KANSAS ASSOCIATION OF SCHOOL BOARDS

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Testimony before the
House Committee on Appropriations
on
HB 2731 - Amendments to CLASS act regarding local option budget and capital outlay equalization

by

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March 15, 2016

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to testify on **HB 2731**. It is our understanding that this bill would restore the previous local option budget and capital outlay state aid formulas for the 2016-17 school year. It appears that would satisfy the Kansas Supreme Court's ruling on the equity portion of the *Gannon* lawsuit, and allow funding for K-12 education to move forward next year. As we understand the bill, it eliminates the $17.5 million "extraordinary needs" funding for next year to partially fund the estimated additional cost of LOB aid ($12.7 million) and capital outlay aid ($25.9 million).

We appear as neutral on the bill because we strongly support restoring the equity formulas and resolving this portion of the *Gannon* case, but firmly believe the elimination of extraordinary needs funding will make it more likely the Court will rule against the state in the adequacy portion of the case. It will simply make it that much harder to develop a new formula that is "student centered" – that takes into account the differences in student needs and program costs.

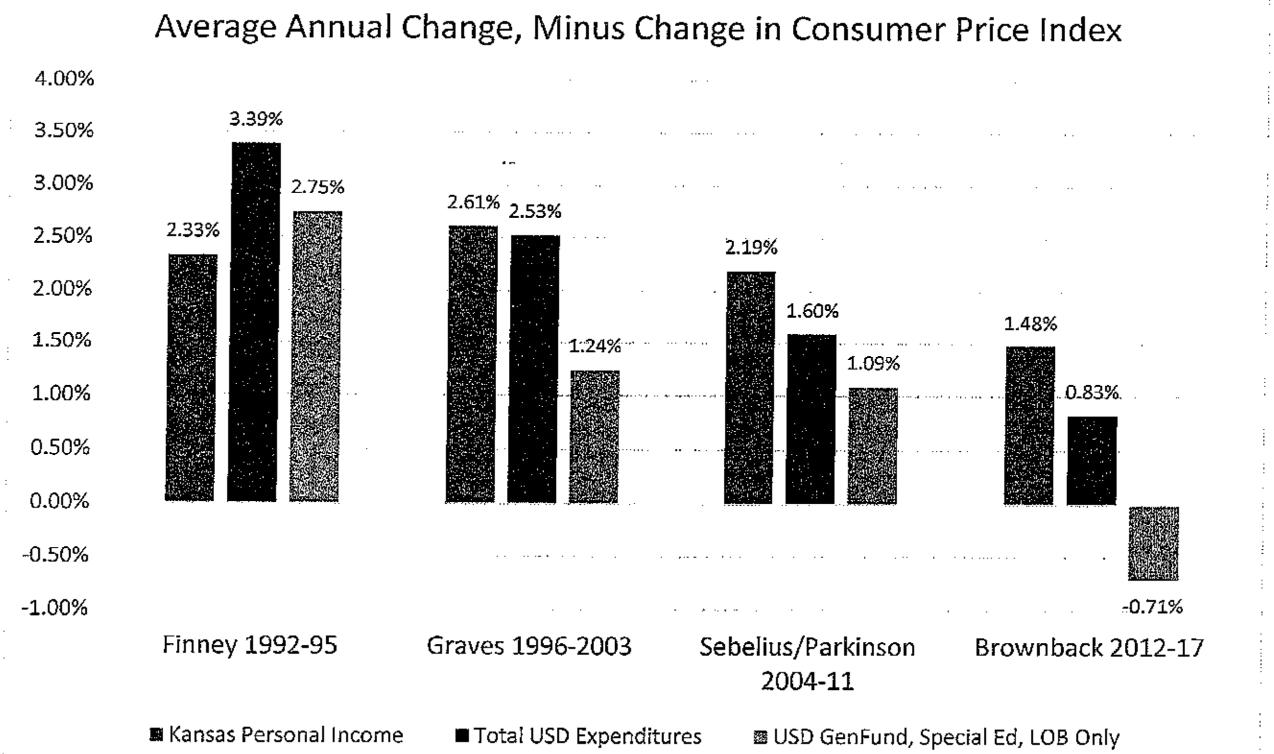
We further understand that **HB 2731** would allow districts that lose LOB state aid to replace those funds with local dollars and maintain the spending authority promised under the block grants. It is unfortunate that some districts would be expected to lose state aid under this approach and would have to raise local property taxes. However, that is exactly what most districts had to do in the current year because the Legislature reduced the aid formula for 2014-15 and froze state aid at that reduced level for the current year and next year.

I have attached a copy of a report KASB prepared following the *Gannon* case to show for each district a comparison between the mill levy required by the reduced LOB aid formula from SB 7 last year to fund their budget authorized by the block grant bill, with the mill that would have been required in the previous constitutional formula this bill would restore. It also shows a comparison of the two formulas on capital outlay funding, and loss in revenue experienced by most districts.

We think the charts at the back of this report show very clearly WHY the Kansas Supreme Court found this change unconstitutional. Even if you grant the Legislature could not or should not provide enough funding for the previous formulas, rather than asking all districts (and students) to share in the shortfall, the new formula had no impact on some districts, and a disproportionately negative impact on others. The "winners" under the formula restored in this bill, **HB 2731**, are generally the districts who were "losers" for the past two years.

We would note that, on average, districts had to raise their bill levies by about two mills to replace funding lost under the old formula for LOB, and about one mill for capital outlay.

KASB disagrees with the premise that additional funding to restore equity must come at the cost of extraordinary needs funding, or be taken from other areas of the budget. We could the Legislature can and should consider increasing tax revenue for next year. The chart below shows why we believe that while state faces an economic problem, it is compounded by revenue problem, not a spending problem.



This chart shows three measures since the previous school finance system was adopted in 1992. Kansas Personal Income, a key economic indicator used in Consensus Revenue Estimates and Governor's economic reports, shows the overall growth in the Kansas economy. Total USD Expenditures is the statewide total for school districts from all revenue sources (local, state and federal). USD General Fund, Special Education and LOB Only is basic state and local operating expenditures for all school districts. It excludes spending on capital building and equipment costs, debt payments, KPERS and federal funds.

Each bar shows the AVERAGE annual change, adjusted to subtract the average annual change in the consumer price index, by the current and recent administrations. Note that between 1992 and 2011, Kansas personal income rose an average of at least 2% more than inflation annually. However, from 2012 through 2017 (based on the Consensus Revenue Estimate for 2016 and 2017), "real" personal income has grown about 1.5%.

Compare that with school funding. Between 1992 and 1995, total school funding exceeded personal income growth as a new school funding formula was introduced. From 1996 to 2003, school funding was very close to personal income growth. Since 2004, total school spending has grown less than state personal income. In others words, Kansas are spending a shrinking share of income one K-12 education.

Under the current administration, total school funding has increased at less than half the rate of the previous eight years, and less than one-third the rate of the eight years before that. More importantly, since 2012, state and local operating budgets increased each year, but at less than the rate of inflation per year, which reflects the fact that most additional funding has gone for capital improvement state and KPERS funding. (Remember that these school funding amounts include local revenue, as well as state funding.)

Clearly, state revenues could be increased for education and still be at lower level compared to personal income than most of the past 25 years.

Let me offer a few more points. We all share the goal of improving the success of our students. Whether looking at 14 specific measures of student achievement and attainment, or an even broader index of 76 indicators, no state with better overall results spends less than Kansas. We believe there is abundant evidence that the ***amount*** of money matters in achievement. How school ***use*** that money also matters. Although no state has better results with less spending, many states have lower results with higher spending. We believe this demonstrates Kansas is a highly effective state.

Unfortunately, there are indicators that Kansas achievement is starting to slip in recent year as real funding increases have declined. We believe nothing is more important to future economic growth, personal well-being and social order and justice than helping students acquire the skills to be successful in the future economy of Kansas, the U.S. and the world. We agree with the State Board of Education's new vision: "Kansas leads the world in the success of each student."

In conclusion, we urge the committee to approve the funding equity portions of this bill. We would further urge you to restore the extraordinary needs funding and consider additional operating funding for school districts by increasing state revenues.

Thank you for the opportunity to comment on this bill.