been substantially stable ever since World War II.<sup>6</sup> There is no crisis. Here are some of the data.

#### **Kansas Tax Revenues as a Share of Personal Income**

	1930	1990	2000
State	2.6%	6.6%	6.9%
Local	8.3%	4.9%	4.2%
Total	10.9%	11.5%	11.1%

So what look like hard facts turn out to be debater’s tricks, unrelated to the realities of public finance. The misleading chart was created to support a campaign to cut government services by means of a “TABOR” amendment to the Kansas Constitution.. This kind of deceptive argumentation undercuts the credibility of the campaign.

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<sup>1</sup> Helpful suggestions and comments were received from Gray Brunk, Bill Campsey, Mary Davidson, Mohamed El-Hodiri, Paul Fairchild, Diane Gjerstad, Jeanne Klein, Joshua Rosenbloom, and Kendall Simmons. Any opinions expressed here are solely those of the author.

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<sup>3</sup> Ad Astra Institute supports policy research that employs objective and competent methodology. Ad Astra Institute does not endorse specific findings or recommendations.

<sup>4</sup> Landwehr has circulated a chart prepared for her by the Kansas Department of Legislative Research, titled “Why Kansas Needs a Taxpayers Bill of Rights – State Government Spending Grow [sic] 3 time [sic] faster than Kansan’s [sic] Wages!!”. The title is presumably by Landwehr and not by Legislative Research.

<sup>5</sup> DATA SOURCES: the yellow stars and red x’s come directly from Landwehr’s chart. (The red x’s [average wage growth] appear to be based on the Bureau of Labor Statistics state wage series. The yellow stars [state budget growth] apparently came from the Kansas Department of Legislative Research.) The green diamonds [state personal income growth] comes from the Bureau of Economic Analysis. The blue squares [growth in state and local taxes paid by Kansans] was inferred from the Tax Foundation’s series of tax burden by taxpayer’s residence, using state personal income.

<sup>6</sup> Generally within half a percentage point of 11%. However it reached 14.6% at the end of the Great Depression. It has been substantially lower ever since. See Table XIII in *Kansas Tax Facts, Seventh Edition*, Department of Legislative Research.