

Federal spending imperative to rural Kansas

Kansas politicians routinely denounce out of control spending by Washington and call for a reduction of government.

The reality of federal spending is more complicated, however, as federal money contributes in significant ways to the economy of Kansas and McPherson County, with almost \$6,000 per person in federal money flowing into McPherson County annually. If taken as a percentage of income, federal money would account for about 18 percent of income for the average McPherson County resident.

The Numbers

The Census Bureau keeps detailed databases on federal money, accessible at harvester.census.gov/cffr. This information shows where federal money is going and programs funding is being spent on.

For example, in 2008, \$170 million in federal expenditures and obligations flowed into McPherson County. Added with other assistance, McPherson County received a total of \$260 million in federal money.

That's \$5,915 of federal expenditures per person in McPherson County in 2008. By comparison, Johnson County, the most populous county in Kansas, received \$4,327 of federal expenditure per person in 2008.

Medicare paid out \$16.6 million in hospital insurance and \$19.9 million in supplemental insurance in 2008 in McPherson County or \$1,267 per person.

Social Security retirement benefits account for a large portion of the money in McPherson County, at \$53 million. That's \$10,478 per each person age 65 and older in McPherson County and higher than the state average, which is \$10,143 per person age 65 and older.

More money, however, was given out for crop insurance than Social Security retirement benefits. A total of \$54 million was paid in crop insurance in 2008. That amount is higher than usual, though. In 2007, a total of \$36 million was paid out.

In addition to crop insurance, area agriculture also benefits from federal farm subsidies. In 2009, \$883 million in subsidies was paid to Kansas farmers and agribusinesses, according to the Environmental Working Group (EWG), a lobbying organization that maintains a database of public information on USDA subsidies.

From 1995-2009, the 1st Congressional District in Kansas ranked second in the nation in receiving farm subsidy money, at \$8.8 billion over the past 14 years, and is only \$2 million away from being first in the nation.

In 2009, the 1st Congressional District ranked third, with \$349.8 million doled out in farm subsidies.

McPherson County, while ranking 27th in Kansas counties receiving subsidies, still took in \$11.3 million in 2009.

In McPherson County, of the top 20 recipients of subsidies in 2009, 13 were individuals, three were businesses and four were trusts. The largest amount was \$74,736. The second highest was \$49,168. The database shows 2,103 recipients in McPherson County in 2009.

However, from 1995-2009, the highest recipient of subsidies in the 67460 zip code was not a farmer or agribusiness, it was McPherson College. Over a 14-year period, the college has received \$1.2 million in subsidies.

Shane Netherton, McPherson College Vice President of Finance, said the college owns several farms as part of its endowment and therefore see payments as part of farm operations.

The stimulus bill has also sent millions of dollars into McPherson County, much of it spent on the K61 Highway project. According to recovery.gov, \$39 million has gone into the 67460 zipcode, almost all of it in the form of grants.

The stimulus money, a one-time inflow of additional funds, is the equivalent of 21 percent of federal money in McPherson County in 2008.

The Problem of Cuts

On the campaign trail, candidates have indicated a clear desire to cut federal spending. These candidates have mostly focused their rhetoric on the need to end government bailouts and stimulus and reduce wasteful spending and earmarks.

Ending stimulus and bailout programs and cutting waste will not, however, substantially alter the country's long-term deficit, given that stimulus and bailout programs, while adding to the national debt, do not permanently increase the nation's yearly deficit. Social security, on the other hand, paid out \$387 billion in 2008 and pay outs are expected to increase as baby boomers retire.

When asked for statements on federal spending, no candidate called for cutting or eliminating any specific government program, other than calling for the repeal of the new healthcare law. Candidates instead gave broad statements about the need to cut waste and the growth in government.

"The problem in Washington right now is that the federal government is too large and is growing at rates that are going to further wreck our economy. Government waste, abuse and duplicity needs to be addressed in all areas of government; and wasteful stimulus spending, failed bailout policies and the nationalized healthcare law have put us in debt beyond levels ever experienced in our history as a nation. That's why Congressman Tiahrt has introduced multiple proposals to repeal the stimulus, end the bailouts and de-fund Obamacare," Rep. Todd Tiahrt's congressional office said in a statement in response to a question about spending.

According to the non-partisan investigative journalism site ProPublica, there have not been any new bailouts since 2009, when Bank of America received \$45 billion.

In a statement, Rep. Jerry Moran did not specify cuts he would make to any specific program but did write that he has sponsored legislation that would have required Congress to produce a balanced budget each year.

"Kansas families and businesses struggle to balance their budgets and live within their means; Congress should do the same," a Moran statement said.

Congressional candidate Tracey Mann echoed Tiahrt's statement on spending.

"We must reduce spending to get our country back on track. The Federal government should not spend money bailing out private companies or banks that have made bad decisions. We should also stop allocating money toward stimulus bills that grow the size of government but do little to grow our economy," Mann's campaign said.

"Additionally, we should eliminate earmarks. Earmarks are the gateway to Washington's spending addiction. The Federal government should audit all Federal departments and agencies to make sure that taxpayer money is being used wisely and efficiently and should reform the 'use it or lose it' policy that causes end of budget year spending sprees on non essential items."

Moran also wrote that he supported an earmark ban as well.

McPherson received \$142,500 in earmark money in 2009, which went to the Opera House.

Wichita State Professor H. Edward Flentje argued in a column distributed to Kansas media that politicians' words on spending and reality do not match and that federal spending is actually essential to the health of Kansas and especially rural Kansas.

"The instinctive response of most Kansans (to federal spending) would likely be an emphatic: CUT SPENDING!! And most candidates on the campaign trail would give a hearty salute. Such reactions, however, may not reflect an appreciation of the impact of governmental spending on the Kansas economy and most importantly its disproportionate impact on the rural economy of Kansas," Flentje wrote.

Earlier this summer, the Federal Reserve Bank of Kansas City released a report, "Rural America's Fiscal Challenge," outlining the difficulties cuts in government spending could pose for rural areas.

The report found that many individuals rely on state and local government for jobs and on Medicaid and other programs for income. Because of this, rural economies are vulnerable to budget shortfalls at the state and local level that could result from cuts in revenue.

Any possible cuts to Medicaid are a major threat to rural communities, the report asserted.

"Cuts in Medicaid spending could have dramatic impacts on rural incomes. Over the past decade, government transfers to individuals (Social Security, Medicare, and Medicaid) have accounted for a rising share of rural incomes," the report states. "According to the Census Bureau, Medicaid spending alone accounted for more than 4 percent of personal income in rural communities in 2008, compared to roughly 2.7 percent in metro areas."

Rural communities also rely on government to provide more jobs than metro areas.

"State and local governments account for a larger share of rural employment and earnings than in metro areas. By 2008, state and local governments accounted for 14 percent of rural employment and 18 percent of rural earnings compared to roughly 10 percent of each in metro areas," the report states.

Flentje also wrote that rural areas were larger beneficiaries of federal money than metropolitan areas.

"In 2008, before any 'stimulus' funding arrived, over \$25 billion flowed from the U.S. Treasury into Kansas, representing 23 percent of all personal income in Kansas for that year. In other words, nearly one in every four dollars in the Kansas economy came from federal spending, big ticket items such as social security, Medicare, Medicaid, agricultural supports, and roads, plus an array of smaller tickets," Flentje wrote. "If the five largest counties (Douglas, Johnson, Sedgwick, Shawnee, and Wyandotte) are removed from the calculation, 31 percent of all personal income in the remaining 100 Kansas counties is tied to federal spending, just short of one in every three dollars in the state's rural economy."

Solutions

The Federal Reserve report doesn't give any easy solutions to the problem of dealing with budget shortfalls. The report said rural governments have three options for dealing with falls in revenue: raising taxes, reducing spending by cutting services or becoming more efficient in delivering services.

"Some local governments have also imposed or raised local income taxes, sales taxes or fees for services to spur revenue gains. These higher tax rates, however often reduce economic activity, leading to lower tax revenues than expected," the report states.

On the two largest sources of federal funding for McPherson County, Social Security benefits and crop insurance, Tiahrt's office ruled out cuts.

Tiahrt said \$300 million was cut from direct payments and \$6 billion from crop insurance, two programs, he said benefited Kansas farmers the most. His statement also said that the Farm Bill had been a mixed bag for Kansas with provisions that would be harmful to farmers in the long run.

On farm subsidies, Moran wrote that a safety net must be maintained.

"Ensuring the Kansas agriculture industry remains strong is not only in Kansas' best interest, but it is in the nation's best interest and key to our national security. To do that, Congress must maintain a safety net that will give farmers and ranchers the opportunity for success. That safety net should be market oriented and allow producers the flexibility to make their own management decisions," Moran's statement said.

On Social Security, Tiahrt's said he did not favor changing Medicare or Social Security benefit levels, but did suggest that both programs need administrative reforms.

"It is not right to suddenly reduce benefits from those who worked hard and paid into the system," Tiahrt said.

Mann did not support a decrease in benefit levels, either, writing that other alternatives must be examined before raising the retirement age. He also called for personal responsibility in saving and giving individuals age 55 and younger the ability to place some of their tax money into private retirement accounts. Mann also ruled out raising taxes to pay for Social Security.

Moran also did not support a decrease in benefit levels, but did favor a restriction on how the government could use funds in the Social Security trust fund.

"I am a sponsor of H.R. 219, the Social Security Preservation Act, legislation that would prevent the federal government from spending funds dedicated to Social Security beneficiaries on other programs," Moran's statement said.

First Congressional candidate and current Kansas Senator Jim Barnett wrote that consensus was needed to address issues with Social Security.

"We need a solution that addresses the problem. We cannot do that as Republicans or Democrats. We have to do it as Americans," a Barnett statement said.

Other candidates, like Tim Huelskamp, have also ruled out new taxes or tax increases. Huelskamp's campaign commercials feature the slogan "no new taxes."

The candidate's answers reflect the American public's view on spending cuts, according to a survey conducted by The Economist magazine.

According to the survey, 71 percent of Americans favored cutting foreign aid. Foreign aid, however, comprises less than 1 percent of the nation's total spending.

Cutting Social Security, one of the nation's largest obligations, in contrast, was only supported by 7 percent of respondents.

Given that Americans value the benefits of federal money in programs like Social Security, yet are faced with long-term problems of debt and deficit, citizens and governmental leaders will be forced to make tough choices in the years ahead.

Already the city of McPherson faces a tough choice in a local issue, when voters will decide on Tuesday whether to approve a new half-cent sales tax to pay for road and infrastructure maintenance.

That kind of choice, between government services and taxes, is a decision being negotiated all over the country, at all levels of government. And it's the kind of decision no one, including McPherson, will be able to escape.