



Testimony on HB 2052

Appropriation revisions for FY 2017, FY 2018 and FY 2019 for various state agencies

before the

House Committee on Appropriations

by

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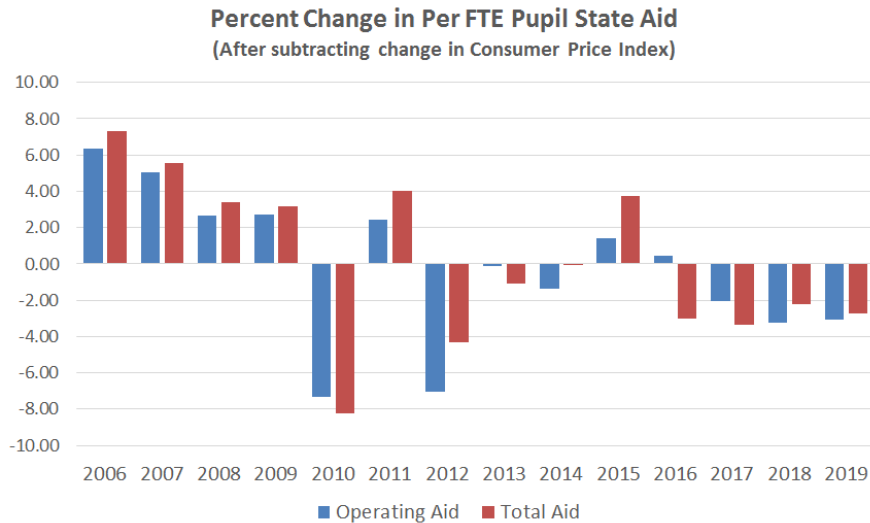
Mr. Chairman, Members of the Committee:

Thank you for the opportunity to comment on **HB 2052** on behalf of the Kansas Association of School Boards. School leaders understand that the Kansas Legislature faces a \$350 million deficit in the current year and even larger projected deficits over the next two years. Our members understand the Legislature faces extraordinarily difficult choices, but we believe lawmakers should make every effort to avoid cutting school funding. The Governor's budget avoids operating cuts in FY 2017.

Gov. Brownback has proposed borrowing state idle funds to get through this year. At this point, the only alternative presented is to cut state spending, including school district aid for this school year. The Legislative Research Department has provided information that across-the-board spending cuts in the current year of \$362 million would require a 6.95 percent reduction in most agencies, and would cut general state aid for school districts by 8.56 percent (this is a larger percentage reduction because school equalization programs such local option budget, capital outlay and bond and interest aid would not be affected.)

We urge you to consider the following:

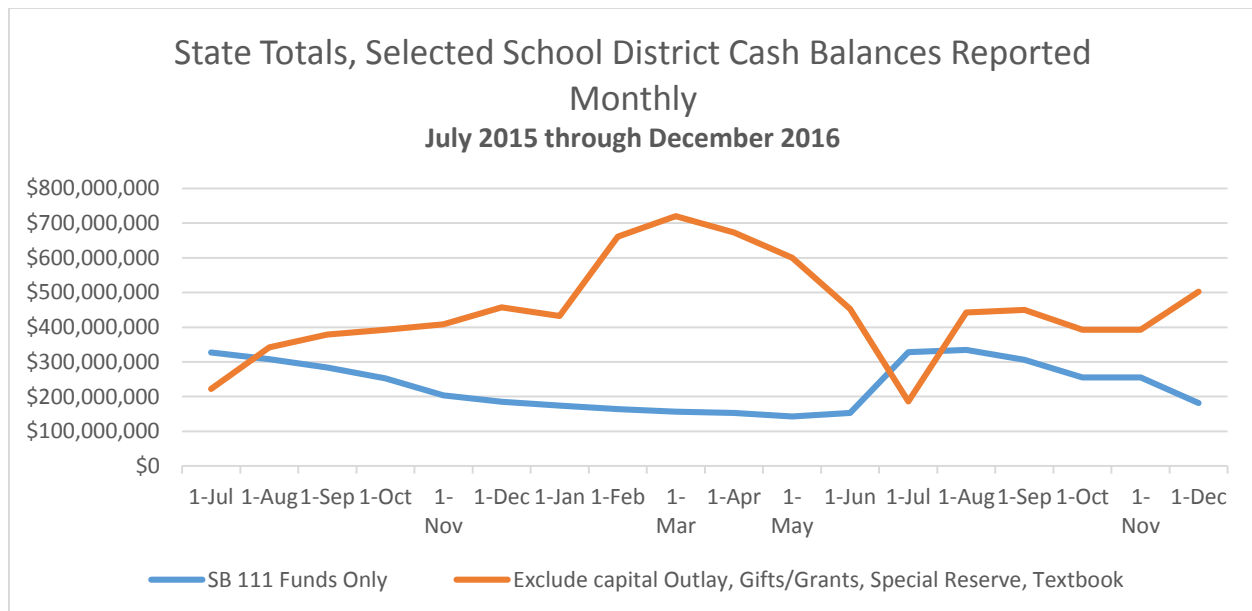
- School funding has already been cut. Since 2009, per pupil state aid has fallen behind inflation most years, especially funding for operating budgets. Most of the increase to state aid has been to provide equalization aid for construction bonds approved by local voters and to shore up the underfunded state pension system.
- As shown in the chart below, after school funding increased substantially between 2005 and 2009 following the *Montoy* decision, both total state aid per pupil and state aid for operating budgets per pupil have fallen behind inflation most years, and will continue for the next two years under the Governor's budget.



- When the block grant system was created, every district’s state aid was reduced 0.4 percent to create an “extraordinary needs” program for special circumstances, but those funds have been eliminated. While 0.4 percent may not sound like much, note the consumer price index rose 1.6 percent in 2014, 0.12 percent in 2015, 1.1 percent in 2016 and is projected to be 1.9 percent for 2017.
- After making deductions for the extraordinary needs fund, the block grants froze state aid for two years, despite increased enrollment and inflation. This is the second year of block grants. Cutting aid now would break the Legislature’s commitment to funding when the block grants passed. The Governor’s budget for the next year would cut funding below the block grant levels.
- Cutting state aid now, with the school year half over, would leave school districts very few options. Professional employees are under contract and salaries and benefits are the largest part of any district’s operating budget. School building operational costs are mostly fixed. This means districts would have to consider cutting maintenance, student activities, supply purchases and even reducing the school calendar.
- In the long term, the only way to significantly reduce district operating costs is to reduce employee positions, pay and benefits; and close school buildings, which has an impact on students, neighborhoods and communities. Research shows the most successful states have more employees and more schools for their enrollment, not fewer.
- Cutting school district state aid will cause Kansas to fall behind other states in K-12 funding, especially compared to the most successful states that already spend more per pupil than Kansas. Kansas ranked 38th in per pupil funding growth since 2008, which makes it harder to provide competitive teacher salaries. Kansas average teacher salaries dropped from 38th to 41st in the nation between 2008 and 2014, making it increasingly difficult to attract and retain teachers and student support staff.

Some legislators have suggested school district cash balances could be used to absorb these cuts. However, there are also many problems with this proposal.

- School district cash balances are not simply “reserves” that school districts sock away to be sitting on a hoard of cash. Some money is held for contingencies or unforeseen circumstances, and some is held for planned, long-term purchases, such as textbooks, school buses or to building and equip buildings without debt.
- However, cash reserves also have an important function in cash management. Just as the state uses idle funds for a variety of purposes, including “loans” to the state general fund for certificates of indebtedness every year, the July 1 “snapshot” of cash balances includes funds that will be spent throughout the year. Beginning in July of 2015, the Legislature required districts to report certain cash balances monthly. The chart below shows the statewide total in selected funds for the past 18 months.



- The blue line shows the total of cash each month in funds the Legislature designed as “flexible” in SB 111 several years ago, which include the contingency fund. Note that this total drops from over \$300 million in July to less than half of that amount in June. Districts then must replenish those funds in July. If the Legislature assumes school districts can absorb cuts based on July 1 balances, those amounts will not be available when districts try to finish the year in June.
- The orange line shows the amount in all other funds reported monthly, except for capital outlay, gifts and grants, special insurance reserves and textbooks. The primary reason this line spikes up in February and March is districts receive property tax payments for the local option budget. However, those funds are spent down every year. In fact, local property tax payments allow the state to schedule the distribution of state aid and manage cash flow in the state general fund.
- It should also be stressed school district general funds begin each July with an actual “negative” amount, because several hundred million dollars in state aid due before June 30 of each year is

not paid until the first week of July. Without reserves to cover that amount, districts could not pay their June bills. The Governor's proposal permanently adds \$75 million to this delay.

- In addition, these amounts are a statewide total. The amount of cash balances as a percentage of operating budgets varies significantly, due to different local needs and management philosophy. Some districts have low cash balances, and simply could not absorb cuts in state aid base using cash reserves.
- Even if districts do have reserves to cover reductions in state aid, these funds are "one time" solutions - you can't spend savings more than once. Unless state funding is restored next year, using reserves simply postpones budget cuts.
- Cutting state aid and expecting school districts to make up the difference with reserves sends a mixed message. If districts have low reserves, they face immediate cuts. If they do have higher reserves, it invites the Legislature to turn to district reserves when it doesn't have reserves of its own. What policy is the Legislature trying to promote?

Kansans want their schools to help students become successful adults. The Kansas State Board of Education has set a goal of leading the world in the success of each student, and set five outcomes: kindergarten readiness, raising high school graduation rates, improving postsecondary preparation and completion, developing individual plans of study based on career interests, and meeting the social and emotional needs of students.

Reaching these goals will take more resources: expanding early childhood programs, better support and earlier intervention for students at risk of failing to graduate, expanding career and technical education and college preparation courses, more career counselors and help for students with social and mental health issues, keeping class sizes small and schools connected to parents and communities.

Let's be clear: preparing more students to complete high school and postsecondary education is critical to our state's economic future. Experts say virtually all net job creation since the Great Recession requires more than high school completion; and about 70 percent of Kansas jobs in the next decade will require more than a high school diploma. These are the jobs that provide pay and benefits for a middle class life. Tax cuts will not help Kansans if they lack the skills to fill these jobs, and jobs won't come to Kansas if the state's workforce lacks these skills.

Cutting school financing will make it much harder to reach these goals. States with best educational outcomes have been increasing their investment in education. We urge the Governor and Legislature to find the revenues to begin investing more in education, not less.