



**KANSAS ASSOCIATION
OF SCHOOL BOARDS**

Serving Educational Leaders, Inspiring Student Success

www.kasb.org

Testimony before the
House Committee on Taxation
on
HB 2178 - Concerning income tax; rates; itemized deduction for certain medical expenses

by

Mark Tallman, Associate Executive Director for Advocacy

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Mr. Chairman, Members of the Committee:

The Kansas Association of School Boards appears today as a proponent on **HB 2178**. We would like to talk about why we believe additional revenue is necessary for the state and for public education.

Education is an investment, not an expense.

The chart below shows the impact of rising educational achievement that has had on the Kansas economy. First, it shows various levels of education attainment. Column 1 shows the percent of the Kansas population at those levels in 1990. Column 2 shows the number of Kansans in 2014 that would be at those levels based on 1990 attainment. Column 3 shows the average earnings by education level in 2014. Column 4 shows what Kansas earnings would be have been in 2014 if the population has been at 1990 levels: about \$61.6 billion.

Kansas Education Levels and Earnings	1	2	3	4	5	6	7
	1990 Percent at Education Levels	2014 Population By 1990 Ed Level	2014 Average Kansas Earnings by Education Level	Hypothetical 2014 Earnings at 1990 Education Levels	2014 Percent at Education Levels	Actual Number at Education Level 2014	2014 Earnings at Actual Education Levels
Population 25 years and over		1,881,521	\$35,743			1,881,521	
No High School Diploma	18.7%	351,844	\$23,067	\$8,115,995,398	9.7%	182,508	\$4,209,901,356
High school graduate only (includes equivalency)	32.5%	611,494	\$28,063	\$17,160,365,242	26.5%	498,603	\$13,992,297,813
Some college, or Associate's Degree	27.3%	513,655	\$32,063	\$16,469,327,736	32.2%	605,850	\$19,425,360,919
Bachelor's degree	14.4%	270,939	\$46,785	\$12,675,882,238	20.3%	381,949	\$17,869,472,877
Graduate or professional degree	7.0%	131,706	\$54,289	\$7,150,212,550	11.3%	212,612	\$11,542,485,973
Total Wage Earnings:				\$61,571,783,163			\$67,039,518,938
Increase in Earning Due to Higher Education Levels							\$5,467,735,775

Columns 5 and 6 shows the *actual* percent of adult Kansas at various education levels in 2014 after almost 25 years of improving educational outcomes. Finally, Column 7 shows actual estimated earnings: over \$67 billion. In other words, improved educational attainment boosted earnings by almost \$5.5 billion.

Total Kansas school spending in 1990 was about \$2.1 billion. Since the consumer price index has increased 81.1%, \$2.1 billion in 1990 is equal to \$3.8 billion in 2014 dollars. In 2014, total Kansas school district spending was just under \$6 billion, or an increase of \$2.2 billion since 1990 adjusted for inflation, compared to an increase in earnings of \$5.5 billion. Kansans paid \$2.2 billion MORE for public education, but earning \$5.5 billion more due to improved educational levels.

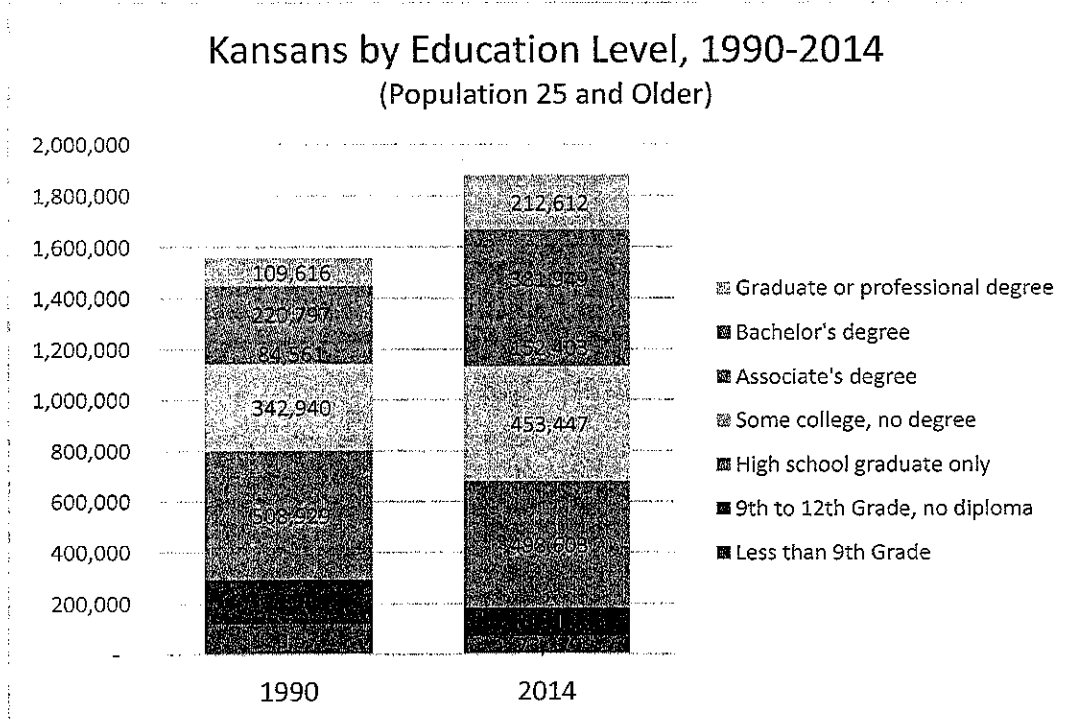
Not all the increase in educational attainment is due to spending on public schools. Postsecondary education also plays a role. But public education is responsible for the first 13 years of education, for completing high school and for preparing students for postsecondary education. Kansans' incomes are also more much than earnings alone, and we suggest that a more educated population is also more likely to have investment and other non-wage earnings as well.

Why is educational attainment important?

The Georgetown Center for Education and the Workforce has estimated that about 99 percent of jobs created since the Great Recession require more than a high school diploma. Kansas is expected to be in the top ten states in the percentage of jobs that will require a postsecondary credential. These are the higher paying jobs with benefits that allow a chance for middle-class life. These are the goals of the State Board of Education's Kansans Can vision and outcomes, based on input from thousands of Kansans in community and business leader meetings.

If Kansas is going to thrive, it will take more than tax policy alone. It will take a workforce with the educational skills to fill and succeed in the kinds of jobs being created. Fortunately, Kansas is well poised to succeed. Among adults age 25 and older, Kansas ranks 17th in high school completion, 15th in some postsecondary completion, including technical certificates and two-year degrees, and 17th in completion of four year degrees or higher.

Kansas has made good progress in educating young adults in recent years, as the following chart shows.



How has Kansas achieved improving education attainment?

While there are many non-financial factors to improving education, Kansas has done these things for the past several decades:

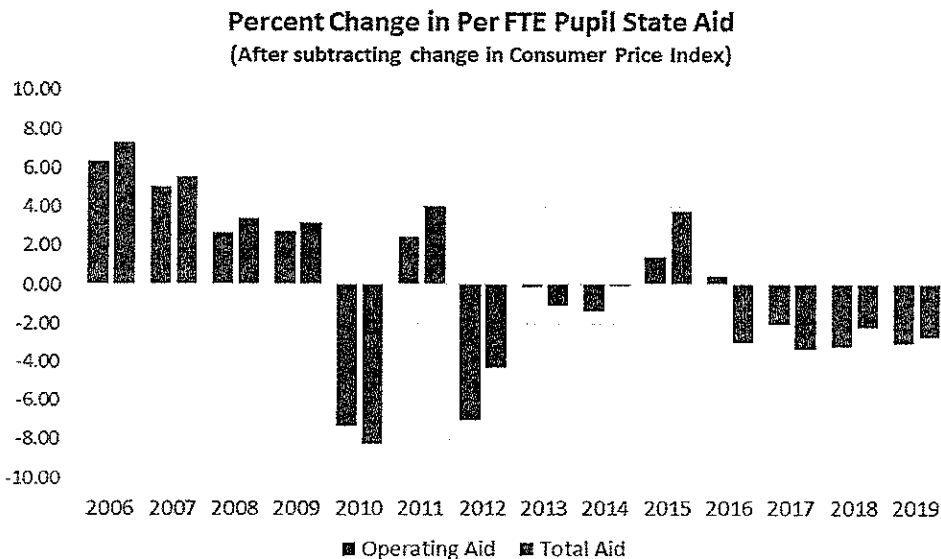
- School funding has increased more than inflation, which allowed districts to hire more teachers and support staff; provide competitive salaries and benefits; and improve school facilities, equipment and technology.
- This has allowed Kansas to have one of the lowest pupil-teacher ratios in the nation, have more total employees to work with students and families, and keep average school and districts sizes small and rooted in the community. Each of these are associated with more successful student outcomes.
- School funding has remained stable compared to state personal income, which means funding rises as incomes rise, but not faster. Since 1990, total K-12 expenditures have remained between 4.5 and 5.0 percent of Kansas personal income.

This pattern of support has served Kansas well. Using a variety of measures of student achievement, Kansas consistency ranks well above the national average, if not in the top 10 states. In August, KASB produced an updated “state education report card” showing that across 15 measures of student achievement, Kansas ranked 10th in the nation, while spending 29th; and every state that ranked higher provided more total revenue per pupil.

2:11 -However, many of these trends have changed in recent years as tax policy changed.

Kansas K-12 funding has fallen behind enrollment growth and inflation.

Under Governor Brownback’s budget recommendations for FY 2017, total state aid per pupil will fall behind inflation this year, as it has done for five of the past seven years. Under the Governor’s recommendations for FY 2018 and 2019, school funding would continue to trail behind inflation for the next two years, as well. State aid for school district operating budgets, which pay for teachers and instructional staff, student support programs, leadership, operations and maintenance, has fallen even further behind. Even funding the Governor’s budget will require additional revenue from tax increases and/or one-time funding.



The chart above shows that after the four years of post-*Montoy* funding increases, state aid on a per pupil basis has lagged behind the inflation rate most years except for 2011 and 2015. (2015 increased due to the

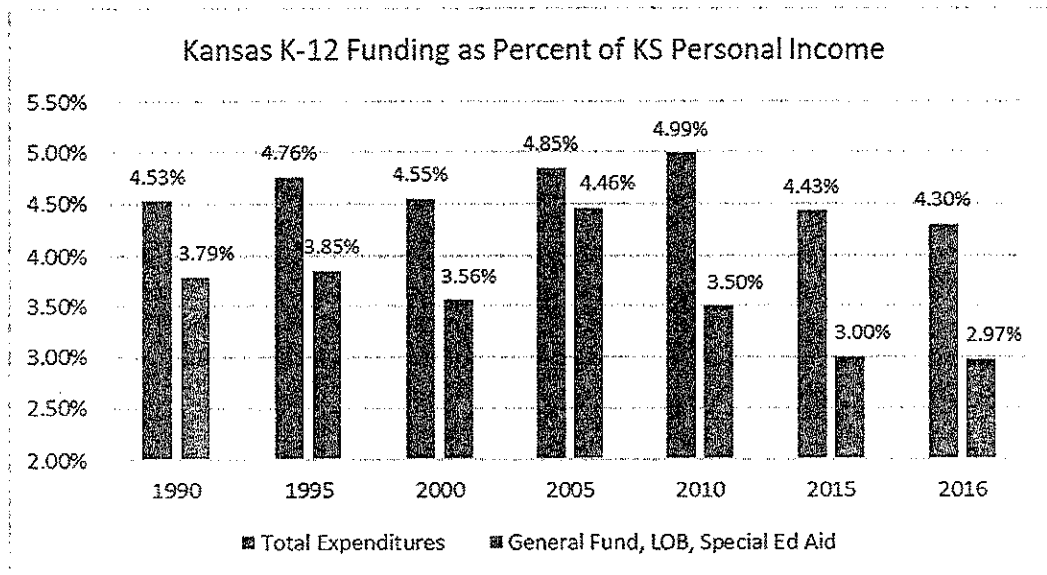
additional Local Option Budget and Capital Outlay funding approved in response to the Supreme Court's Gannon equity ruling.)

It should be noted that these FTE numbers are based on the full-time enrollment used for school finance purposes. As a result, they do not count full-time kindergarten students or students in district-funded preschool programs. Because of the significant growth in these programs over the past 15 years, these numbers understate how much funding has fallen behind in the number of pupil receiving public education.

This means that after decades of increasing spending more than inflation to support better outcomes, Kansas is now falling behind in per pupil support.

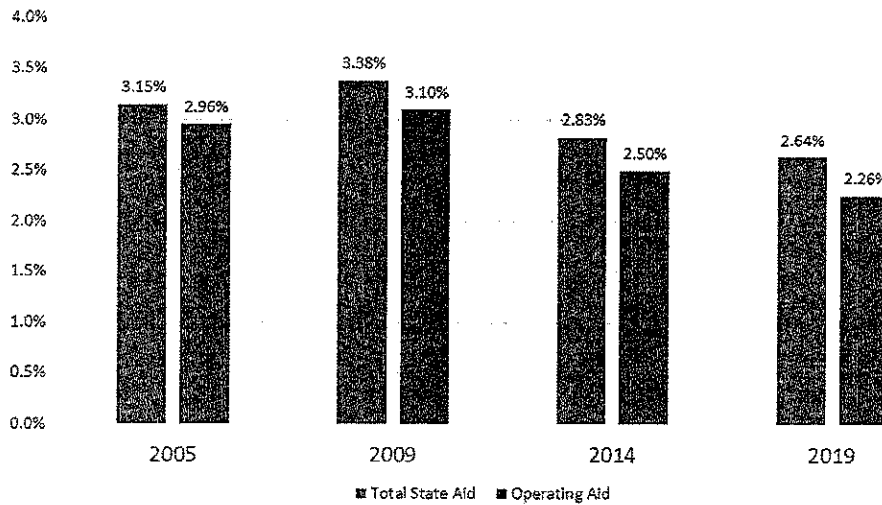
Kansas K-12 funding has fallen behind in state personal income growth.

This decrease in funding compared to enrollment and inflation cannot be blamed only on the weaknesses of the Kansas economy. As the following chart shows, total K-12 spending ranged between 4.5 and 5.0% of personal income between 1990 and 2010. Since then, however, funding has fallen to 4.3%, and operating funding, which primarily funding by the state, has fallen even more.



The chart below shows how state aid *only* (excluding federal and local funding) has also fallen compared to Kansas Personal Income, and how it is projected through 2019 based on the Governor's budget and the consensus revenue estimates for 2016, 2017 and 2018. Kansas tax and budget policies have resulted in a declining share of total state income going to support education.

State Aid as Percent of Kansas Personal Income



Kansas K-12 total funding has fallen behind other states.

We know from research that the states with the highest levels of student success were outspending Kansas in 2014, and the spending gap has likely widened.

Since 2008, Kansas funding per pupil has lagged behind other states in total funding for education. Kansas ranked 38th of 50 in the percent of increase between 2008 and 2014, and Kansas dropped from 25th to 29th in total funding per pupil.

It is worth noting that Kansas ranks high on some measures of state support when considering the percentage of school funding coming from the state or the percentage of state spending going to education. However, these factors are offset by a much lower reliance on local revenues, especially the property tax. The only way to raise actual funding without increase state aid is more local funding.

Kansas student achievement is not rising as fast as most other states.

Kansas student achievement, although still high compared to the national average and peer states, has not increased as much as those comparison groups. In fact, KASB found that on 14 of 15 educational indicators, Kansas improved slower than the rest of the country, or even declined in achievement in recent years.

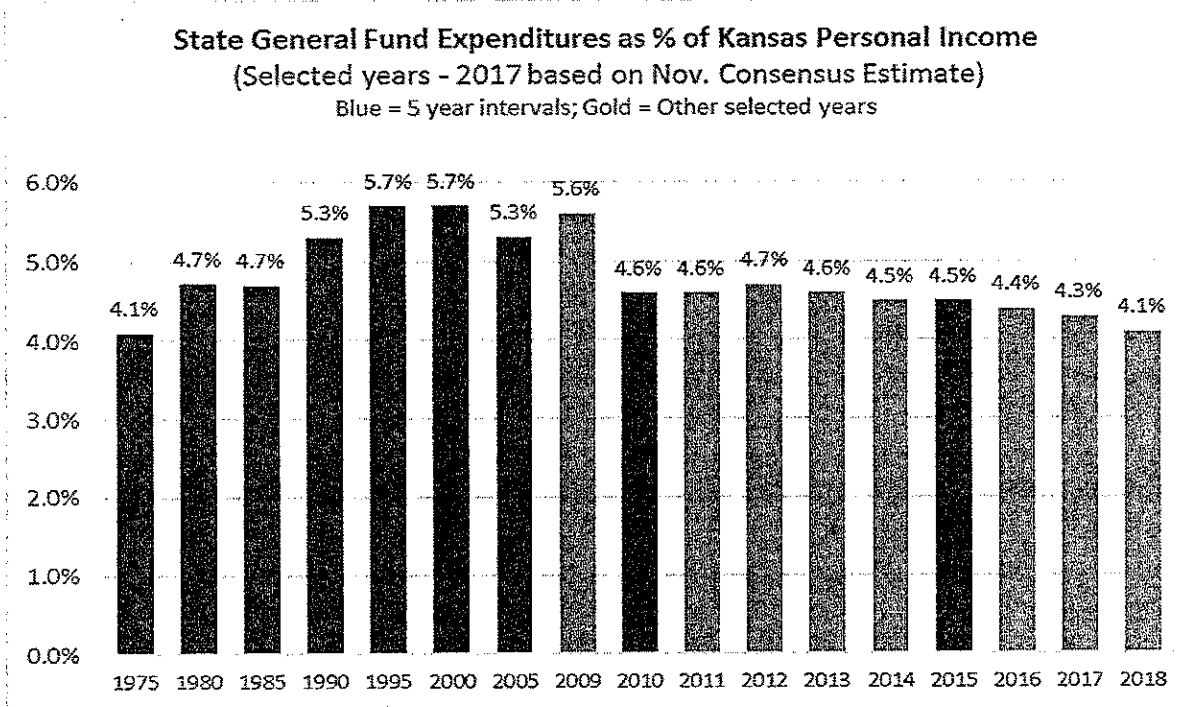
If these trends continue, Kansas will fall behind other states in both education funding and educational performance, which means the Kansas population and workforce will become less competitive, earnings will decline, and both individual and states income will fall.

What does this have to do with HB 2178?

As we understand **HB 2178**, it would increase income tax rates closer to the pre-2012 rate cuts, which would provide an immediate increase in state revenue available to support education and other state programs. This would provide more revenue from a source that has been growing faster than the sales tax due to many factors, and would lesson reliance on sales and property taxes. In addition, it would repeal the automatic income tax rate cut in future years. Unless this is done, Kansas will never able to provide the school funding policy which has been successful in the past.

KASB understands the extremely difficult budget and tax choices the Legislature faces. But we believe the current tax policies of the state are making it impossible to deliver the services Kansas needs and want.

The chart below shows the state general fund as a percentage of Kansas personal income going back to 1975. It's important to note that the growth of the SGF spending compared to income was in part due to the state taking on more responsibilities of local government; for example, in 1992 the state assumed a major role in education funding in order to reduce local property taxes and tax disparity. It also reflects asking government to do more, such as providing special education services and providing postsecondary education to many more students.



Since 2009, that trend has reversed itself. The state general fund as a share of income has dropped to levels of the mid-1970s. The issue is whether Kansans really want a 1970's level of government services. Our members certainly do not want a 1970's level of education: lower graduation rates, fewer students preparing for and attending college, no special education for disadvantaged students, no Title IX for girls. Public education is an investment in our future. Kansas is cutting back on that investment. It appears many Kansas are concerned about support of other state programs, as well.

Just as we said in support of **HB 2023**, we do not believe **HB 2178** is the complete solution to the budget issues facing Kansas, but it is another step. We would encourage this committee to continue to look at ways to build the comprehensive tax reform policy that will adequately and equitably restore necessary revenue to the State of Kansas for investment in core services like Education.

Thank you for your consideration.