



Appropriations / Ways & Means Joint Meeting
School Funding
June 23, 2016
Dave Trabert, President

Chairman Masterson, Chairman Ryckman and members of the Committees:

We appreciate this opportunity to share our thoughts on school funding options to remedy the Supreme Court's finding that funding is not equitably distributed.

The three primary options being discussed are (1) redistribute existing funding and spend \$38 million more, or (2) spend \$38 million more plus another \$12 million so that no district 'loses' money in the redistribution, or (3) redistribute the \$450 million already appropriated in a manner that satisfies the Supreme Court.

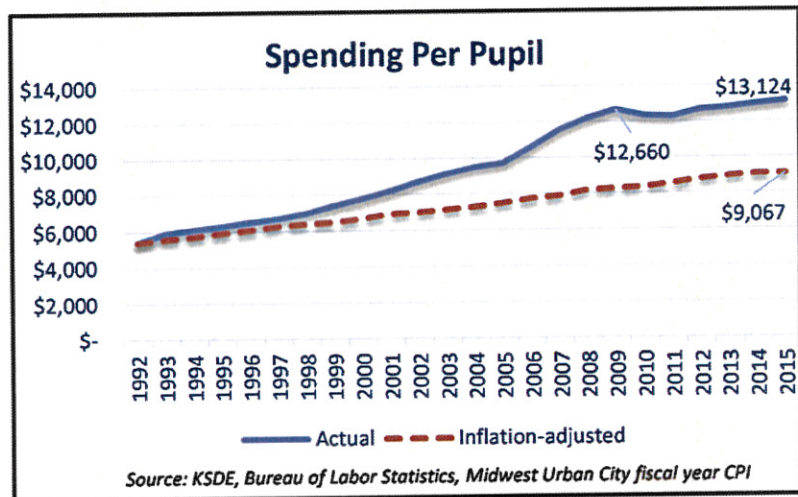
For the following reasons, we strongly encourage you to reject the first two options and just reallocate the existing \$450 million:

1. **Court says more money isn't necessary** – Both the Supreme Court and the lower court agree that more money isn't necessary to remedy equity. They repeatedly have said that spending more money is just one way to do so.
2. **Schools don't need more money** – Listening to many education officials, one would never know that funding continues to set records...even if KPERS is not counted. And despite claims that school districts are 'cut to the bone' the data and multiple independent efficiency audits repeatedly show that school districts continue to operate inefficiently. We've even heard testimony from superintendents and the Kansas Association of School Boards acknowledging that districts want to spend more than necessary.
3. **There's no such thing as 'hold harmless'** – The late great Milton Friedman said, "There's no such thing as a free lunch" because someone else is paying the price. School districts are actually asking for more money than the equalization formula says they should get, and their special treatment would come at the expense of higher taxes or resources taken away from other government services.
4. **The wealthiest county gets 43% of 'special treatment' aid** – four Johnson County school districts would absorb over \$5 million of the 'special treatment' aid being requested. The largest recipient of 'special treatment' aid, USD 229 Blue Valley, would get \$2.4 million even though it used \$28 million to increase cash reserves that was intended to educate students. Blue Valley began the 2016 school year with \$56.6 million in operating cash reserves. They

had a 26.8% carryover ratio for the 2015 school year, or 3½ times the rate that's statutorily required for the State General Fund.

- 5. Most of the money goes for property tax relief** – Many school districts raised property taxes already, so most of any new money added wouldn't actually go to schools.

The issue at hand is equity but the districts requesting 'special treatment' aid are making an adequacy claim, so let's review a few adequacy issues. School funding set another record last year at \$13,124 per-pupil and for the first time, exceeded \$6 billion. Per-pupil aid is 45% higher than if it had been increased for inflation over the lifespan of the old funding system; not counting KPERs, funding would be 40% above inflation.



State School Board member Jim Porter, Leavenworth Superintendent Mike Roth and others claim that accounting

changes are the only reason that funding continues to set records, but as documented in the attachments, the Kansas Department of Education says there have been no accounting changes affecting total funding for more than ten years.

The Supreme Court ruled in March 2014 that the first test of adequacy is not money, but whether students are meeting outcomes as measured by the *Rose* standards. However, school districts admit to being unable to define and measure performance against *Rose*, which means they have no legal basis for an adequacy claim. If they can't identify the goal line, they can't say they don't have enough money to get there.

Kansas consistently spends half of the General Fund on K-12 education, and based on 2015 budget information from the National Association of State Budget Officers, is ranked #2 in the nation; see

2014 State Aid % of Total (millions)		
State	% State	Rank
Kansas	67%	#7
Missouri	42%	#34
Nebraska	33%	#49
Oklahoma	49%	#26
Colorado	43%	#22
National Avg.	47%	

Source: Census

attached article for documentation. Some states, including Kansas, provide funding from other sources but even examining total state funding in the most recent U.S. Census data, Kansas is ranked #7, providing 67% of total funding from state sources.¹ The national average is 47%.

Of course, getting adequate funding to produce the required student outcomes doesn't seem to be the real issue with the Plaintiffs. It's just about getting as much money as possible.

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KASB's Mark Tallman and I recently discussed school funding at a public meeting in Manhattan and I asked him to give me a number...if \$13,124 per pupil isn't adequate, what is? He said he didn't know.

That tells me that there isn't a plan to get students to the required outcomes. It's just about getting as much money as possible. School boards reject all legislative efficiency proposals and most districts haven't even spent all of the aid provided to operate schools since 2005; \$385 million was used to increase operating cash reserves.

We encourage the Legislature to resist the political pressure to unnecessarily spend more money and we also encourage you to proactively prevent students from being deprived of education by taking the following measures:

1. Put a funding mechanism in place to ensure that school districts are paid on time. Rout the money through the Department of Administration if necessary.
2. Indemnify state and school employees from contempt of court or other related charges for doing their duty to keep schools open.
3. If any school districts choose not to open their doors, provide every student in those districts with state-directed vouchers to attend any public or private school of their choice.

The Plaintiffs are pursuing their institutional interests. We ask the Legislature to stand up for students.

Thank you for your consideration.

ⁱ The 2014 funding reported by KSDE did not include \$522.5 million in state-mandated property tax (20 mills in each district) that had been reported as Local aid in state records for 2014 but the above table reflects properly shows it as State aid.

State school funding ranks high in Kansas



While some people believe the Kansas Legislature should spend more money on education, many are shocked to learn that Kansas consistently devotes about 50 percent of the State General Fund to K-12 Education. According to the most recent data from the National Association of State Budget Officers, Kansas devoted 50.7 percent of the budget to education in 2015, ranking #2 among the states. The national average was 35.2 percent.

Table 7: General Fund Allocation to K-12 Education
(FY 2015 Budget)

Alabama 52.4%	Wisconsin 41.0%	Maine 35.9%	Rhode Island . . . 29.2%
Kansas 50.7%	Nevada 40.7%	Missouri 35.8%	Vermont 27.4%
Indiana 50.2%	Georgia 40.7%	Montana 35.5%	North Dakota . . . 27.3%
Idaho 48.0%	Louisiana 40.4%	Pennsylvania . . . 35.3%	Alaska 24.9%
Utah 47.9%	Minnesota 40.2%	Colorado 35.2%	Ohio 24.7%
West Virginia . . . 46.4%	California 40.1%	Average 35.2%	Hawaii 24.7%
Washington 46.0%	Texas 39.7%	Delaware 33.4%	Illinois 22.7%
Kentucky 45.2%	Mississippi 39.1%	Tennessee 33.0%	Connecticut 18.8%
New Mexico 44.1%	North Carolina . . 38.9%	New York 32.7%	Massachusetts . . . 16.5%
Arkansas 43.1%	New Jersey 37.4%	Virginia 30.8%	Michigan 0.8%
Iowa 43.0%	South Carolina . . 37.0%	Oklahoma 30.5%	Wyoming 0.0%
Oregon 42.8%	Maryland 36.7%	Nebraska 30.0%	New Hampshire . . . 0.0%
Arizona 41.1%	Florida 36.4%	South Dakota . . . 29.4%	

Source: National Association of State Budget Officers, State Expenditure Report

We track this data each year in our [Public Education Fact Book](#), finding that Kansas is consistently in the top five. The methods for funding schools can vary significantly across the states, but we use this comparison because the

General Fund is the recipient of almost all tax revenue and is well within the control of state legislatures.

Data from the U.S. Census Bureau eliminates variances in funding allocations between the General Fund and other state funds, and the [most recent 2014 data](#) shows that Kansas is ranked #7 for share of total revenue being provided by state government. The 2014 funding reported by KSDE did not include \$522.5 million in state-mandated property tax (20 mills in each district) that had erroneously been reported as Local Aid in state records. However, the adjacent table properly reflects it as State Aid. The Legislature has since required the 20 mill property tax revenue to be reported as State Aid.

With the national average at 47 percent, Kansas is providing 67 percent of total funding through the State. Whether share of General Fund allocation or percentage of total aid providing by state government, no other regional state comes close to Kansas.

2014 State Aid % of Total (millions)		
State	% State	Rank
Kansas	67%	#7
Missouri	42%	#34
Nebraska	33%	#49
Oklahoma	49%	#26
Colorado	43%	#22
National Avg.	47%	

Source: Census

State school board member should practice what he preaches

 kansaspolicy.org/state-school-board-member-practice-preaches/

May 11, 2016



District 9 State School Board member Jim Porter [published](#) the following piece outlining what he considers to be deceptive statements about school funding and state taxes. He urges political leaders to “tell the whole story” but doesn’t practice what he preaches, as we found a dozen deceptive statements in his piece. His published text follows in black and our reaction is shown in red, with links in the traditional blue.

We are consistently hearing from those political leaders who are resisting what many of us consider to be the adequate funding of education that Schools are receiving more state support than ever and that support is increasing every year. Typically they say that people need to know the facts. Well, that is part of the story and although not a false statement it is certainly deceptive. I will make an attempt to explain the part of the story that they are not telling.

Deception #1 – Special Education Services in many cases are provided by Cooperatives or Interlocals. Schools contract with these groups to provide quality services collectively that would be very difficult to provide individually. This is a very efficient way to provide those services. Until recently special education funds were sent directly to the Cooperative or Interlocal. However, a few years ago those funds were sent to the local public school and the school then sent those funds to the provider of services. This was lauded as an increase in public school funding when; in fact, it was the same amount but just laundered through the public schools. It did increase the budget of the public school but provided no additional funds to that district.

Jim Porter’s Deception #1 – According to an email from Dale Dennis, special ed funding has been provided directly to school districts “for at least 10 years.” Mr. Porter doesn’t define ‘recently’ but most people would

take it to mean within the time frame he references (the Brownback administration) and that clearly is not the case. Also, Special Ed Co-ops are not separate entities but simply hosted by a school district; as such, money would not have been sent directly to co-ops as he claimed but to the host school district.

Deception #2 – Until recently the state contribution to the Kansas Public Employees Retirement System (KPERS) was sent directly to KPERS. Now the funds are transferred to the public school account and then transferred to KPERS on the same day. Again, this was lauded as an increase to public school funding even though it was the same amount of money with just an additional transfer from the State of Kansas to the school to KEPRS.

Jim Porter's Deception #2 – According to Dale Dennis, KPERS funding was last sent directly to KPERS in 2004; it has since been sent directly to school districts included in reported school funding totals. Again, Mr. Porter doesn't define 'recently' but most people would take it to mean within the time frame he references (the Brownback administration) and that clearly is not the case. Mr. Porter also fails to note that per-pupil school funding continues to set records without counting a dollar of KPERS and is 40% above inflation since 1992.

Deception #3 – Until this year when we paid our property taxes to our counties the county sent the schools portion of those taxes to the proper school district. Now those funds are sent to the State and the state then sends those funds to the school. This looks like a tremendous increase in state funding for schools when, in fact, it is just a redistribution of funds from local to state.

Jim Porter's Deception #3 – KSDE restated state funding for FY 2014 to account for that transition and showed that there was still an increase. Mr. Porter makes it sound as though legislators are claiming the property tax transfer as a large increase in state funding, but that isn't the case. He also fails to note that the 20 mills mandated by the state should always have been recorded as state aid and that many legislators were not aware that the 20 mills was being recorded as Local aid.

These three deceptions amount to hundreds of millions of dollars that are being advertised as increases in school funding when they are only reclassifications of funds that were already being spent. **Not true.**

Some of our political leaders are proud of the fact that a benefit of the block grant is the schools will receive the same amount as they have in the past. However, because of inconsistent support for the past several years many schools are having to use fund balances to meet current needs. Those schools that do not have fund balances have to make cuts in services to kids to survive. Spending fund balances is like an individual using their savings account on their monthly expenses. Pretty soon the savings account is empty and the obligations continue. School districts are criticized for having fund balances but of the uncertainty of state support, which has become an increasing problem over the past few years, having those fund balances has become necessary for survival.

Jim Porter's Deception #4 – Schools aren't criticized for merely having fund balances; every entity needs some degree of reserves. But schools have far more reserves than their own history shows to be necessary. If each district retained the same carryover ratio as they had in 2006, they would have started the 2015 school year with \$297 million less in reserve. Dozens of districts routinely operate with less than 10% of their operating costs in reserve, yet 152 of them started last year with more than 15% in reserve (that's double the reserve percentage that the state is supposed to hold). Over the last ten years, school boards increased operating cash reserves by \$385 million, representing money intended to educate students but instead was put in the bank.

Keeping funding level sounds to some like a positive step, however, even though revenue may be level, expenses are not. Areas of increased expenses where school have no option include: Increased cost of insurance (property and casualty, health, etc.), supplies, utilities, increase in number of students, increase and severity of students with special needs among many others. If revenue remains level and costs increase the only option is to reduce services to children. Many schools have already reduced the school year, summer school, activities, elective

options, field trips and other enrichment activities along with increasing class sizes among other things, and without additional support these reductions will continue to the detriment to the school children of Kansas.

Jim Porter's Deception #5 – citizens and employers have cost increases also, but they must find a way to mitigate cost increases by operating more efficiently. Local school boards want to inflict tax increases on citizens and employers so districts can continue to operate very inefficiently and hold unnecessarily large cash reserves. School districts are on record in legislative and other testimony opposing efforts to help them become more efficient, which would make more money available for Instruction. They testify that they want to be able to spend more than necessary if they choose and expect taxes to be increased on citizens to accommodate their demands.

Another deceptive statement is that Kansas has many thousand new businesses. With the current tax structure allowing many business to avoid Kansas Income tax completely I would like to propose an alternative theory. Thousands of Kansas businesses have changed their status so that they qualify under the tax plan and do not have to pay taxes. Those existing Kansas businesses are listed as new businesses even though they have just changed their status. The prediction was that there would be about 190,000 businesses in Kansas who would qualify for the income tax exemption; however, the real number is more like 330,000.

Jim Porter's Deceptions #6, #7, #8 and #9 – Kansas does have thousands more new business entities. The Kansas Department of Revenue reports that new business filings are of individuals who were not previously registered based on social security numbers. There is no data to support Mr. Porter's theory that C Corporations changed their filing status, but there is IRS data showing a significant movement of Adjusted Gross Income from Missouri to Kansas; some of that could account for part of the increase in new business filings. Business owners with W-2 wage income currently pay Kansas income taxes on those wages and some CPAs advise their clients that they should be declaring W-2 wage income. It should also be noted that 27% of those businesses reported losses for tax year 2014 and another 54% had income below \$25,000. One of the main points of the 2012 tax plan was to encourage small startups by allowing them to keep more working capital to grow their businesses and create more 'gazelles' – companies with explosive growth like Garmin and Cobalt Boats.

To make up the difference the tax burden is being placed on the property owner and the consumer. Sales taxes have increased. Sales tax is the most regressive tax available as the lower the income the larger percentage of income goes to pay the sales tax. Political subdivisions like cities, counties, school districts, etc. are having to respond in two ways. One is to continue to reduce valuable services and the other is to raise the mill levy. When you receive your tax statement and find that it has increased, that increase is made necessary because 330,000 businesses are getting a pass on the backs of property owners and consumers.

Jim Porter's Deceptions #10, #11 and #12 – Sales taxes were unnecessarily increased because Democrats and some Republicans refuse to support efficiency measures. Controlled, efficient spending is the key to having low taxes. In 2014, the states that tax income spent 48% more per-resident than the states without an income tax; Kansas spent 34% more. Kansas needs to go from being morbidly inefficient to just grossly inefficient, but legislators in both parties refuse to make the State operate more efficiently. Cities, counties and school districts could choose to operate more efficiently but they would rather continue to do what they've done for years – unnecessarily jack up property taxes and threaten to cut services if they don't get their way. And while it is not a matter of 'right' or 'wrong,' if you believe everyone should pay tax on all of their income, know that government retirees are the original group that is partially exempt from income tax. Unlike private sector retirees who pay tax on all of their pension or 401(k) retirement income, state and local government employees are never taxed on the pension income funded by taxpayers.

I would urge those political leaders who are bragging about the fact that the "Sun is shining in Kansas" to stop deceptive language and tell the whole story. There are many great things about living in Kansas but our citizens deserve to know the whole story.

Facebook exchange between USD 453 and Kansas Policy Institute

https://m.facebook.com/story.php?story_fbid=10153522101052353&id=177084447352



Leavenworth USD 453

June 2 at 4:51pm · 🌟

Message from the Superintendent - Kansas Supreme Court Ruling on School Finance / Potential June 30 Shutdown

Excerpt #1

Even though the June 30 deadline has been known to the Kansas Legislature since February, and reinforced by the decision on May 27, the Kansas Senate and House of Representatives both adjourned on Wednesday, June 1, without resolving the equalization issue at hand. This would now require a special session to be ordered by Governor Sam Brownback for legislators to return from break to address the Supreme Court's decision and make attempts to avoid a shutdown of Kansas schools.

Excerpt #2

The range of possible solutions to the court's decision has been limited by an unwillingness to revisit the 2013 tax policy that has resulted in a \$1 billion reduction in state revenues. The state's credit rating has been downgraded three times in two years and monthly revenues continue to fall short of estimates. Most recently, the month of May yielded an additional \$74 million shortfall, which immediately causes the state's recently approved Fiscal Year 2016 budget a deficit of \$55 million. This means additional state spending cuts or budgetary allotments are in the near future, making it even more difficult to find the estimated \$30-40 million dollars to satisfy the equalization issue of school funding. Additionally, while the state chose to appeal the decision of the lower court to the Kansas Supreme Court, since the decision there are now strong objections by state elected officials that the court does not have the authority to execute implications of the June 30 deadline. Prior to adjourning on June 1, some went so far as to openly suggest the Governor pardons anyone found in contempt of court if schools are closed. Others repeated the mantra that Kansas schools are receiving "record amounts of funding," without the explanation that this description is only valid since the state began counting contributions to the Kansas Public Employees Retirement System. With much work left undone, these are examples of the mindsets and attitudes that might detract from a solutions-focused spirit of leadership and collaboration required to find a solution on behalf of Kansas students and families by the end of this month.

Excerpt #3

The current school finance decision, and those before it, is a product of the judicial branch independently determining if the legislative branch is upholding its constitutional duty. It is the real world application of the checks-and-balances democracy that is taught in U.S. History and Government lessons. Since 1992, 35 different justices have reviewed evidence and considered witness testimony on the subject of school finance, and repeatedly found in favor of Kansas schools. Last week's judicial decision reaffirms the belief that all Kansas youth deserve the same opportunity to acquire knowledge and skills to be college and career ready.

Jim Porter should practice what he preaches.



Dave Trabert

Mike Roth acts as though the Legislature made no effort to resolve equity during the session, but it did so more than once. And had the Court not dropped their last decision at the beginning of a holiday weekend with but one working day before legislators were scheduled to return for a half-day, perhaps something could have been done then.

He also gives the impression that its the Legislature's fault if schools close, but that would only happen by court action...and ironically, in defiance of students' constitutional right to education that the Court itself identified.

Mr. Roth is entitled to his opinion, of course, but his reference to the 2012 tax plan is merely a diversionary tactic. Funding is to be based on what schools need, not an entitled share to whatever state revenue happens to be. Whether revenue jumped or declined by a billion dollars has no bearing on the amount that schools need to achieve required outcomes.

Mr. Roth falsely claims that funding is only setting a record because of a change in KPERS reporting. KSDE confirms that nothing has changed in KPERS accounting since 2005. School superintendents quite clearly this to be the case, yet consciously deceive parents and teachers with these false claims. And just to underscore the insidious nature of his deception, school funding set another record last year even without counting a dollar of KPERS!

He also neglected to say that the Supreme Court's March 2014 decision basically overturned the linchpin of Montoy by invalidating the Augenblick & Myers cost study, calling it "...more akin to estimates than the certainties envisioned by the [lower court] pane." Since Montoy, it was discovered that A&M deliberately deviated from their own methodology and produced inflated numbers. But even though the lower court was told not to rely on cost studies, they defied the Supreme Court and did so again. That March 2014 decision also ruled that outcomes matter most...the first test of adequacy is whether students are meeting the Rose standards. But schools admit that they cannot measure or define Rose, so the case should have been dismissed on that basis alone. One must wonder if the Supreme Court took up equity before adequacy so they could avoid ruling against the Plaintiffs.

it certainly is a shame that school officials won't be honest with citizens.

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