

KANSAS
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OF
SCHOOL
BOARDS



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Testimony before the
House Committee on Taxation

on

HB 2212 – Mill Levy Adjustments; Resolution Publication

by

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Mr. Chairman, Members of the Committee,

Thank you for the opportunity to present testimony on **HB 2212** on behalf of the Kansas Association of School Boards. KASB is composed of the elected local boards of unified school districts and other education agencies. KASB opposes tax limits on local elected officials, and because we believe the policies in this bill are both unnecessary and inconsistent with the state school finance system, we would ask that school districts be removed from the application of this bill if the committee chooses to work it.

Under the Kansas Constitution, locally elected boards are charged with “maintaining, developing and operating” public schools, under the general supervision of the State Board of Education. The Legislature is charged with establishing a system of public schools and institutions to promote educational improvement and to “make suitable provision for finance of the educational interests of the state.” Our members cannot fulfill their responsibilities unless the State Legislature fulfills *its* responsibility to provide suitable finance, which is, in turn, a function of state tax policy.

Local property taxes have always been a part of the state system of public school finance. However, unlike many important functions of local government, public education is the responsibility of the *state* and a duty to *each child in the state*. Since at least the 1970’s, both legislative and judicial actions have made local property taxes a supplemental part of a system to ensure both equitable opportunities for students and equitable responsibility for taxpayers. Because of sensitivity to the property tax – which is unpopular, not necessarily based on ability to pay, and provides dramatically different taxable wealth per pupil across school districts – the Legislature has increasingly shifted public education funding sources from property taxes to state revenues, specifically sales and income taxes.

School districts rely on four major property tax levies: the 20 mill statewide levy, bond and interest payments, capital outlay funds, and local options budgets. The first two would be exempt from this bill. Capital outlay levies are already subject to an eight mill limit and must be reauthorized at least every five years. The authorization of a capital outlay levy or any increase in that levy is already subject to voter protest petition.

Local option budgets are limited to a maximum of 31% of the general fund of the district (which is the state-determined base budget per pupil multiplied by enrollment of the district plus the state-determined weighting factors and adjustments). The Legislature has currently authorized districts to use the base budget approved in 2008-09 to determine the local option budget (\$4,433 rather than the actual amount of \$3,780 or less this year). Statewide, school districts are already using about 92% of total LOB authority. Furthermore, any LOB use over 30% must be approved by voters in an election, and use of LOB authority that exceeds the statewide average is subject to protest petition.

School district property taxes have increased in recent years in large part because the Legislature specifically voted to expand local budget authority, increasing the maximum LOB from 25% to 31% since 2005. This action alone authorized \$200 million more budget *authority* and approximately \$125 million in actual spending, of which about two-thirds is from property taxes. It seems contradictory for the Legislature to increase spending authority, and then limit mill levies to pay for it, especially since the Legislature also controls state aid.

As a result of these provisions in the school finance system, school boards are already limited in their ability to increase local mill rates, and their total spending authority is already capped. Therefore, KASB believes the provisions of Section 1 of **HB 2212** should not be applied to school districts. Likewise, we believe the resolution and publication requirements applied to school districts in Section 2 are unnecessary and would simply add a new cost for districts.

Unlike cities and counties, school districts have no other revenue source beyond fluctuating and highly restricted federal aid and student fees. Requiring districts to adjust mill levies to provide no additional revenue would leave district even more dependent on state funding to meet rising costs of staff, operating and improving student academics and support services.

Those costs increase annually, as school districts face increasing requirements for student achievement, test scores, college and career readiness, special education, bilingual education and other requirements.

Despite these costs, overall growth in school district spending has certainly not been excessive. Since at least the early 1970's, school district operating budgets have averaged between 3.3 and 4.0% of Kansas total personal income, and we estimate these will fall to 3.2% this year – the lowest level in a generation. Total school budgets add about 1% more as a share of total income, but almost all of this is for capital outlay and debt service, which are subject to voter approval. Unfortunately, over the past decade, state aid has declined compared to personal income and school budgets, which shifts the tax burden back to property, especially residential real estate. The best way for the Legislature to limit property taxes for schools is to increase state funding from non-property sources as a share of district budgets.

Both the Governor's proposed changes to the school finance system and the Governor's and House support for reducing or eliminating the income tax have major implications for school property taxes. We believe that is where the issue should be addressed, not in **HB 2212**.

Thank you for your consideration.