

## Governor Laura Kelly's 2024 State of the State

### *Remarks as Prepared for Delivery*

Mr. Speaker...Mr. President...Madam Chief Justice and the entire Kansas Supreme Court...members of my Cabinet...leaders of the Kansas tribes...and all the constitutional officers and legislators assembled – it is an honor to speak with you tonight.

It is also my honor to welcome Lieutenant Governor David Toland and his family: his wife Beth, and their children Caroline and William.

This time last year, I stood here and reviewed the tremendous turnaround our state had made in just four years: Four straight years of balanced budgets...four straight years of fully funding schools...landing the largest economic development project in the history of our state. I declared the state of our state to be very strong.

And, while achieving excellence is hard...sustaining that excellence is even harder. Yet that's exactly what we've done, together.

Last year, Kansas attracted more business investment per capita than any other state in the country. This year, Kansas is #1 – again.

Two years ago, thanks to that influx of new jobs, we hit record-low unemployment rates. So we encouraged more Kansans to join the labor force, and gave them the tools and training they needed. Now, there are more Kansans working than ever before.

We closed the 'Bank of KDOT,' ensuring that infrastructure dollars were actually used for roads, bridges, trains, and broadband. This year alone, my administration worked on 450 infrastructure projects – and we connected another 9,000 homes and businesses to high-speed internet.

We made record investments to repair our foster care system, keep families together, and improve mental health access. The work has paid off. Today, there are fewer children entering our foster care system than at any point in our state's recorded history.

We passed \$1 billion of tax cuts for families, for veterans, for homeowners, for farmers and ranchers. **That's 1 billion dollars** in tax cuts.

Then, we came together – Republicans and Democrats – to do even more: **we axed the food tax.**

Just last week, we saw the food tax reduced again – putting an additional \$150 million dollars back into the pockets of Kansans.

Before we know it, the food tax won't exist at all. In 2025 – or, perhaps, even sooner – it will be totally axed, gone, never to be levied again.

I'm proud to stand here and tell you, without hesitation, that again, the **state of our state is strong.**

But ... I'm also here to tell you: **We're going to keep making it stronger.**

Now, it's not like we haven't made any mistakes. Like, when I thought I could design the new state license plate from my home computer...now *that* was a mistake.

When you make a mistake, you own it and then you fix it.

So, we did the right thing. We put the new designs to a vote of the people -- because in Kansas, when the people strongly support something, we listen to them and act accordingly. Right?

**Please...**hold that thought, I'll come back to it in a few minutes.

By listening to Kansans...by prioritizing fiscal responsibility and steady governance, we've built a solid foundation for our state. Now, we're positioned to look ahead to the future. To stop worrying about each monthly revenue report, and instead to dream big about the next year ... the next decade...the next century.

As we move Kansas forward, it's critical that we not lose sight of what makes our state unique. That we preserve what it means to be a Kansan...what's fundamental to our identity. **And that would be rural Kansas.**

Kansas is, at its heart, a small-town kind of state. One million people – a third of our population – live in communities with fewer than 40 people per square mile. The people who work in our state's most important industry don't wear suits; they wear boots and jeans. We pride ourselves on being salt-of-the-earth people who work hard but who always take time to look after our neighbors.

That's not to say our more urban centers aren't important – of course they are. But in so many ways, they depend upon our rural areas. They depend upon the crops grown in Western Kansas, the energy produced in Central Kansas, tourism on hunting grounds in Southeast Kansas. When rural Kansans are doing well, all Kansans do well.

That's why we've made empowering our rural communities a focal point of our administration. First, we created the Office of Rural Prosperity; then, we revived the Main Street Program to rebuild the downtowns of our small cities.

And thanks to Lieutenant Governor Toland and the Department of Commerce, more businesses are opening in small towns across our state.

Cherryvale recently secured a \$400 million-dollar soybean crushing plant. Near Colby, McCarty Family Farms will be cutting the ribbon on their dairy plant this spring. And in Wathena, Summit Truck Bodies will soon finish its facility expansion.

But, we know we still have issues to address. Small towns struggle to attract the workers they need. Safe, affordable housing is hard to come by, while property taxes continue to climb. Too many of our kids and grandkids move away from home in search of better opportunities; and, tragically, we're losing too many of our farmers and ranchers to suicide.

Many of you know this. Like me, you're talking all the time with Kansans who are worried about the future.

That future – the future of rural Kansas – is what I want to address this evening.

Because, as strong as we are as a state overall, if we're going to reach new heights, we can't just support growth in Overland Park, in Wichita, and in Lawrence. Garden City, Independence, and Goodland need our attention, too.

Tonight, I want to talk about five of the challenges facing rural communities and what we – as governor and as the legislature – can do to address them. These are not only my priorities for this upcoming session, but for the rest of my time in office... five areas in which we can create a better future for rural Kansas, and thus, for our state as a whole.

**Let's start with healthcare.** Simply put, our rural hospitals are not doing well. In just the past decade, eight have closed down – including Herington Hospital, which shut its doors in October after 104 years in operation. Soon after that, Ft. Scott lost its emergency room – a gut punch to a community already reeling from the loss of its hospital four years ago.

59 more Kansas hospitals are in jeopardy of following suit.

That's 59 out of 102 – more than half.

Because so many of our hospitals are hanging on by a thread, they're forced to increase costs for patients, to lay off healthcare and other essential workers, to stop offering important services. Then, counties often resort to raising property taxes in a last-ditch effort to keep those hospitals afloat...and, when that fails, Kansans must drive longer and longer distances for basic care.

So much of the problem boils down to one thing: far too many Kansans don't have health insurance. In particular, working Kansans who don't have employer-based insurance but who make too much money to qualify for our current Medicaid program. These are Kansans who work at the local hair salon or barbershop, who care for your elderly parent at the nursing home, who watch your kids so you can work.

Now, remember when I was talking about license plates, and what I said about listening to Kansans when they strongly support something?...Like when over 70% support something?

If you're listening, you know we're talking about the vast majority of Kansans who want Medicaid Expansion.

Support for Medicaid Expansion has grown by leaps and bounds. We've seen leaders in communities like Hays and Russell, sheriffs and faith leaders, farmers and ranchers, and a cross-section of business leaders, jump on the bandwagon.

But I've also heard the opposition's concerns about the cost and about fairness.

Last month, I proposed a bill that was crafted with their concerns in mind – the Cutting Healthcare Costs for All Kansans Act.

For those of you worried that Medicaid Expansion will allow “able-bodied adults” to scam the system – the bill includes a work requirement with commonsense exemptions for veterans, caregivers, students, and people with medical conditions.

For those concerned that county jails have been shouldering the cost for medical care for inmates, this ensures that they can instead put that money toward public safety.

And, for those concerned about cost, it’s revenue-neutral. It comes at no additional cost to taxpayers.

Once again. Health care coverage for 150,000 Kansans. Cost-savings for most everyone. We protect our rural hospitals. And Kansas taxpayers pay nothing extra?

That’s a deal just about anyone would take.

This should not be a partisan issue, and in fact, I believe that if the issue were put to a vote today, the majority of you in this chamber would support it. Yet there are some who are so adamantly opposed to expansion that they won’t even give you the opportunity to debate and to vote.

They dismiss the vast majority of Kansans who support Medicaid Expansion...

They stand by as states like California, New York, and every single one of our neighboring states take *our* federal tax dollars to support **their** hospitals and **their** economies...

They look away as rural, elderly citizens have to drive farther and farther for care – or just go without.

They say that Medicaid Expansion is not a silver bullet for our rural hospitals. You know what? I agree. Of course it’s not going to solve every challenge facing rural healthcare. But it’s a critical part of the solution. We can’t solve the problem without it.

At this point, not expanding Medicaid is akin to giving up on your rural hospitals, your rural communities, your rural constituents. I refuse to do that. And **you should too.**

The Cutting Healthcare Costs for All Kansans Act will be introduced in both chambers next week. Let’s stop ignoring our constituents and give this bill a hearing by Kansas Day. On the 163rd anniversary of our state entering the greatest democracy in the world, Kansans deserve a debate – and then a vote – on Medicaid Expansion.

Okay, so we’ve dealt with rural health care. Now let’s talk about saving our **rural public schools**. 90% of Kansas kids go to public school – and in rural areas, where there are hardly any private schools – that number’s closer to 100%.

When I first ran for office, I pledged to be the Education Governor. To make fixing our school system my number one focus.

It's what our state needed. It's what our rural communities needed.

Because several years back, when our state faced a severe budget crisis – it was our rural schools that took the hardest hit.

I'm proud now to report that this past year, my fifth year in office, was also the fifth straight year we came together as Republicans and Democrats to fully fund our public schools.

That consistent investment is paying off. Right now, our high school graduation rate is the highest it's ever been...more of our students are going on to college or getting work credentials than ever before...and the number of students needing remedial instruction has dropped dramatically.

I've said our state is back on track economically – it's also back on track academically.

Yet some want to turn us back, to reverse the progress we've made – by diverting public education dollars to private schools, or flat out stripping rural schools of the funds they need to stay open.

**So tonight, let me be crystal clear: I will not let that happen.**

I will continue to reject vouchers and any attempt to send public education dollars to private schools.

Vouchers will crush our rural schools, plain and simple.

Our teachers don't support vouchers.

Our local officials don't support vouchers.

And Kansans don't support vouchers.

Believe me, if you represent a rural area and you're out there pushing for vouchers, you'll be hearing from parents back home – wondering why you've turned your back on their schools, and why you've prioritized private schools **hundreds** of miles away.

Last session, I brought out my veto pen to protect our rural schools that were facing massive and immediate funding cuts.

The district facing the largest cut was USD 225, in Fowler. You'll find Fowler on the drive between Liberal and Dodge City – it calls itself “a small town with a big heart.”

You know, if I had not line-item vetoed the school funding bill last year, Fowler's budget would have been cut by 25%. And that district would have closed.

And it's not just the school district that would have suffered, it's the entire town that would have suffered. In recent years, Fowler Schools has become more – not less – essential to its community.

Fowler has transformed unused space in its high school into a business incubator, spurring entrepreneurship. It also started its own daycare center, allowing parents to participate in the workforce.

If USD 225 were to close its doors completely, it wouldn't just shut down classrooms...it would shut down businesses.

But even more than that, the loss of local schools would mean the loss of a special way of life, going right at the heart of what it means to live in a small town. When kids have to take the bus to another town, miles away ... you lose those grocery store run-ins with your kids' teachers ... you lose the bake sales, you lose the school plays, and you lose so much of what makes rural towns like Fowler special.

But the town of Fowler isn't letting that happen. Fowler is fighting to protect its way of life.

And tonight, I want to recognize the people who have led those efforts: Superintendent Jamie Wetig and School Board President TJ Milford. Jamie and TJ, please stand to be recognized.

TJ and Jamie, like so many other educators across Kansas, are fighting for our rural schools, fighting for their communities. **We must join them in that fight.**

That's why, for the 6th year in a row, my budget will fully fund Kansas schools.

It's also why my budget will put Kansas on track to fully fund special education.

Right now, because we're not funding special education at the statutorily required amount, schools end up diverting funds from other areas, impacting students across the board.

The idea that any Kansas school wouldn't have the resources to educate students with special needs – that should be deeply upsetting to all of us.

So let's do something about it. Our schools must be able to educate ALL of our children.

That also means our very youngest children.

We can't wait until kindergarten to start setting up our kids for a strong future. Children's experiences from birth to 5 determine the trajectory of their entire lives, from social development to academic achievement to career success.

That is why I'm so focused on **early childhood**. In my budget tomorrow, I'll be proposing the largest single-year investment ever made in our state's early childhood system.

A large part of that investment will go toward solving our state's child care shortage. Over half of Kansas families in search of child care cannot find an open slot – forcing many parents to quit their jobs. And the shortages are worst in our rural areas.

That's bad for our children, stressful for our parents, and, at a time when every business is desperate for workers, it slows down our economy.

We've begun to chip away at the need. Between May of 2022 and August of 2023, we've added more than 6,800 child care slots across the state. We also provided tax credits to make it easier for businesses to provide child care for their employees.

But we still have so much more to do.

We need to eliminate the red tape that makes it difficult for families and child care providers to access services.

Right now, if a daycare center wants to set up shop, it must work with one state agency to get licensed, another to receive workforce support, and a third to get funding. There are too many barriers, too many portals, too much hassle. We need to fix it.

Last year, I created a task force charged with streamlining our early childhood services into a single entity.

The task force met throughout the year and presented their recommendations last month.

Tonight, I'm building on their plan and calling for all early childhood services to be put under one roof – the "Office of Early Childhood."

Soon, I'll be putting forward a bill to consolidate those services, creating a one-stop-shop for young families, childcare providers, and businesses.

I know many of you are also passionate about improving our early childhood system. We have an opportunity this year to work together to make government more efficient and more effective, and to address a major problem for Kansas families.

Now, we are able to make such important investments in our schools and early childhood system because we've grown our economy and managed the state in a fiscally responsible manner.

Here in Kansas, instead of having to cut funding for essential services like other states are experiencing, we are not only able to increase investments, we can also address my next priority: the far-too-high cost of living.

As I said earlier, we've cut taxes for Kansans – by over one billion dollars in total.

But with so many working families still struggling, all of us can agree that we need to cut taxes again.

We must get that money back into Kansans' pockets – and we will – in a fiscally responsible and targeted way. In a way that doesn't threaten progress on all the other issues Kansans care about – our schools, our roads, foster care, and public safety.

And unfortunately, that's exactly what one proposal – the flat tax – would do.

The flat tax came up last year, and I expect it'll come up again this year, despite the fact that it only benefits the super wealthy while doing little to nothing for working, middle class Kansans.

You know, Arizona legislators passed a flat tax in 2021. And now, they're facing a very significant budget shortfall. Guess where they're turning for cuts? Their public schools, their law enforcement, and their infrastructure.

We have been down that road before – and we can't go back. Not back to Brownback, not back to four-day school weeks. Not back to crumbling roads, falling down bridges, all because some politicians want to push through another reckless tax experiment.

On Monday, I joined Republican and Democrat legislators to propose a responsible, comprehensive, and affordable plan that benefits every Kansan.

It starts by doing what we should have done in the first place: Completely eliminate the grocery tax on food. No waiting until 2025 – we owe it to Kansans to do it now.

Next, we need to provide relief for our retirees – something I know is of the utmost importance to many of us here. Our seniors have worked hard their entire lives, paying into Social Security so that they can enjoy a reasonable retirement.

Their next chapter in life shouldn't be spent worrying about how they'll afford essential medications or whether they can put food on the table.

So tonight, we're proposing to completely eliminate state taxes on Social Security altogether.

But even more than Social Security, the tax hurting our seniors most is property tax. The reality is, as we see property values skyrocket in both rural and urban areas, elderly Kansans worry that they'll be priced out of their homes – the homes where they raised their kids, built their lives, and made precious memories.

That's exactly what's happening in Iola, Kansas. Mary Kay and David Heard have lived there for nearly their entire lives, running the local Western Auto Store and raising their three kids.

They retired in 2009, but they've remained committed members of the community, supporting small businesses and the local hospital. But despite their work, they've watched as Iola's population has slowly declined, in part because their neighbors and friends are being overwhelmed by property taxes.

To grow our population in rural areas, we can't drive away the families who sustain our communities. That's why I'm calling on the legislature to raise the residential statewide property tax exemption from \$42,000 to \$100,000. It would provide folks like Mary Kay and David relief every year – and for 370,000 Kansas families, it would wipe out all or almost all of their state property tax bill.

**That's a property tax cut for 370,000 Kansas families.**



Mary Kay and David are here tonight. Would you both please stand and be recognized, representing the thousands of Kansans who would benefit from property tax relief?

I said the plan was comprehensive, and it is. In addition to taking on property taxes, to making life more affordable for our seniors ... it also creates a back-to-school sales tax holiday...it increases the standard deduction so Kansans pay less when they file their taxes...and it helps every parent pay for child care.

So, let's take the flat tax off the table once and for all. Instead, let's come together around this plan – it benefits all Kansans, not just those at the top. It includes ideas from both Republicans and Democrats.

And, most importantly, it doesn't threaten the progress on all the other issues Kansans care about. **Let's get this done.**

On so many of the issues I've outlined tonight, we need to **act now** to improve the lives of rural Kansans. But the final challenge I want to address tonight is longer-term, and it's one that threatens the viability of our agriculture industry and our entire economy. And that's **our water crisis.**

Right now, we're seeing this crisis in small towns across the state. In Southeast Kansas, Caney recently had to close schools on Fridays and shut down public restrooms because of ancient, leaking pipes.

Meanwhile, parts of western Kansas have already seen wells dry up, and estimates show that others have less than 25 years to go. Think about that. Our next generation could be left with no usable water.

For too long, our state's leaders have not been good stewards of both our budget **AND** of our natural resources.

**That must end now.** The challenge of preserving our water quality and quantity illustrates what I said earlier – that an existential issue for rural Kansas is an existential issue for our entire state.

My goal for the rest of my term is to put Kansas on the path to resolving this crisis. Thankfully, by working together, we're already made progress:

Last year, the legislature passed a bipartisan bill that created a framework to ensure every community in Kansas is planning for the future...

In addition to fully funding the State Water Plan for the second year in a row, we invested an historic \$35 million each of the next five years to deal with water issues...

And, we're paying off water infrastructure debt early, giving us additional dollars to resolve the crisis.

It's crucial that we build on that progress and empower even more stakeholders to take action. The good news is that we are in a better position than ever before to do that.

My budget proposal tomorrow will fully fund the State Water Plan for the third year in a row...

It will also include more funding for rural towns to update their water systems...

It will provide resources for the new Kansas Water Institute at K-State, to leverage expertise and develop innovative solutions to water challenges.

And, it will provide additional resources to help farmers and ranchers implement water-saving practices.

Those practices are gaining momentum throughout the state. More and more, Kansans are recognizing that we don't have to choose between conserving water and growing the economy. That one is essential to the other.

That includes Kansans like Mitch Baalman, a fourth-generation farmer from Hoxie. His father started Groundwater Management District 4 in the 1970's, recognizing even back then the need to safeguard our water.

From father to son, they've worked with other farmers in the area to, as Mitch puts it, "change the mentality and the culture" around water conservation.

He got together with some of his friends from church and from the neighborhood... to start a Local Enhanced Management Area – or, as we know it, a LEMA – to encourage other producers to do **more** with less water.

It wasn't easy. Over five years, they held numerous public hearings, worked with customers, and partnered with the legislature to change statutes. But they've shown that, despite what many people believe, water is not an intractable issue. Sustainability **is** possible.

Their LEMA has shown a nearly 30% reduction in water use, all while producers saved money **and** met their production goals. They are a model for other communities across the state, showing that coordinated, collective action on water conservation is good for our pocketbooks, and for our long-term economy.

Mitch and his wife Lola are here tonight. Please stand to be recognized.

Mitch, Lola, and others like them are making it possible to preserve the Kansas we all know and love. We owe it to ourselves, our children, and every future generation in Kansas to follow their lead and act now – before it's too late.

I've spent a lot of time tonight talking about rural Kansas, asking big questions about its future.

We need to take those challenges head-on, not just because it's a good thing to do for individual rural communities, but because without those rural communities, we lose who we are as a state.

Thankfully, there's a good reason to be optimistic about the future. Last month, the U.S. Department of Agriculture released a study showing that the population of rural areas is

increasing for the first time in a decade.

**In fact, hear this: parts of rural Kansas are now growing 8 times faster than the national average.**

Yet too often, it seems as though people – especially here in the statehouse – believe our rural communities are doomed to shrink...that our hospitals are doomed to close...that our schools are doomed to decline.

That we should just throw up our arms, as if there's nothing we can do about it. I think that's nonsense.

**Here's my message tonight:** Step up for rural Kansas. Step up. This must be a priority -- when **rural Kansas** is strong, then Kansas is strong.

Now, maybe that's something folks aren't used to hearing from a Democrat.

But I didn't get here yesterday; I know, from years and years of traveling this great state, from one small town to another -- that rural Kansas is not only the economic engine of our state. It's our heart, it's our core. It's who we are. And it's why we love Kansas.

Right now, we're in a position of strength. We're debating how to responsibly spend the surplus we have, not how to fill in the gaps. Think of how far we've come in the last five years.

We got here by working together. And we'll only succeed in building a brighter future – not just for rural Kansas, but for every corner of our state – by continuing to work together.

Now, many of you have been fighting this fight for years; and have the battle scars to prove it.

I encourage you to remember the words of that great Kansan, Ted Lasso, who said: “You know what the happiest animal on earth is? It's a goldfish. You know why? It's got a 10-second memory. So be a goldfish.”

Let's, all of us, be goldfish – and not let the divisions of the past prevent us from doing right by Kansans for their future.

We have a unique opportunity to build on the progress we've made – and to truly make a lasting impact on the state we love, and the people we serve.

Thank you. Good night.