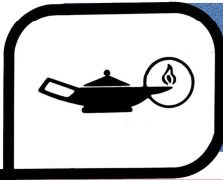


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Testimony before the
Senate Committee on Assessment and Taxation
on
Governor's Tax Plan

by
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January 29, 2013

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to testify on the Governor's revenue proposals. Our primary focus is on the revenue requirements of the Governor's budget. We appear today to support tax changes to avoid reductions in K-12 funding, and to provide additional funding for the increasing costs of educational improvement, equity in funding for all districts, and targeted aid for key programs.

School leaders have understood for many months the income tax bill passed and signed last session and the expiration of the three-year special sales tax rate would result in a significant reduction in state general fund revenues. Governor Brownback promised to protect education funding from further cuts. We are pleased his budget adds funding in the current year to keep base state aid at the anticipated level of \$3,838, and maintains state appropriations at current levels over the next two years for general state aid, local option budget aid and special education aid (partly by using state highway fund dollars). The Governor also increases funding for the bond and interest aid formula and KPERs contributions.

Although KASB does not believe funding state aid at these levels meets the needs of continued improvement in educational outcomes and equity for all districts, we recognize that without additional state revenue, school funding will almost certainly have to be reduced. We believe that could do real damage to our educational system. Let me share a few facts about Kansas education funding.

- By 2015, the consumer price index is projected to be nearly 14 percent above the 2009 level.
- The Governor's budget anticipates school district general fund budgets, which are financed primarily by general state aid and the 20 mill statewide levy, will be \$162 million, or 5.8 percent, below the 2009 level, without adjusting for inflation.

- Because un-weighted full-time equivalent enrollment is projected to have increased 3 percent statewide from 2009 to 2015, general fund budgets per pupil will have declined 8.5 percent per pupil, not counting inflation.
- School districts that have had the ability to offset some of this loss have raised local option budgets by a total of nearly \$100 million. Because state LOB aid has been frozen since 2009, all of this increase has been in local property taxes.
- When the LOB is included, per pupil funding from the general fund, state special education aid and LOB combined will still be 4.0 percent below 2009 in real dollars, with inflation having increased by 14 percent.
- KPERS funding increased by approximately \$75 million between 2009 and the current year, and will increase an additional \$70 million through 2015 under the Governor's budget. While important and appreciated funding, these dollars only go to future retirement benefits, and are not available for current expenditures like teachers and student support programs.
- Likewise, school districts have increased funding in areas such as new construction approved by voters and food service costs, but these funds cannot be used for current educational programs.
- Between 2009 and 2012, school districts reduced teachers and other instructional positions by 2.8 percent; general administration by 11.7 percent; school administration by 4.6 percent; operations and maintenance staff by 5.8 percent; and food service by 6.2 percent. A total of nearly 2,550 positions were eliminated.
- On four national measures of education achievement, Kansas ranked 7th in the nation among the 50 states, while current spending per pupil was 27th in the nation in 2010, and 29 states had a lower percentage of low-income students, who tend to have lower achievement. No state has higher achievement than Kansas and spends less per pupil.
- School district operating budgets (general fund, special education aid and local option budgets) were 3.8 percent of total Kansas personal income in 2009, and are projected to drop to 3.0 percent in FY 2015 under the Governor's Budget. That would be the lowest level since at least 1975, and probably since the early 1960's.

For these reasons, we support the Governor's proposals to increase state revenues through extending the sales tax rate and eliminating certain tax deductions; or alternatives that would avoid further reductions in state education funding and other important services. As we understand the budget, the Governor's spending proposals for FY 2014 could likely be funded without additional revenue, but only by significantly reducing the ending balances. That means 2015 would start with a much lower beginning balance and have lower revenues during the year, likely requiring significant cuts in state spending just to achieve a zero ending balance.

KASB is not committed to these *particular* revenue proposals, but maintaining the sales tax would keep in place rates Kansans are already paying – not increase them. Eliminating deductions would still leave most Kansans paying a lower overall income tax to the state. Overall, state general fund receipts (mostly taxes) will be an estimated 4.6 percent of state personal income in FY 14 under the Governor's plan, compared to a low of 5.0 percent to a high of 5.9 percent every year between 1994, when the state took over more responsibility for school finance, and 2009.

Regarding additional income tax reductions: KASB would simply urge the committee to support a state tax structure that allows Kansas to maintain its high educational outcomes in the future. We understand promoting strong economic growth in the state can result in more revenue to support education. We believe producing higher skilled, better educated students is also vital to economic growth, because individuals with higher education levels earn more, are more likely to be employed and less likely to need government services. The highest achieving states either spent more per pupil or have fewer high cost students or both, than Kansas. At some point, cost-cutting reduces quality. We are concerned Kansas school districts are already too close to that point.

Thank you for your consideration.