

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:30 a.m. on February 17, 2009, in Room 535-N of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Corey Carnahan, Kansas Legislative Research Department
Chris Courtwright, Kansas Legislative Research Department
Mary Jane Brueck, Committee Assistant

Conferees appearing before the committee:

Mark Tallman, Kansas Association of School Boards and Kansas National Education Association

Others attending:

See attached list.

Chairman Donovan opened the meeting and announced that the committee would not be taking action on **SCR 1607 - Constitutional amendment to define underground storage natural gas owners as public utilities and subject them to property taxation** today. It will be announced at a later date.

The chairman opened the hearing on **SB 255 - Continuation of statewide levy for public schools and exemption therefrom for residential**. He introduced Mark Tallman, who represents Kansas Association of School Boards and Kansas National Education Association. (Attachment 1) Seeing no other people wanting to testify, the Chairman closed the hearing.

There was a hearing on **SB 228 - Providing a property tax exemption for certain leased vehicles**. last week (February 12). Chairman Donovan asked if there was any objection to having a motion to move this bill out of committee and to the Senate floor. Scott Wells, from the Office of the Revisor of Statutes, explained there is need for a technical amendment to correct the bill. Sen. Apple moved we accept the bill as amended. Sen. Brownlee seconded the motion. The motion carried. Sen. Lynn moved that SB 228 be recommended favorably for passage as amended. Sen. Coyler seconded the motion. The motion carried.

Chairman Donovan did not feel **SB 255 - Continuation of statewide levy for public schools and exemption therefrom for residential property**. should be voted on at this time.

Chairman Donovan asked for approval of the minutes of the February 11 and February 12 meetings. Sen. Brownlee moved acceptance of both sets of minutes. Sen Lynn seconded the motion. The motion carried.

The next meeting is not scheduled at this time. Watch for the agenda in the Calendar.

Chairman Donovan said he was trying to get a "blessing" on SB 242 and SB 244 and one other bill, so they can still be discussed in Committee.

The meeting was adjourned at 11:25 a.m.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: Tue Feb 17

NAME	REPRESENTING
Michelle Butler	Capitol Strategies
LION STANTON	NORTHERN NATURAL GAS CO.
Mick Uchum	ONEOK / Kansas Gas Servi
Whitney Damon	ONEOK / KGS
John Beyerlin	Pitler - Smith
Clint Pally	Frieden / Forbes
Verde Hehn	Hein Law Firm
John O. Pinegar	Pinegar Smith + Associate
Mike Reecht	Baehs Brader
Steve Johnson	ONEOK, Inc.
Mark Tallman	KASB
Mark Deseth	KNETA
April Holman	Kansas Action for Children
Sean Tomb	Division of the Budget
David R. Corbin	K DOR

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

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Testimony before the
Senate Assessment and Taxation Committee
on
SB 255 - Extending the Statewide Mill Levy
by

Mark Tallman, Assistant Executive Director/Advocacy
Kansas Association of School Boards
Also Representing the
Kansas National Education Association

February 17, 2009

Mr. Chairman and Members of the Committee:

Our members understand that Kansas is facing an unprecedented financial crisis in the midst of a staggering national economic crisis. Spending cuts of between 10 and 20 percent are under consideration for the FY 2010 budget. Let's consider for a moment what that means.

These proposed spending reductions would wipe out much, if not all, of the increased funding provided to school districts in response to the *Montoy* decision. Given general inflation and increases in school employee salaries since 2005, the actual impact would be even greater. Remember, the court rulings were based on the Legislature's own independent studies of the cost of meeting the state's own goals for student achievement – goals which have increased significantly since 2005.

The Post Audit cost study found a nearly one-to-one relationship between spending and student outcomes. With the significant progress on student achievement demonstrated over the past five to eight years as funding has increased, there can be no reasonable doubt that deep cuts in state aid to school districts will damage the education attainment of tens of thousands of Kansas students.

There is no doubt educational attainment is absolutely critical to individual, state and national success; that "you earn what you learn." Low skill jobs that pay a living wage have virtually disappeared. Our citizens must compete in a world that puts a premium on high skills. Dismantling educational progress will turn an immediate financial crisis into a long-term economic disaster.

In addition, public education is itself one of the state's most significant economic engines. School districts simply cannot absorb cuts of the magnitude proposed without eliminating jobs and spending reductions that will send shock waves through local communities. Cutting education spending is NOT a solution to our economic problems or even just a symptom: it is an action that will make the problems much worse. (See KASB report on impact of school spending by county.)

Senate Assessment & Taxation
2-17-09
Attachment 1

We do not suggest the budget can be balanced by leaving K-12 education untouched and cutting even deeper in other state programs. School leaders understand the critical importance of higher education, social services, infrastructure and public safety, and are partners with other local governments. These functions are as important – and frankly, the evidence suggests are more important – than a policy of low taxes and spending. Yet so far this session, the Legislature’s attention has focused entirely on the spending side of the equation, with almost no attention to the revenue side.

When the current school finance formula was adopted in 1992, the statewide mill levy was set at 32 mills and increased to 35 mills. In the late 1990s, the levy was reduced first to 27 then 20 mills. The results were (1) districts became more dependent on state aid for their general fund; (2) the cost of reducing the levy limited base aid increases, which required districts to increase their local option budgets, and (3) because the LOB is not fully equalized, the tax burden for public schools became more unequal.

As studies from the Department of Revenue have demonstrated, recent Kansas tax policy has created a steady erosion of the tax base through property and sales tax exemptions. Now, the same thing is happening to income tax through initiatives such as the Bio-science Authority; and other transfers that reduce receipts to the State General Fund. Over the past decade, a relatively equal balance between the three major tax sources tilted back toward property taxes – arguably the least popular, most regressive tax.

It has been suggested these steps will stimulate the Kansas economy, and thereby “pay for themselves.” Yet the recent Legislative Post Audit report on economic development strategies questioned the effectiveness of the hundreds of billions of dollars in forgone revenue, and suggested that business simply views favorable tax treatment as an entitlement.

Others indicated tax cuts would force Kansas government to “live within its means.” But the demand for public services, from education to health care to public safety, continues to grow. (For example, school district operating budgets are currently almost exactly the same percentage of Kansas personal income today as in 1975.) As a result, some taxpayers pay higher rates to compensate for the tax reductions or exemptions bestowed on others in order to provide the level of services the public demands.

Failure to renew the statewide mill levy would make the problem of funding public education far more difficult by adding another \$586 million shortfall. But renewing this revenue source alone will not provide adequate funding for public education. We therefore urge you to consider the following steps.

First, consider increasing the statewide mill levy to offset potential budget cuts. Bills have been introduced to allow local districts to raise property taxes for operations or capital outlay; or to reduce state aid for local option budget or bond and interest payments, which would result in mill levy increases. If the state’s economy can handle these increases, it can handle a modest increase in the statewide levy to benefit all districts. Each mill would raise \$30 million, or about \$47 on the base budget per pupil.

Second, at a minimum, adopt the Governor’s recommendation to freeze the phase-out of several tax cuts. In 2010, the impact of tax cuts just since 2005 equal an estimated \$180 million. Remember, Kansas businesses have already received an \$80 million tax break for FY 2009 because the state did not “decouple” from the federal tax code – which has added \$80 million to the current deficit.

Third, the state should scrutinize every current tax break and exemption to the same degree being given to expenditures. Last week, Legislative Post Audit released a report requiring agencies to identify all programs as high priority, medium priority and low priority. The same thing should be applied to tax policies which reduce revenue and provide targeted benefits to particular groups of tax payers.

Fourth, the state should review how the federal stimulus package will impact various state programs. If funding for certain areas is increased, it may be easier for those programs to absorb state funding cuts without reducing services. On the other hand, some components may not actually provide additional program resources.

For example, under state law, increased federal aid for special education simply offsets state aid, without changing what school districts actually receive.

Fifth, as a last resort, the state may need to consider some increase in general tax rates, such as sales or income, as occurred in 2002. That \$250 million tax increase averted deep cuts in education and other services. Far from crippling the Kansas economy, state tax receipts quickly rebounded and exceeded estimates for five straight years. Contrary to some assertions, state tax increases do not take money out of the economy. On the contrary, any increase in state taxes would be immediately spent, boosting the economy and preserving vital jobs and services. Remember, virtually all Kansans, including small businesses, will be participating in the largest tax reduction in history at the federal level. Returning a small portion of that to support vital state programs is entirely appropriate.

Finally, we have for several years advocated that the state needs a comprehensive review and revision of its tax policies. We have supported a "tax modernization" commission to undertake such a study. The need has never been greater. Understanding that funding from the federal stimulus package is temporary, we agree there are "structural" problems in the State General Fund. But Kansas simply cannot address the "structural deficit" by focusing on spending policies alone. We must also address tax policies that support strong schools in every community, affordable and accessible higher education, assistance for vulnerable Kansans, infrastructure and public safety at the both the state and local levels.

SB 255 can be the first step in that direction. Thank you for your consideration.

Economic Impact of Kansas School District Spending

Region	Kansas Counties	2007 Estimated Census Population	Jobs		Wages and Total Personal Income				Teacher Pay and KPERS Benefits				GF State Aid
			2005 Total Jobs (location of employment)	% of Jobs at USDs	2005 County Per Capita Total Wages	USD General Fund Payroll as % of County Total Wages	2005 County Per Capita Total Personal Income	USD GF Payroll as % of County Total Personal Income	2006 Avg Wage per Job in County	2006 Avg Teacher Salary	Avg Teacher Pay as % of Avg Job	CY2007 KPERS Benefits Paid for School Retirees	2007 State Aid as % of Total GF for USDs in County
1	Atchison	16,571	10,589	3.2%	\$11,846	5.0%	\$24,253	2.5%	\$28,274	\$45,203	159.9%	\$2,737,995	80.6%
1	Doniphan	7,756	3,957	6.4%	\$9,567	11.1%	\$23,232	4.6%	\$28,481	\$42,342	148.7%	\$1,034,542	86.8%
1	Douglas	113,488	68,188	2.8%	\$14,549	4.0%	\$30,768	1.9%	\$27,956	\$47,613	170.3%	\$12,980,290	61.5%
1	Jefferson	18,467	6,116	9.4%	\$5,378	21.5%	\$26,235	4.4%	\$27,647	\$48,233	174.5%	\$2,861,213	82.2%
1	Johnson	526,319	394,242	2.7%	\$26,783	2.9%	\$48,086	1.6%	\$43,704	\$55,348	126.6%	\$58,046,358	56.8%
1	Leavenworth	73,603	35,209	4.8%	\$13,574	5.4%	\$28,381	2.6%	\$42,783	\$46,492	108.7%	\$7,305,479	76.2%
1	Wyandotte	153,956	91,851	4.1%	\$20,923	3.7%	\$23,633	3.3%	\$40,195	\$49,463	123.1%	\$15,191,954	78.3%
1 Count	7												
2	Anderson	7,908	4,300	4.1%	\$6,363	13.1%	\$23,791	3.5%	\$23,387	\$47,821	204.5%	\$1,258,290	80.2%
2	Coffey	8,454	6,535	4.9%	\$18,353	5.9%	\$33,069	3.3%	\$36,628	\$47,566	129.9%	\$1,999,649	46.0%
2	Franklin	26,479	14,502	4.3%	\$10,690	8.1%	\$26,213	3.3%	\$27,918	\$48,625	174.2%	\$3,643,858	78.7%
2	Greenwood	6,993	3,204	6.3%	\$6,275	13.1%	\$24,808	3.3%	\$24,169	\$41,465	171.6%	\$1,707,987	80.4%
2	Linn	9,767	4,085	7.1%	\$6,672	15.6%	\$24,754	4.2%	\$31,790	\$46,872	147.4%	\$1,447,821	66.6%
2	Lyon	35,981	22,155	4.3%	\$13,896	5.8%	\$24,631	3.3%	\$26,366	\$47,862	181.5%	\$5,093,300	83.3%
2	Miami	31,078	11,687	7.8%	\$7,966	8.6%	\$31,407	2.2%	\$27,428	\$50,339	183.5%	\$4,073,430	71.7%
2	Osage	16,459	5,294	7.3%	\$4,390	19.2%	\$24,742	3.4%	\$21,844	\$43,558	199.4%	\$2,827,122	85.2%
2	Shawnee	173,476	117,475	3.2%	\$20,455	3.2%	\$32,420	2.0%	\$36,224	\$46,958	129.6%	\$25,102,706	73.8%
2	Wabaunsee	6,870	2,802	5.9%	\$5,118	15.2%	\$27,937	2.8%	\$22,843	\$44,723	195.8%	\$1,162,240	77.7%
2 Count	10												
3	Allen	13,414	9,306	3.8%	\$11,385	7.2%	\$25,191	3.2%	\$25,814	\$42,956	166.4%	\$2,935,349	84.3%
3	Bourbon	14,803	9,940	3.4%	\$12,285	5.8%	\$24,917	2.8%	\$26,118	\$45,043	172.5%	\$2,478,219	84.9%
3	Chautauqua	3,806	2,487	3.6%	\$5,356	16.3%	\$25,269	3.5%	\$20,564	\$44,193	214.9%	\$462,710	86.9%
3	Cherokee	21,337	12,136	4.5%	\$8,032	11.2%	\$25,079	3.6%	\$27,469	\$49,015	178.4%	\$3,563,328	85.4%
3	Crawford	38,860	21,918	3.3%	\$12,713	5.0%	\$25,253	2.5%	\$27,184	\$48,259	177.5%	\$6,399,962	82.1%
3	Elk	3,040	1,708	10.5%	\$5,133	23.0%	\$22,607	5.2%	\$19,111	\$42,330	221.5%	\$605,276	83.4%
3	Labette	21,973	14,286	4.0%	\$11,194	7.9%	\$26,515	3.3%	\$25,320	\$45,237	178.7%	\$3,960,726	87.2%
3	Montgomery	34,511	21,110	3.0%	\$13,276	5.2%	\$26,462	2.6%	\$27,563	\$48,711	176.7%	\$6,324,145	80.2%
3	Neosho	16,228	10,903	3.2%	\$12,419	6.0%	\$25,036	3.0%	\$26,964	\$47,707	176.9%	\$3,250,248	82.4%
3	Wilson	9,807	6,033	4.2%	\$13,401	7.4%	\$26,665	3.7%	\$27,344	\$47,535	173.8%	\$1,568,661	80.5%
3	Woodson	3,318	1,561	4.6%	\$4,958	13.6%	\$22,097	3.0%	\$23,489	\$42,648	181.6%	\$623,729	78.3%
3 Count	11												
4	Brown	10,068	7,381	3.2%	\$13,417	6.3%	\$28,308	3.0%	\$25,549	\$46,296	181.2%	\$1,663,694	81.1%
4	Clay	8,685	6,629	4.0%	\$8,944	8.8%	\$31,109	2.5%	\$21,491	\$42,729	198.8%	\$1,604,166	81.6%
4	Dickinson	18,957	9,884	5.2%	\$9,597	10.1%	\$26,373	3.7%	\$24,883	\$44,257	177.9%	\$3,761,726	79.1%
4	Geary	25,150	25,456	3.9%	\$33,926	3.4%	\$34,417	3.4%	\$40,387	\$45,443	112.5%	\$2,761,172	75.9%
4	Jackson	13,420	9,659	4.1%	\$9,321	9.7%	\$28,512	3.2%	\$25,613	\$49,368	192.7%	\$1,842,293	86.1%

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			2005 Total Jobs (location of employment)	% of Jobs at USDs	2005 County Per Capita Total Wages	USD General Fund Payroll as % of County Total Wages	2005 County Per Capita Total Personal Income	USD GF Payroll as % of County Total Personal Income	2006 Avg Wage per Job in County	2006 Avg Teacher Salary	Avg Teacher Pay as % of Avg Job	CY2007 KPERs Benefits Paid for School Retirees	2007 State Aid as % of Total GF for USDs in County
4	Marshall	10,186	7,919	5.0%	\$14,283	7.3%	\$32,351	3.2%	\$28,637	\$44,451	155.2%	\$1,754,149	78.5%
4	Nemaha	10,201	6,841	4.0%	\$11,459	7.2%	\$29,803	2.8%	\$25,279	\$44,895	177.6%	\$1,617,462	82.1%
4	Pottawatomie	19,396	14,792	4.2%	\$12,485	7.4%	\$29,921	3.1%	\$27,878	\$43,090	154.6%	\$2,568,081	66.2%
4	Riley	69,083	35,626	2.7%	\$13,417	3.3%	\$31,324	1.4%	\$28,016	\$46,979	167.7%	\$7,196,468	64.6%
4	Washington	5,840	3,516	5.7%	\$7,890	15.1%	\$25,594	4.7%	\$19,946	\$42,649	213.8%	\$1,139,803	77.4%
4 Count	10												
5	Chase	2,882	2,929	2.7%	\$6,455	15.3%	\$33,576	3.0%	\$22,499	\$44,146	196.2%	\$571,995	63.9%
5	Harvey	33,493	24,683	3.4%	\$12,405	6.3%	\$29,860	2.6%	\$28,146	\$46,202	164.2%	\$6,723,201	83.3%
5	Marion	12,238	6,124	5.4%	\$7,246	12.3%	\$23,275	3.8%	\$21,715	\$43,452	200.1%	\$2,091,720	81.6%
5	McPherson	29,196	23,409	3.6%	\$16,151	4.9%	\$31,857	2.5%	\$30,570	\$44,652	146.1%	\$5,659,199	70.8%
5	Morris	5,967	2,471	4.8%	\$6,894	10.6%	\$25,641	2.8%	\$25,336	\$44,960	177.5%	\$1,252,454	77.2%
5	Reno	63,145	36,652	3.8%	\$13,153	5.3%	\$27,104	2.6%	\$29,036	\$46,532	160.3%	\$11,690,418	76.9%
5	Rice	10,080	4,927	7.2%	\$8,518	11.0%	\$22,077	4.3%	\$25,884	\$44,743	172.9%	\$2,082,411	77.4%
5	Saline	54,583	39,266	3.8%	\$17,757	3.9%	\$30,965	2.2%	\$30,184	\$49,296	163.3%	\$8,938,921	73.1%
5 Count	8												
6	Butler	63,045	28,886	7.0%	\$7,733	13.6%	\$30,238	3.5%	\$27,327	\$48,084	176.0%	\$9,466,934	76.5%
6	Cowley	34,251	20,438	5.1%	\$12,173	6.6%	\$26,948	3.0%	\$29,137	\$44,651	153.2%	\$5,887,152	84.9%
6	Sedgwick	476,026	309,768	3.1%	\$20,770	3.3%	\$34,707	2.0%	\$39,722	\$53,638	135.0%	\$55,570,442	77.5%
6	Sumner	23,888	9,710	7.0%	\$6,950	12.4%	\$27,876	3.1%	\$26,432	\$44,286	167.5%	\$4,978,155	85.1%
6 Count	4												
7	Cloud	9,382	6,070	4.9%	\$9,696	7.4%	\$25,043	2.9%	\$22,448	\$42,833	190.8%	\$2,044,748	81.4%
7	Ellis	27,464	22,976	2.5%	\$15,566	4.3%	\$32,523	2.1%	\$26,232	\$50,865	193.9%	\$4,295,765	63.1%
7	Ellsworth	6,310	3,995	4.2%	\$9,785	9.5%	\$26,186	3.5%	\$25,243	\$45,731	181.2%	\$1,287,251	69.1%
7	Jewell	3,198	2,433	4.6%	\$6,984	15.9%	\$28,018	4.0%	\$21,205	\$37,388	176.3%	\$787,086	74.0%
7	Lincoln	3,285	2,172	4.7%	\$5,496	17.2%	\$21,973	4.3%	\$19,412	\$40,632	209.3%	\$596,933	75.4%
7	Mitchell	6,307	4,899	4.9%	\$14,410	6.6%	\$28,336	3.3%	\$25,674	\$45,860	178.6%	\$1,654,494	77.0%
7	Osborne	3,871	2,899	1.9%	\$7,883	6.5%	\$25,265	2.0%	\$19,897	\$48,510	243.8%	\$873,909	84.1%
7	Ottawa	6,006	2,798	6.5%	\$5,524	18.3%	\$24,316	4.2%	\$22,819	\$45,621	199.9%	\$1,095,724	79.9%
7	Phillips	5,356	4,412	3.4%	\$11,454	8.6%	\$30,033	3.3%	\$24,767	\$42,862	173.1%	\$944,630	79.4%
7	Republic	4,901	3,663	4.4%	\$8,650	12.0%	\$24,094	4.3%	\$20,645	\$42,020	203.5%	\$1,149,453	77.8%
7	Rooks	5,160	3,235	5.4%	\$9,868	10.0%	\$26,166	3.8%	\$25,204	\$42,034	166.8%	\$1,064,404	59.1%
7	Russell	6,737	3,865	5.2%	\$9,239	9.8%	\$25,698	3.5%	\$23,708	\$42,893	180.9%	\$1,546,377	67.3%
7	Smith	3,951	2,678	4.3%	\$8,485	11.2%	\$26,778	3.5%	\$21,164	\$46,906	221.6%	\$748,507	75.5%
7 Count	13												
8	Barber	4,786	3,452	3.7%	\$9,945	9.1%	\$26,259	3.5%	\$26,029	\$44,363	170.4%	\$1,176,429	55.7%
8	Barton	27,768	19,800	3.8%	\$13,527	5.4%	\$30,842	2.4%	\$28,876	\$43,638	151.1%	\$4,935,078	79.2%

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8	Comanche	1,888	1,328	4.6%	\$8,067	13.2%	\$22,875	4.7%	\$20,030	\$47,820	238.7%	\$446,415	44.6%
8	Edwards	3,106	2,030	3.8%	\$9,017	9.0%	\$28,648	2.8%	\$25,587	\$42,469	166.0%	\$421,363	64.8%
8	Harper	5,819	4,309	3.9%	\$9,987	9.4%	\$28,791	3.3%	\$24,635	\$42,055	170.7%	\$1,239,215	72.3%
8	Kingman	7,826	5,373	3.6%	\$8,761	10.1%	\$27,028	3.3%	\$25,925	\$44,946	173.4%	\$1,303,554	63.4%
8	Kiowa	2,953	2,074	4.8%	\$10,938	10.8%	\$30,337	3.9%	\$23,809	\$39,944	167.8%	\$645,604	56.6%
8	Ness	2,991	2,659	3.3%	\$11,149	8.3%	\$35,378	2.6%	\$26,824	\$40,315	150.3%	\$668,352	58.6%
8	Pawnee	6,415	5,194	5.4%	\$13,180	6.8%	\$28,786	3.1%	\$24,613	\$43,626	177.2%	\$1,123,227	78.2%
8	Pratt	9,426	6,565	3.2%	\$12,928	6.5%	\$29,518	2.8%	\$27,795	\$47,791	171.9%	\$1,802,562	75.9%
8	Rush	3,211	2,292	3.9%	\$9,382	9.7%	\$25,859	3.5%	\$25,947	\$40,007	154.2%	\$703,722	68.7%
8	Stafford	4,387	2,523	6.7%	\$7,955	16.0%	\$27,121	4.7%	\$21,990	\$42,317	192.4%	\$893,651	71.2%
8 Count	12												
9	Cheyenne	2,801	1,839	4.8%	\$7,641	13.6%	\$22,104	4.7%	\$23,271	\$44,056	189.3%	\$595,030	63.1%
9	Decatur	2,955	2,104	3.4%	\$7,182	13.4%	\$25,930	3.7%	\$20,240	\$45,524	224.9%	\$756,490	69.1%
9	Gove	2,637	2,271	6.6%	\$10,180	13.9%	\$29,779	4.7%	\$23,296	\$39,075	167.7%	\$589,135	75.0%
9	Graham	2,607	2,822	2.4%	\$10,163	9.6%	\$34,171	2.8%	\$25,180	\$49,288	195.7%	\$725,424	61.8%
9	Greeley	1,297	1,196	4.6%	\$12,729	7.5%	\$29,061	3.3%	\$26,110	\$42,196	161.6%	\$242,730	57.5%
9	Lane	1,746	1,446	4.4%	\$11,042	11.5%	\$32,784	3.9%	\$25,841	\$43,835	169.6%	\$275,301	58.0%
9	Logan	2,628	2,218	4.5%	\$10,790	10.0%	\$28,217	3.8%	\$23,199	\$42,290	182.3%	\$463,636	63.8%
9	Norton	5,422	3,878	4.0%	\$11,707	8.3%	\$25,459	3.8%	\$24,480	\$42,631	174.1%	\$972,561	81.8%
9	Rawlins	2,558	2,806	2.4%	\$8,031	11.9%	\$29,382	3.3%	\$22,153	\$47,117	212.7%	\$562,173	73.3%
9	Scott	4,568	3,320	4.9%	\$12,983	8.3%	\$31,296	3.4%	\$26,406	\$44,964	170.3%	\$621,135	66.2%
9	Sheridan	2,493	1,857	3.4%	\$9,062	7.4%	\$34,691	1.9%	\$23,371	\$43,731	187.1%	\$514,906	62.5%
9	Sherman	5,959	4,220	4.7%	\$10,785	7.6%	\$26,261	3.1%	\$24,341	\$47,122	193.6%	\$1,273,333	72.9%
9	Thomas	7,314	5,556	4.4%	\$13,676	6.7%	\$29,368	3.1%	\$23,640	\$43,316	183.2%	\$1,489,397	75.2%
9	Trego	2,927	1,907	3.8%	\$8,666	8.0%	\$24,113	2.9%	\$21,760	\$43,402	199.5%	\$618,649	63.6%
9	Wallace	1,456	1,186	6.7%	\$8,521	16.7%	\$24,686	5.8%	\$21,803	\$35,445	162.6%	\$219,661	71.0%
9	Wichita	2,200	1,751	4.6%	\$12,342	9.9%	\$35,227	3.5%	\$25,899	\$44,713	172.6%	\$260,868	74.0%
9 Count	16												
10	Clark	2,094	1,706	5.8%	\$10,852	12.8%	\$28,219	4.9%	\$28,495	\$47,902	168.1%	\$500,992	60.9%
10	Finney	38,295	22,871	5.1%	\$13,051	6.7%	\$22,868	3.8%	\$28,963	\$47,584	164.3%	\$2,918,714	77.6%
10	Ford	33,340	20,335	4.3%	\$13,795	6.2%	\$24,939	3.4%	\$28,562	\$49,155	172.1%	\$3,486,589	85.8%
10	Grant	7,497	5,071	4.3%	\$16,046	6.6%	\$28,560	3.7%	\$34,355	\$49,507	144.1%	\$1,282,899	27.6%
10	Gray	5,641	4,074	5.4%	\$11,773	10.1%	\$32,021	3.7%	\$26,458	\$45,854	173.3%	\$965,612	76.4%
10	Hamilton	2,632	1,738	4.6%	\$10,111	8.8%	\$31,750	2.8%	\$24,143	\$46,248	191.6%	\$348,007	54.5%
10	Haskell	4,032	2,319	6.3%	\$11,536	10.8%	\$35,780	3.5%	\$30,029	\$46,753	155.7%	\$680,191	24.8%
10	Hodgeman	1,971	1,319	6.1%	\$6,501	18.1%	\$29,622	4.0%	\$22,163	\$40,315	181.9%	\$371,095	65.4%

Economic Impact of Kansas School District Spending

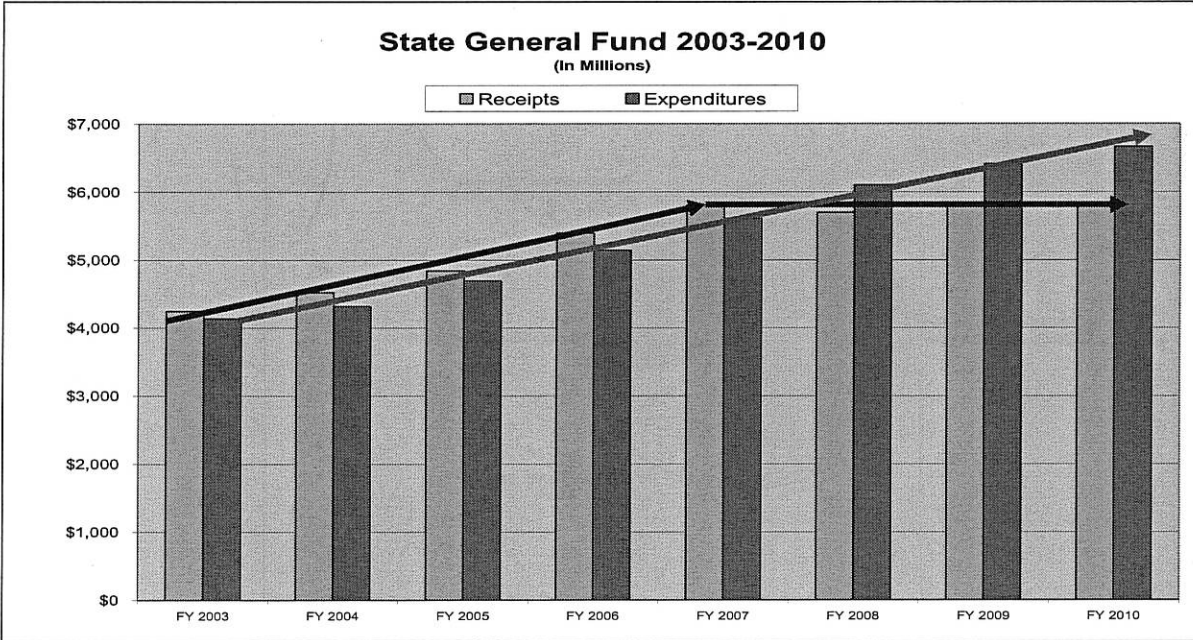
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Region	Kansas Counties	2007 Estimated Census Population	Jobs		Wages and Total Personal Income				Teacher Pay and KPERS Benefits				GF State Aid
			2005 Total Jobs (location of employment)	% of Jobs at USDs	2005 County Per Capita Total Wages	USD General Fund Payroll as % of County Total Wages	2005 County Per Capita Total Personal Income	USD GF Payroll as % of County Total Personal Income	2006 Avg Wage per Job in County	2006 Avg Teacher Salary	Avg Teacher Pay as % of Avg Job	CY2007 KPERS Benefits Paid for School Retirees	2007 State Aid as % of Total GF for USDs in County
10	Kearny	4,148	2,061	8.2%	\$8,433	14.2%	\$22,459	5.3%	\$27,862	\$45,886	164.7%	\$873,716	21.5%
10	Meade	4,403	2,628	4.1%	\$9,197	9.5%	\$27,116	3.2%	\$26,496	\$46,286	174.7%	\$981,287	60.6%
10	Morton	3,038	2,100	8.4%	\$13,365	12.6%	\$26,156	6.4%	\$32,345	\$43,301	133.9%	\$680,690	38.0%
10	Seward	23,109	14,864	4.8%	\$15,341	5.6%	\$25,212	3.4%	\$30,186	\$47,890	158.6%	\$1,592,610	81.0%
10	Stanton	2,162	1,521	4.9%	\$11,050	10.0%	\$32,137	3.5%	\$26,511	\$46,212	174.3%	\$292,784	34.0%
10	Stevens	5,061	3,326	6.3%	\$11,678	10.3%	\$29,626	4.0%	\$28,560	\$48,967	171.5%	\$589,417	11.1%
0 Count 14													
Grand Count 105													
State Totals		2,775,997	1,802,554	3.6%	\$17,356	4.5%	\$32,907	2.4%	\$35,298	\$49,252	139.5%	\$380,662,090	72.3%

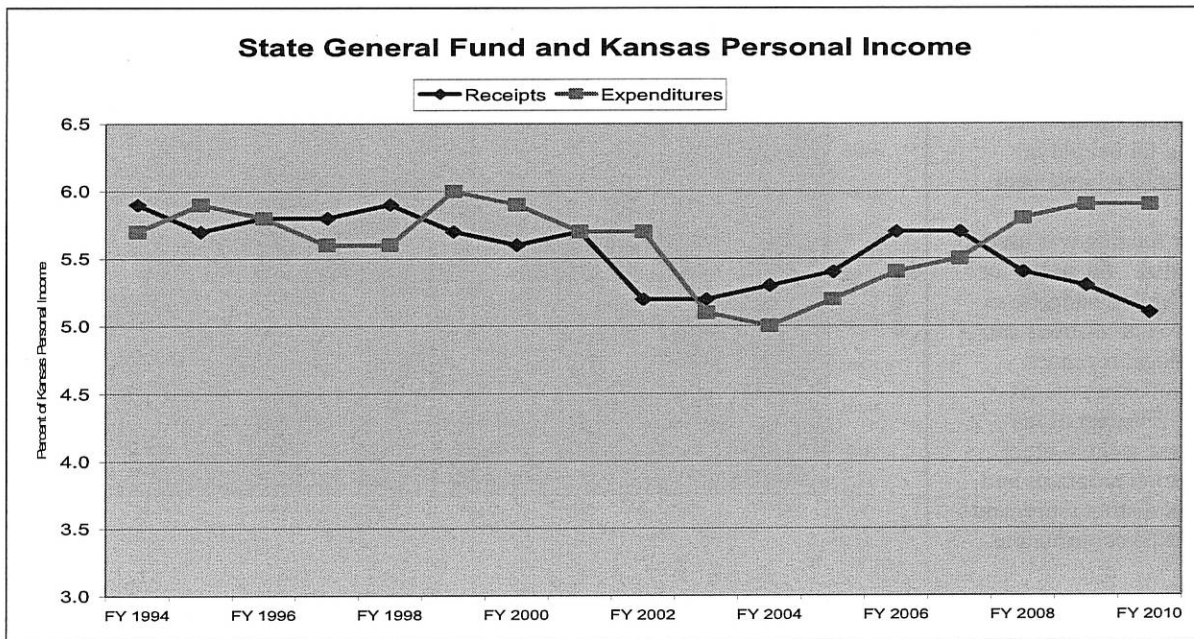
Percentile Rank:													
HIGH	526,319	394,242	10.5%	\$33,926	23.0%	\$48,086	6.4%	\$43,704	\$55,348	243.8%	\$58,046,358	87.2%	
90th %tile	38,634	25,147	6.7%	\$15,024	15.5%	\$32,680	4.5%	\$30,416	\$48,996	202.2%	\$6,593,905	84.2%	
80th %tile	26,676	15,851	5.7%	\$13,404	13.1%	\$31,146	3.9%	\$28,508	\$47,829	192.9%	\$3,801,526	81.6%	
70th %tile	16,413	9,700	4.9%	\$12,472	11.2%	\$29,749	3.7%	\$27,630	\$46,975	181.6%	\$2,704,012	79.3%	
60th %tile	9,783	6,088	4.7%	\$11,490	10.0%	\$28,531	3.5%	\$26,473	\$46,206	177.5%	\$1,681,411	77.5%	
MEDIAN	6,993	4,309	4.4%	\$10,785	9.1%	\$27,116	3.3%	\$25,899	\$45,043	174.1%	\$1,287,251	75.9%	
40th %tile	5,748	3,490	4.1%	\$9,585	8.0%	\$26,249	3.2%	\$25,265	\$44,415	171.5%	\$1,112,226	72.7%	
30th %tile	4,196	2,799	3.8%	\$8,653	6.9%	\$25,486	3.0%	\$24,148	\$43,572	167.6%	\$804,412	66.3%	
20th %tile	3,040	2,260	3.4%	\$7,888	6.1%	\$24,895	2.8%	\$22,838	\$42,713	160.2%	\$620,638	63.0%	
10th %tile	2,615	1,786	3.2%	\$6,473	5.0%	\$23,696	2.4%	\$21,581	\$42,043	147.9%	\$478,579	56.7%	
LOW	1,297	1,186	1.9%	\$4,390	2.9%	\$21,973	1.4%	\$19,111	\$35,445	108.7%	\$219,661	11.1%	

The State Budget Crisis

What has caused the projected deficits this year and next? Since emerging from the recession in 2002, state revenues grew steadily, with state general fund receipts exceeding spending each fiscal year through 2007. But revenues are projected to level off, while under current law, spending will continued to increase.

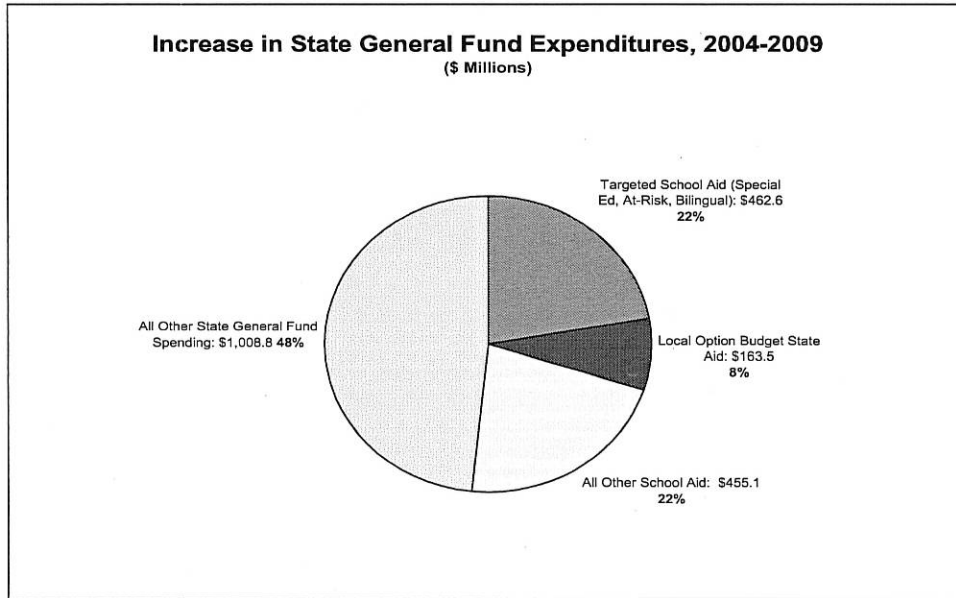


After the state assumed responsibility for a majority of public school funding in 1993-94, both state general fund expenditures and receipts remained between 5.5% and 6% of total Kansas personal income for nearly 10 years, before both declined in the 2002 recession. Since then expenditures have returned to previous levels, but state general receipts are projected to decline. SGF revenues are not keeping up with growth in personal income.



School Finance and the State Budget

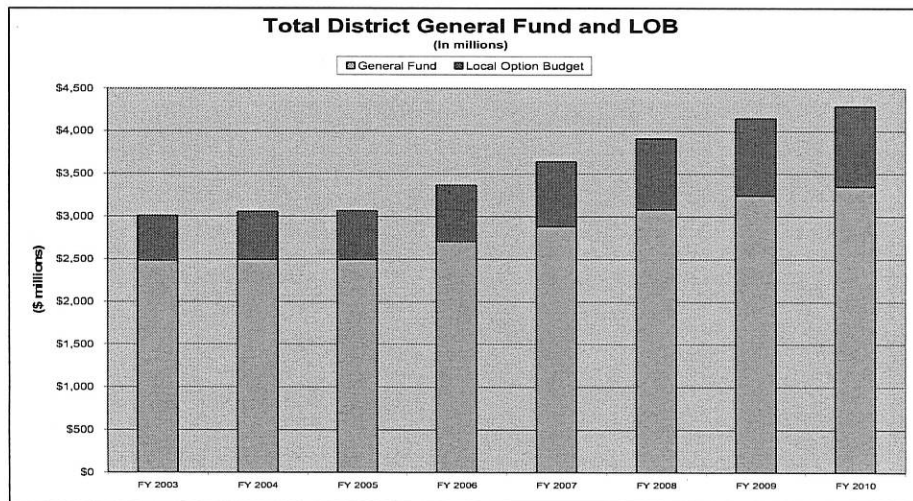
How much of increased state spending has gone to public schools? Just over half of the increase in state general fund spending from 2004 through 2009, as approved by the 2008 Legislature, went to public education. Education funding has accounted for between 50% and 53% of the state general fund for the past 10 years.



Why has school funding been increased? In the 2005 *Montoy* decision, the Kansas Supreme Court ruled the state was not providing constitutionally “suitable” funding for public education. The ruling was based on the Legislature’s own cost studies of meeting state education standards. In response, the Legislature significantly increased funding in FY 2006, followed by a three-year funding act (FY 2007 through 2009) that settled the lawsuit. The Legislature also allowed more authority for districts to increase their Local Option Budgets. Under current law, funding would continue to increase in 2010.

The largest share of new education dollars was targeted at student groups the courts found were falling far behind in academic achievement.

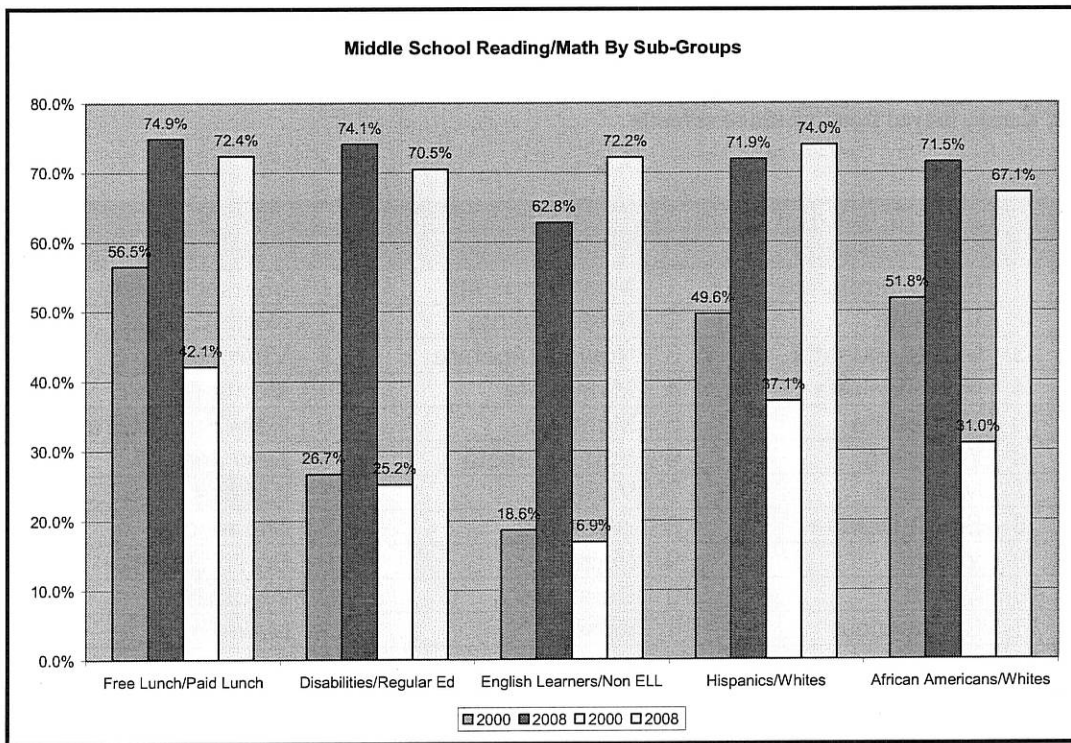
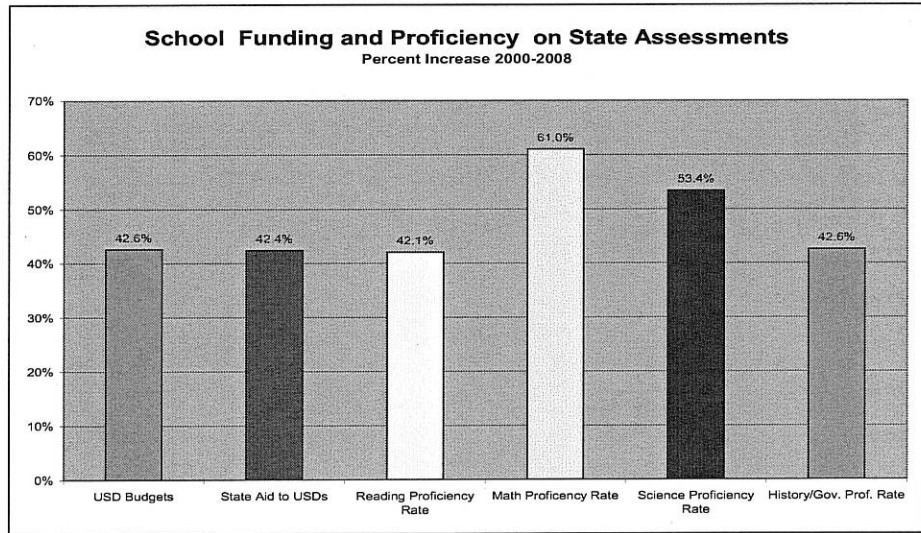
Other funding was used to “equalize” financing for local option budgets, so low-wealth districts can raise local revenues without excessive tax rates. The rest of the increase went to other education programs and school district retirement (KPERs) contributions.



Student Achievement Increased with Higher Funding

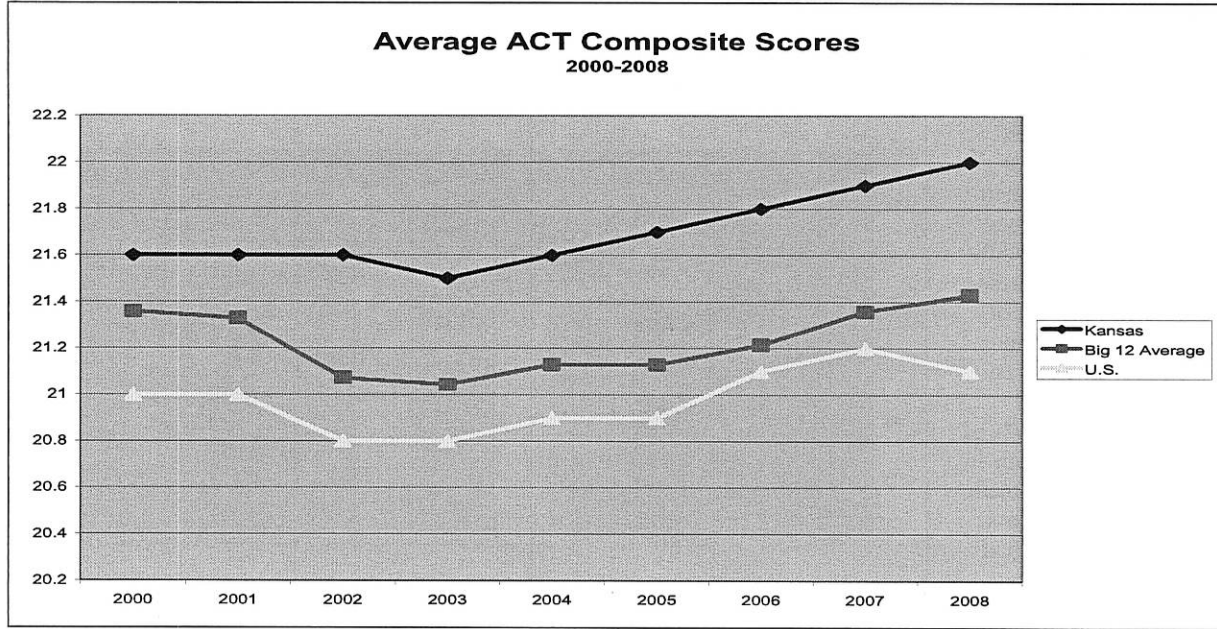
Has increased funding led to better educational outcomes? The 2006 Kansas Legislative Post Audit Outcomes-based cost study found: "A 1.0% increase in district performance was associated with a 0.83% increase in spending – almost a one-to-one relationship. *This means that all other things being equal, districts that spend more had better student performance....we can be more than 99% confident there is a relationship between spending and outcomes.*" (Emphasis added) The 2008 Kansas Education Report Card demonstrates similar results. Between 2000 and 2008, the percent of students scoring proficient or above on state assessments increased at least as much as school district funding.

A key focus of the lawsuit was the deep disparity in achievement between certain low achieving student groups and their peers. Much of the new funding was successfully targeted to narrow these achievement gaps. For example, in 2000, the proficiency rate of free lunch middle school students was only 57% of the paid lunch students in reading and 42% in math. By 2008, they were over 70%. Other groups had even larger gains.



Kansas and National Education Achievement

How does improving student achievement compare with other states? One common measure of student achievement is the ACT test for high school seniors. Kansas scores have improved annually since 2003, with Kansas ranking well above the national average. Kansas also scores well above the average of states with “Big 12” universities (Colorado, Iowa, Kansas, Missouri, Nebraska, Oklahoma and Texas). Kansas also tests over 75% of high school seniors, one of the highest rates in the nation.



Another measure of achievement is the National Assessment of Education Progress (NAEP). Since 2003, all states have participated in the NAEP reading and math tests, which are given every other year to a sampling of students at fourth and eighth grade. By combining those scores, an overall national ranking can be determined. Over the past four years, Kansas moved from twelfth to seventh.

Top Performing States on the National Assessment of Education Progress						
	2003		2005		2007	
1	New Hampshire	1	Massachusetts	1	Massachusetts	
2	Vermont	2	North Dakota	2	North Dakota	
3	Massachusetts	3	New Hampshire	3	Vermont	
4	North Dakota	4	Minnesota	4	Montana	
5	Minnesota	5	Montana	5	New Hampshire	
6	Wyoming	6	South Dakota	6	New Jersey	
7	Montana	7	Vermont	7	Kansas	
8	South Dakota	8	Wyoming	8	Minnesota	
9	Iowa	9	Maine	9	South Dakota	
10	Maine	10	Delaware	10	Wyoming	
11	Connecticut	11	Kansas	11	Maine	
12	Kansas	12	New Jersey	12	Iowa	

How does Kansas compare to states in the region? Kansas combined scores and national ranking now leads all our neighboring and "Big 12" states.

Kansas and Regional Ranking by combined NAEP Scores					
2003		2005		2007	
State, National Rank	Score	State, National Rank	Score	State, National Rank	Score
Iowa (9)	308%	Kansas (11)	309%	Kansas (7)	323%
Kansas (12)	304%	Iowa (14)	306%	Iowa (12)	318%
Colorado (18)	298%	Nebraska (19)	303%	Colorado (21)	306%
Missouri (20)	297%	Colorado (23)	295%	Nebraska (23)	304%
Nebraska (21)	297%	Texas (26)	292%	Texas (24)	304%
Texas (30)	281%	Missouri (27)	292%	Missouri (28)	296%
Oklahoma (36)	273%	Oklahoma (38)	274%	Oklahoma (35)	285%

How does Kansas compare on international measures? Two states (Massachusetts and Minnesota) participated in the 2007 Trends in International Mathematics and Science Study. Those two states scored well above the results for the United States as a whole. Although Kansas did not participate in the TIMSS, on the 2007 National Assessment of Education Progress math test, Kansas compared favorably with the two states that did. Along with Kansas, both states were in the top five states on the 2007 NAEP. The results suggest that Kansas students are more competitive than most other states.

Kansas Compared To High Ranking States on International Math Test

Table shows average scale scores for countries above the international average on the 2007 Trends in International Mathematics and Science Study (TIMSS). Two U.S. states, Massachusetts and Minnesota, were also "benchmarking" participants. The scores and national ranking of these two states on the 2007 National Assessment of Education Progress (NAEP) mathematics test, are listed along with Kansas math scores and national ranking.

Fourth Grade Math

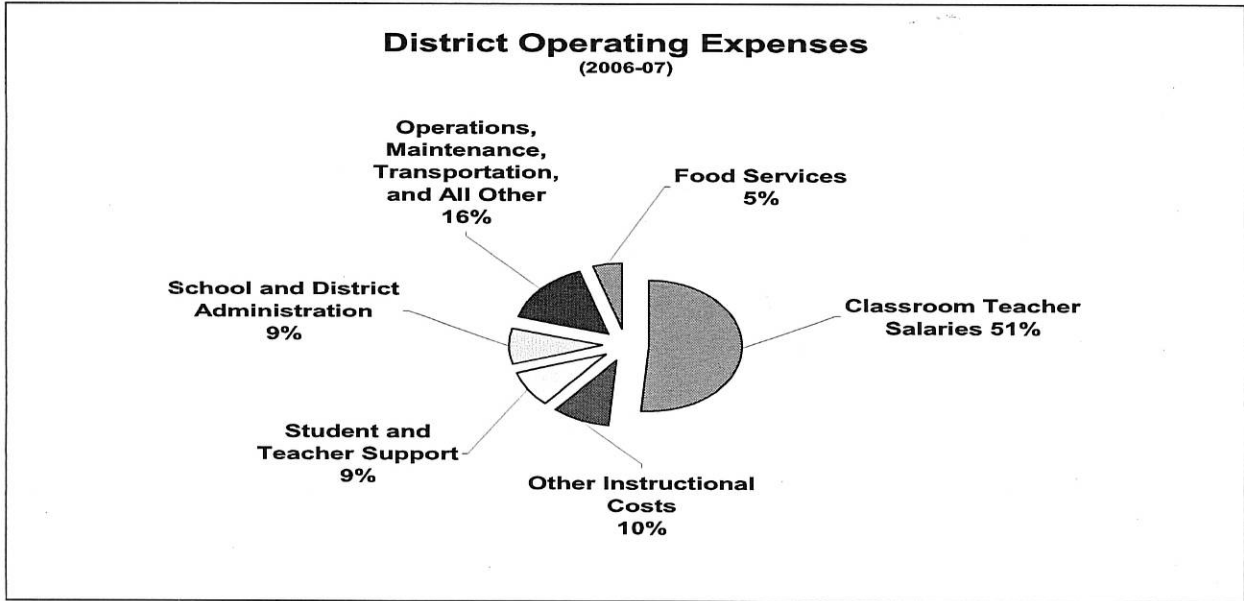
TIMSS	NAEP (National Rank)
Hong Kong 607	
Singapore 599	
Chinese Taipei 576	
Massachusetts 572	Massachusetts (1) 252
Japan 568	Kansas (3) 248
Minnesota 554	Minnesota (5) 247
Kazakhstan 549	
Russian Fed. 544	
England 541	
Latvia 537	
Netherlands 535	
Lithuania 530	
United States 529	U.S. Average 239
(8 other countries)	
International Ave. 500	

Eighth Grade Math

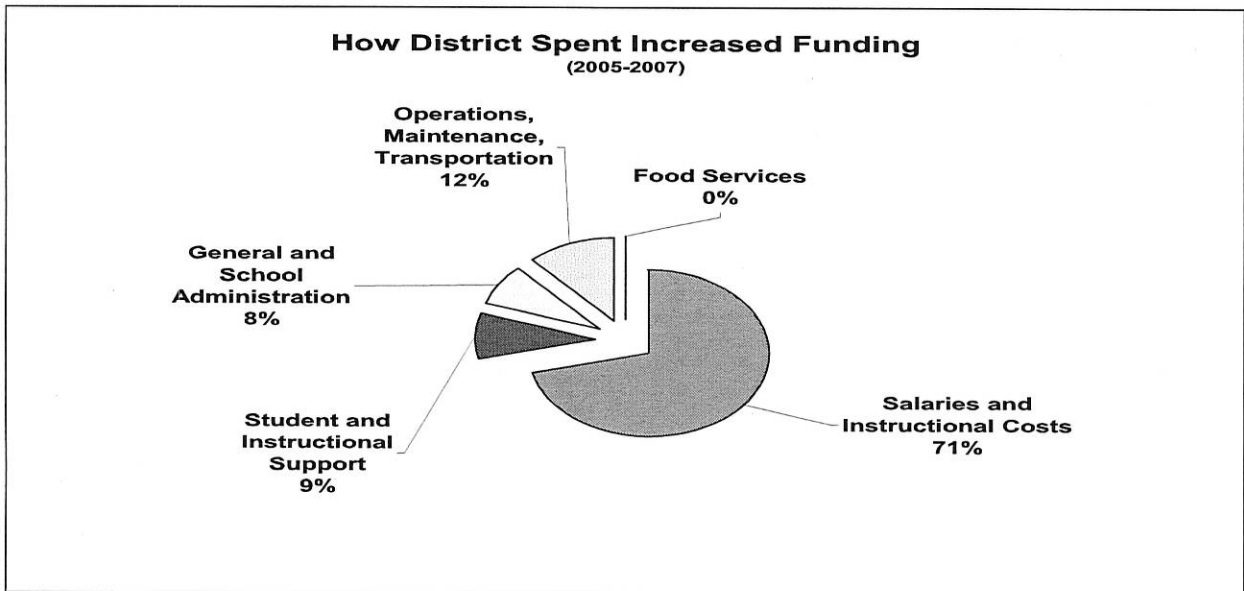
TIMSS	NAEP (National Rank)
Chinese Taipei 598	
Korea 597	
Singapore 593	
Hong Kong 572	
Japan 570	
Massachusetts 547	Massachusetts (1) 298
Minnesota 532	Minnesota (2) 292
Hungary 517	Kansas (5) 290
England 513	
Russian Fed. 512	
United States 508	U.S. Average 280
Lithuania 506	
Czech Republic 504	
Slovenia 501	
International Ave. 500	

School District Spending Supports Achievement

How do Kansas school districts spend their resources to get high and improving student outcomes? Over half of school district operating budgets (including local option budgets but excluding equipment, land, capital outlay and bond and interest payments) statewide goes to classroom teacher salaries and benefits, with another 10% percent for other instructional costs, such as books and teacher aides. Eighteen percent is spent on district and school leadership and programs to support students and teachers. School meals account for 5%. The balance goes to all other expenses, including utilities, building maintenance, safety and security, and student transportation.



How have districts spent “new” funding? A recent Kansas Legislative Post Audit review of how districts spent new funding received from the state since 2005 found that 71% went to instruction.



Impact of Potential School District Budget Reductions

The following are potential areas for school district budget reductions if state funding is reduced. While each proposal will reduce current expenditures, each must also be evaluated in terms of legal requirements, impact on student achievement and other issues. It should also be noted that any reductions in school staff, salaries and purchases will have that same negative economic impact as job and spending cuts in the private business sector.

Instruction (62% of current operating budgets)	
<i>Increase pupil-teacher ratios as a result of reduced teaching staff.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> Boards must notify teachers of non-renewal by May 1. Tenured teachers have right to due process hearing before independent hearing officer, with cost paid by district. Subject to certain exceptions, teachers must be paid through that process (which often takes months and significant legal expenses). • <i>Achievement:</i> Additional staff improves learning through smaller classes and additional time for at-risk students.
<i>Reduce non-essential travel such as student field trips.</i>	<ul style="list-style-type: none"> • <i>Achievement:</i> Limits supplemental educational opportunities for students. • <i>Other:</i> Produces minimal savings.
<i>Reduce instructional supplies.</i>	<ul style="list-style-type: none"> • <i>Achievement:</i> Limits teacher resources (paper, copies, workbooks, activities). • <i>Other:</i> Produces minimal savings.
<i>Reduce or eliminate before and after school and summer programs.</i>	<ul style="list-style-type: none"> • <i>Achievement:</i> These programs provide needed additional time and specialized attention for struggling students or enrichment, without diverting teacher time from other students.
<i>Delay textbook and computer purchases.</i>	<ul style="list-style-type: none"> • <i>Achievement:</i> Over time, can result in students learning from out-of-date textbooks and obsolete technology.
<i>Reduce number of teaching days to minimum required by law.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> Districts must offer a school term of at least 186 days or 1,116 hours. Many districts currently provide for a longer year. • <i>Achievement:</i> Reducing days or hours limits instructional time; lengthens summer vacation periods and may require more “re-teaching” after break; more difficult to cover curriculum.
<i>Reduce or eliminate early childhood education programs.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> Districts are required to provide half-day kindergarten and special education for 3-5 year-olds. • <i>Achievement:</i> Growing evidence supports the long-term effectiveness of early education.
Student Support Services (5% of current operating budgets)	
<i>Reduce positions such as nurses, counselors, social workers.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> Schools must provide certain services to qualifying special education students. • <i>Achievement:</i> Students with physical or mental health issues are less likely to meet academic standards. Districts also use support staff to reach students and their families to promote attendance and parental involvement.
Instructional Support Services (4% of current operating budgets)	
<i>Reduce professional development for teachers.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> Districts are required to provide professional development programs for licensed staff, regardless of state aid for this purpose. • <i>Achievement:</i> Gains in student achievement have resulted from helping teachers improve teaching strategies and collaboration. 2010 Commission placed high priority on staff development.
<i>Reduce instructional support such as reading coaches, paraprofessionals, etc.</i>	<ul style="list-style-type: none"> • <i>Achievement:</i> New positions in many districts have helped teachers be more effective in designing and delivering classroom instruction.
<i>Delay library and media/technology purchases.</i>	<ul style="list-style-type: none"> • <i>Achievement:</i> Over time, affects quality of educational programs. • <i>Other:</i> Produces minimal savings.

1-15

General Administration Support Services (3% of current operating budgets)	
<i>Reduce central office personnel.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> Cutting these positions can reduce the effectiveness of required activities such as financial oversight, planning and evaluation, state and community reporting and other compliance functions and public outreach. • <i>Achievement:</i> 2010 Commission placed high priority on leadership.
<i>Reduce professional and board travel and development.</i>	<ul style="list-style-type: none"> • <i>Achievement:</i> Loss of continuing education on student achievement and effective management.
School Administration Support Services (6% of current operating budgets)	
<i>Reduce principal and assistant principal positions.</i>	<ul style="list-style-type: none"> • <i>Achievement:</i> Affects instructional leadership, teacher evaluation and support for school safety, student discipline and activities, and parent involvement. 2010 Commission placed high priority on leadership.
Operations and Maintenance (10% of current operating expenses)	
<i>Reduce custodians and maintenance personnel.</i>	<ul style="list-style-type: none"> • <i>Other:</i> Can result in long-term deterioration of school facilities.
<i>Close buildings if possible.</i>	<ul style="list-style-type: none"> • <i>Other:</i> May have negative impact on communities and neighborhoods.
<i>Reduce security/resource officers.</i>	<ul style="list-style-type: none"> • <i>Other:</i> Positions may seem expendable – until the next school tragedy.
Transportation (4% of current operating expenses)	
<i>Delay bus purchases.</i>	<ul style="list-style-type: none"> • <i>Other:</i> May provide short-term savings, but must be made up eventually; possibly at greater cost.
<i>Discontinue transporting students not required by law or charge fees.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> Districts must provide transportation only for students living more than 2.5 miles from schools. Other students are often bussed for student safety. • <i>Achievement:</i> Cutting bus service may increase tardiness and truancy, especially for students whose parents or guardians lack transportation. • <i>Other:</i> Imposing transportation fees can be a hardship for parents.
Food Service (5% of current operating expenses)	
<i>Reduce food service workers.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> State law requires most schools to provide breakfast programs. • <i>Other:</i> Cutting food service staff could result in less student participation and reduce revenues, offsetting savings.
<i>Increase lunch fees.</i>	<ul style="list-style-type: none"> • <i>Other:</i> Hardest impact on struggling families.
All Areas	
<i>Fund programs from contingency reserve.</i>	<ul style="list-style-type: none"> • <i>Other:</i> One-time revenue source; many districts have little or no contingency reserve. (Others are criticized for having too much money in contingency reserves or other balances.)
<i>Reduce health insurance benefits.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> May require agreement by teachers. • <i>Achievement:</i> Over time, makes school employment less competitive in recruiting high quality personnel.
<i>Provide minimum salary increases.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> May require agreement by teachers. • <i>Achievement:</i> Over time, makes school employment less competitive in recruiting high quality personnel.
<i>Consolidation of school districts.</i>	<ul style="list-style-type: none"> • <i>Legal:</i> Consolidation of two or more districts requires public vote. • <i>Other:</i> Most savings only occur with closing of buildings; may be offset by other costs such as guaranteed state aid incentives.