

# School Finance Seminar

## September 29, 2011

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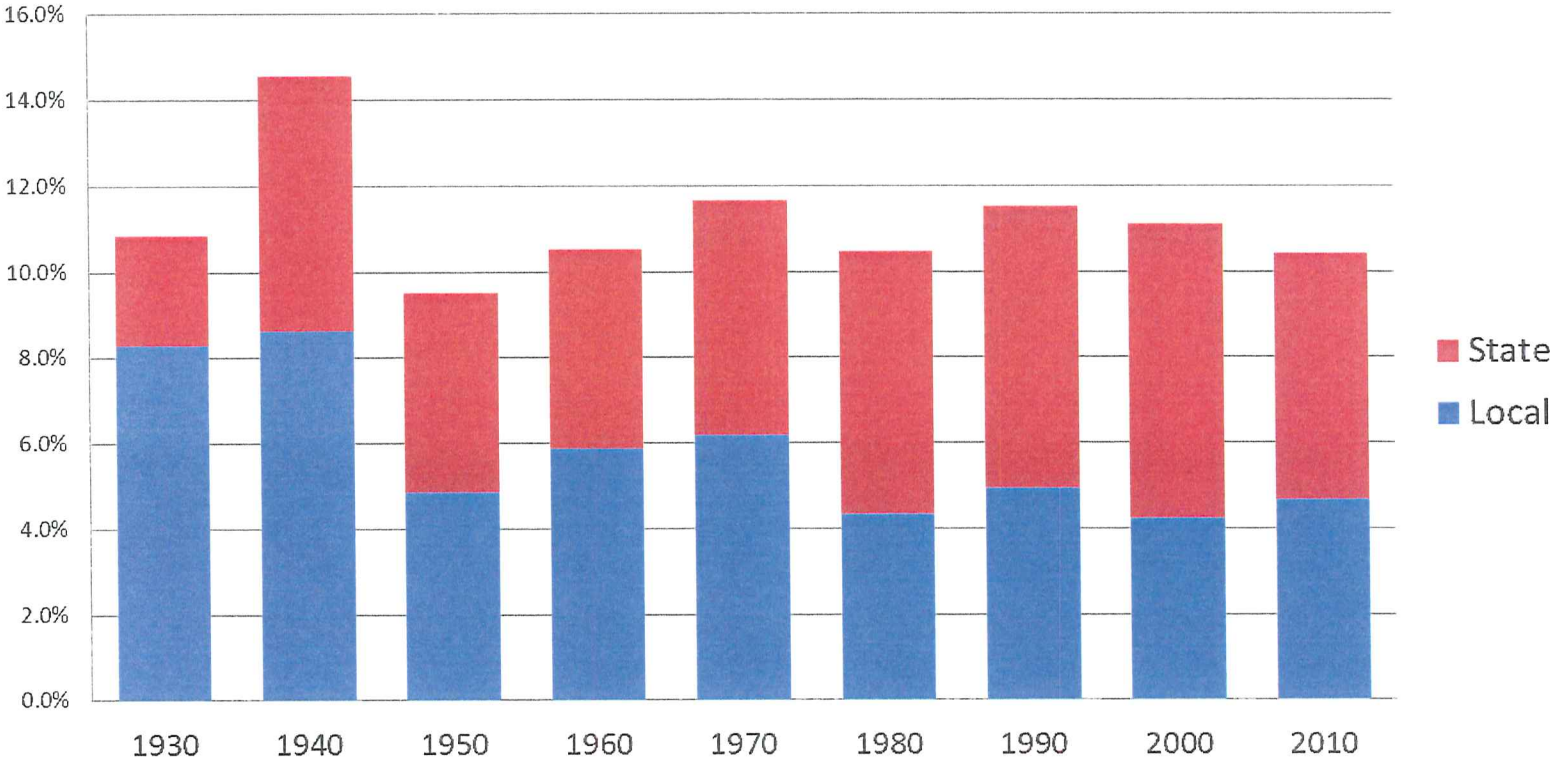
**PLAINTIFFS'**  
**EX. 33**

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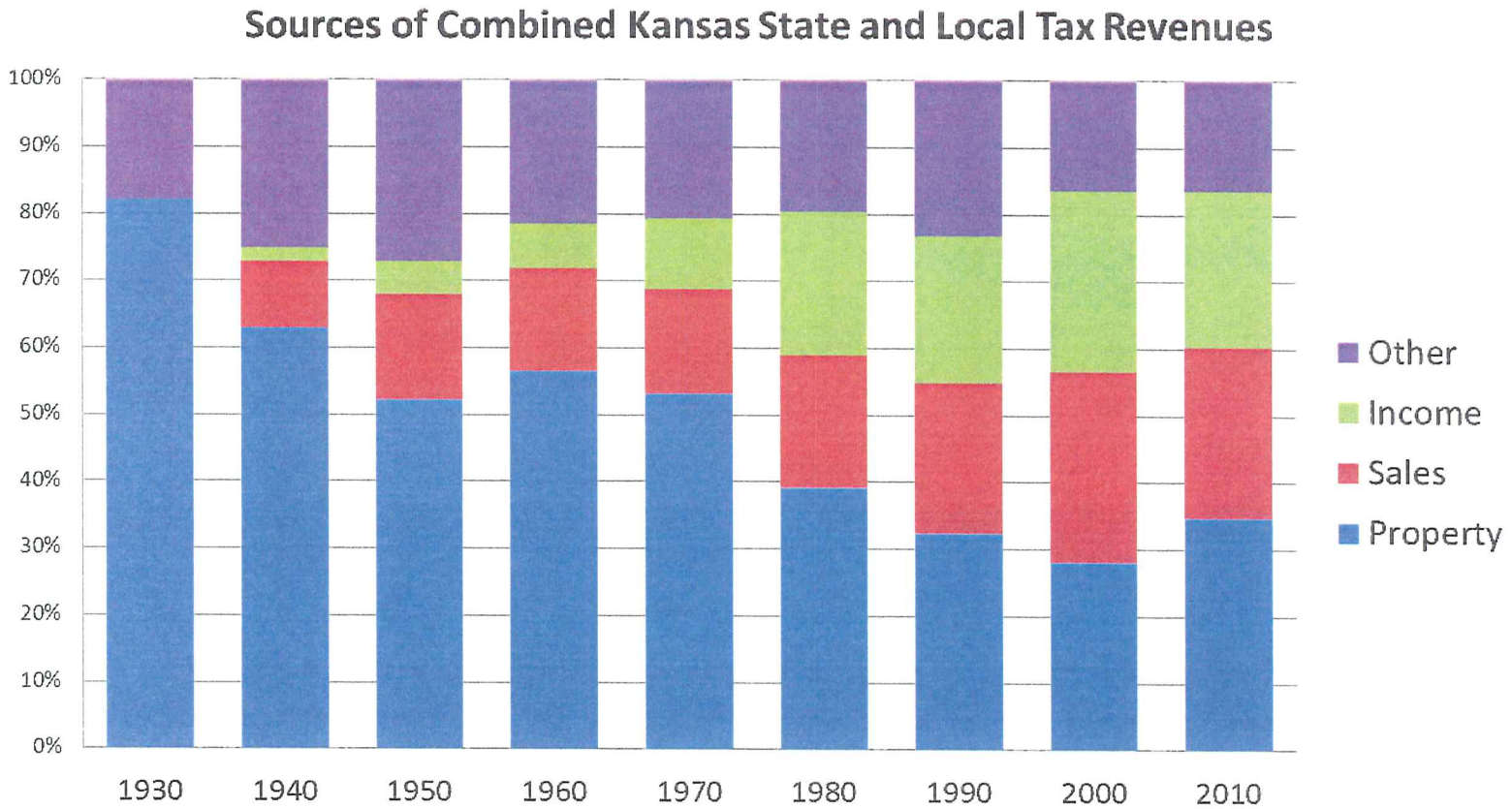
# STATE TAX BURDEN AND EDUCATION FUNDING

Cost of Kansas Government has been fairly stable for decades.  
Total state and local tax burden has been dropping since 1990.  
Funding services has been shifting from local to state until last decade.

**Kansas State and Local Taxes as Percent of Personal Income**

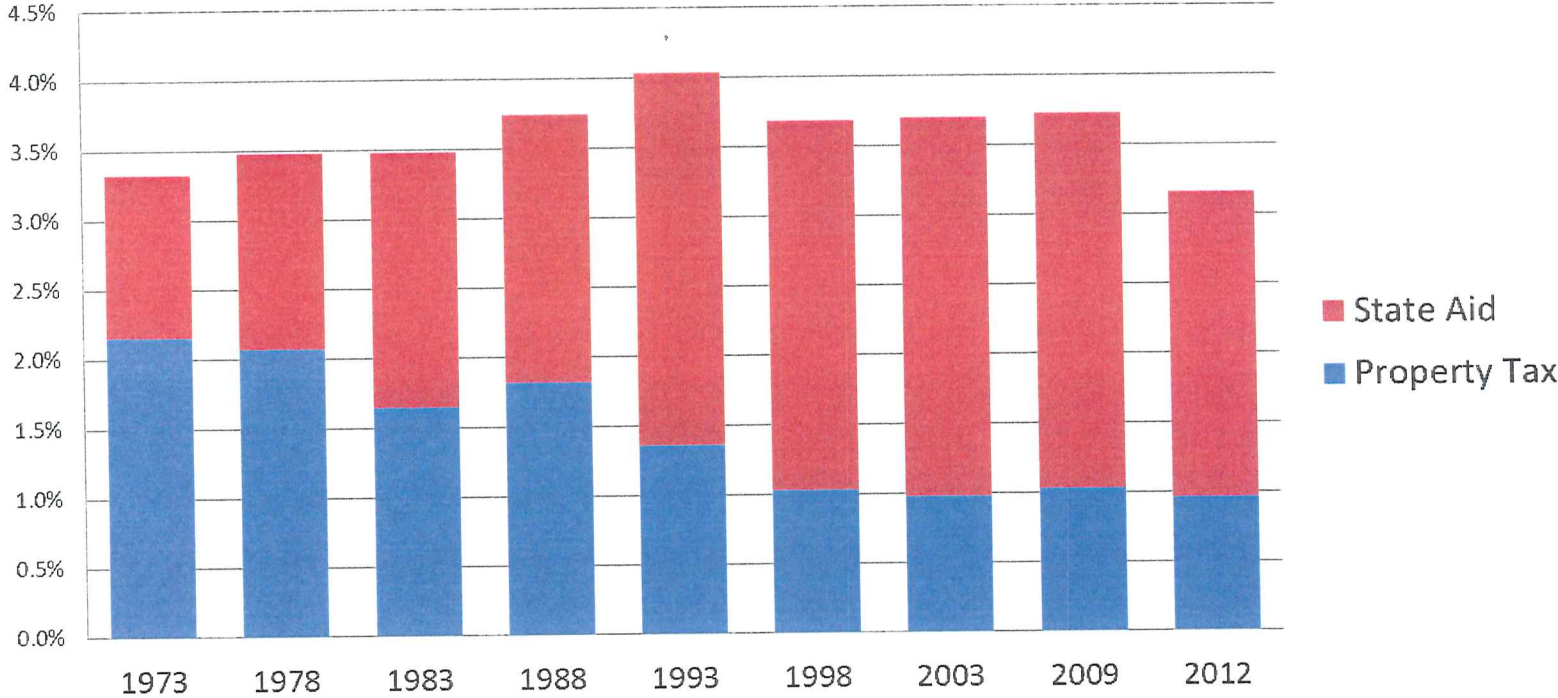


Key change in tax policy: shift from property tax to sales and income.  
Major sources balanced in 2000, shift back to property tax by 2010.  
Current proposals to reduce/eliminate income tax ☐ how made up?



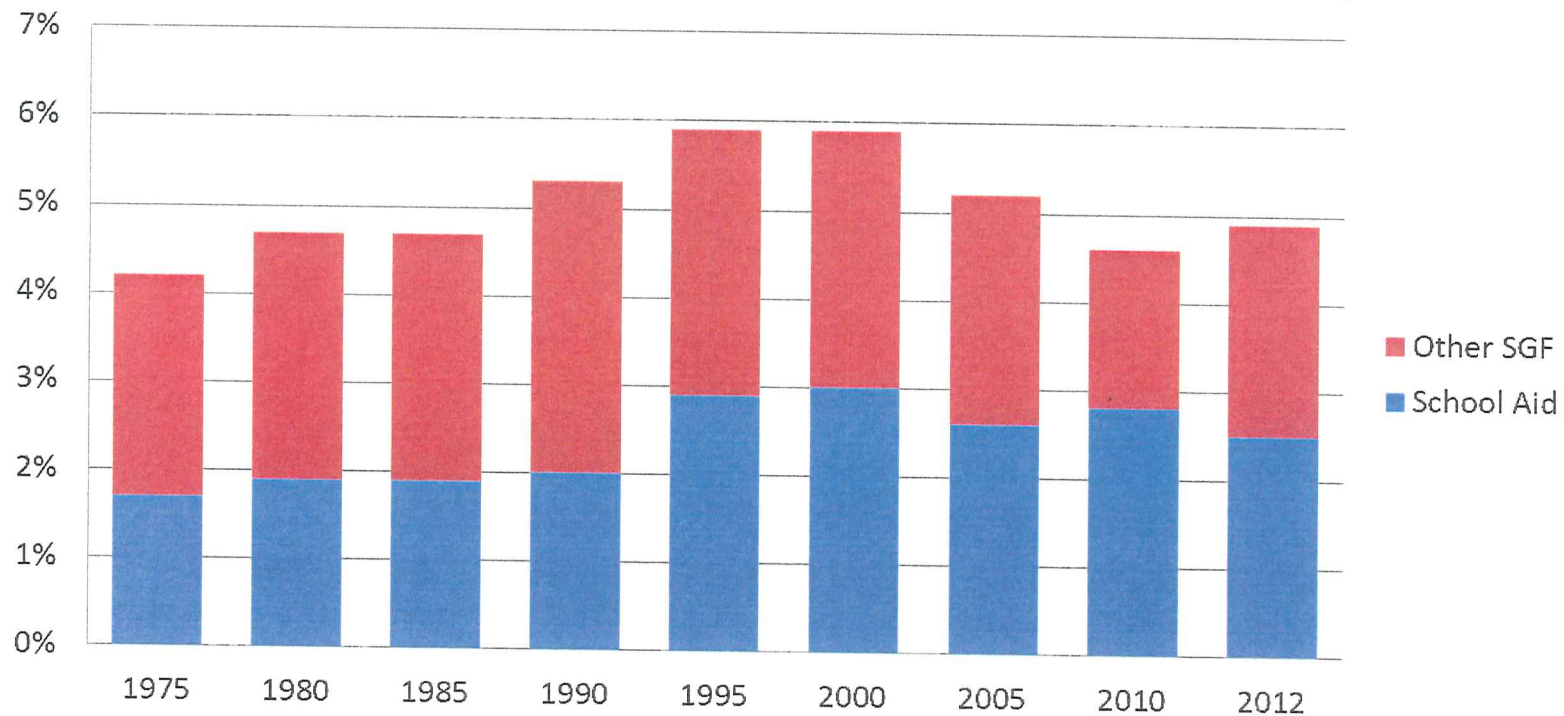
School funding averaged around 3.5% of personal income for decades. Projected to be at lowest level since early 1960s in 2012. Long-term trend increase in state aid to reduce property tax reliance.

**Kansas School District State Aid and Property Tax as Percent of Income (Excludes Capital and Debt)**



State SGF increased from 1975 to 1995 as percent of Kansas income.  
School aid increased by 1% KPI to offset property tax.  
SGF spending declining since 2000 compared to income.

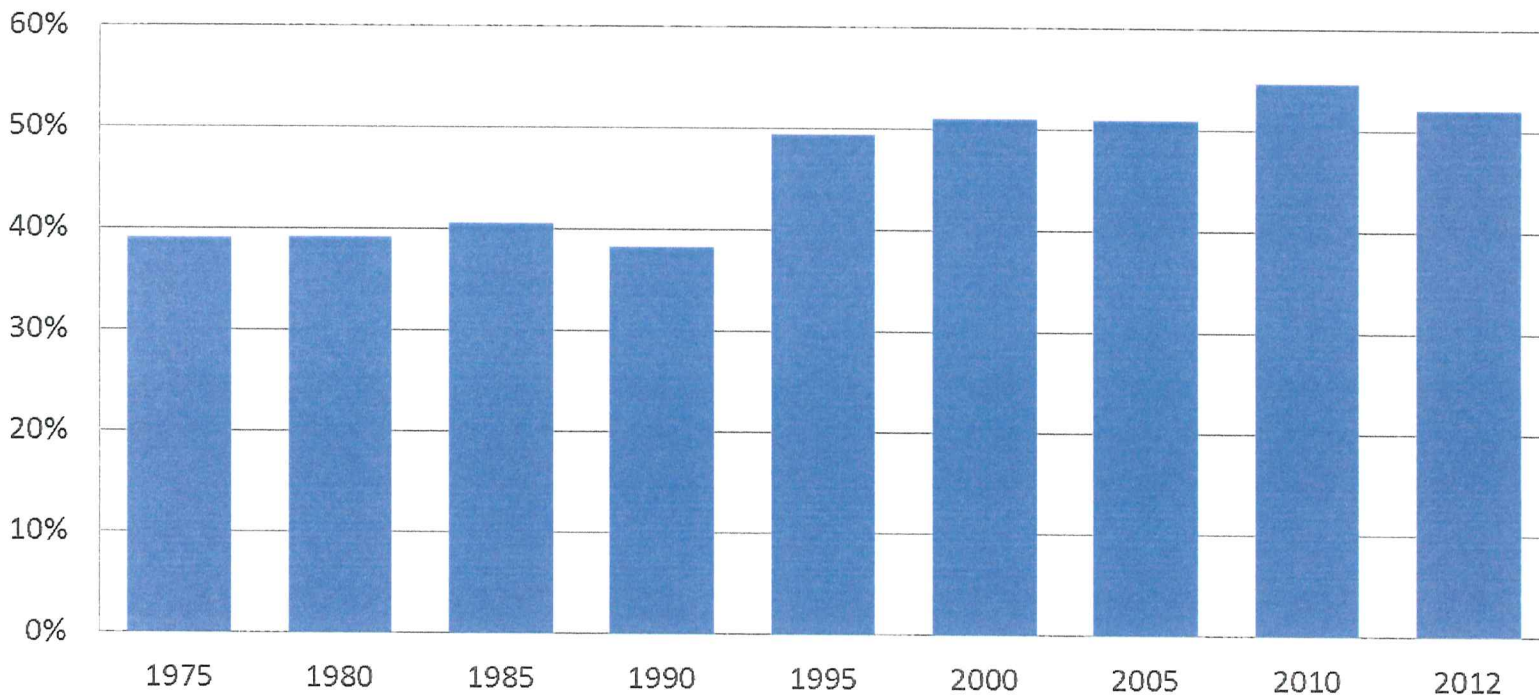
**State General Fund and State School Aid as Percent of Kansas Personal Income (note federal stimulus impact in 2010)**



# **EDUCATION FUNDING AND THE STATE BUDGET**

K-12 aid about 50% of state general fund spending since 1992 act. Prior to that, state aid was about 40% of SGF since the 1970s.

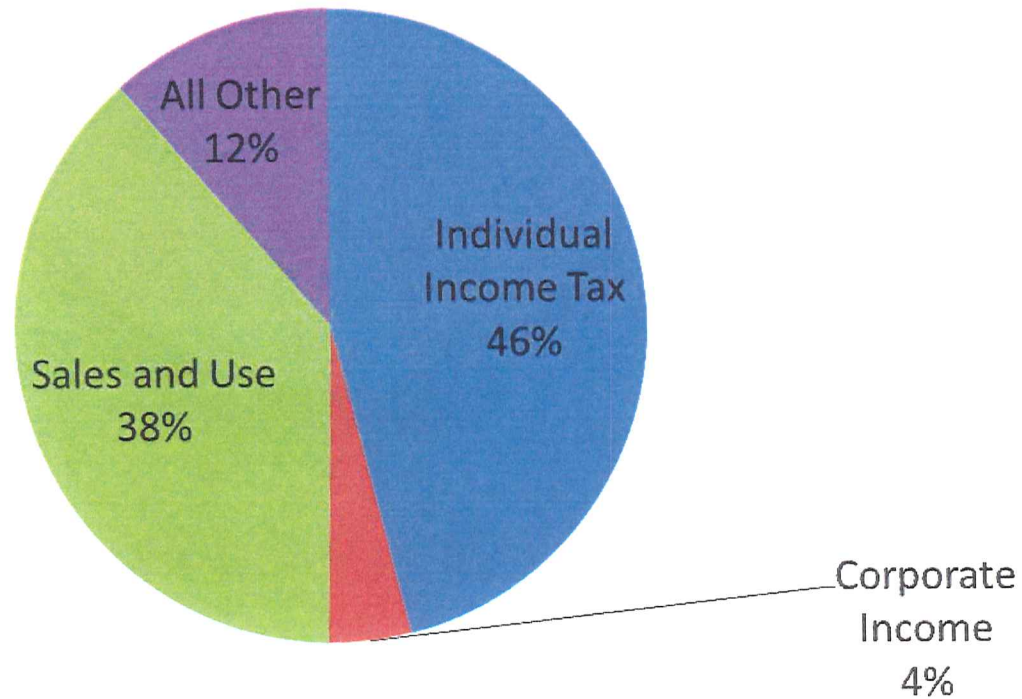
**School District State Aid as Percent of State General Fund Expenditures (2010 impacted by stimulus funds)**





Exactly half of SGE receipts in FY 11 came from income taxes.  
About 90% of income tax receipts were from individuals.  
Estate/Inheritance and corporate franchise taxes were eliminated.

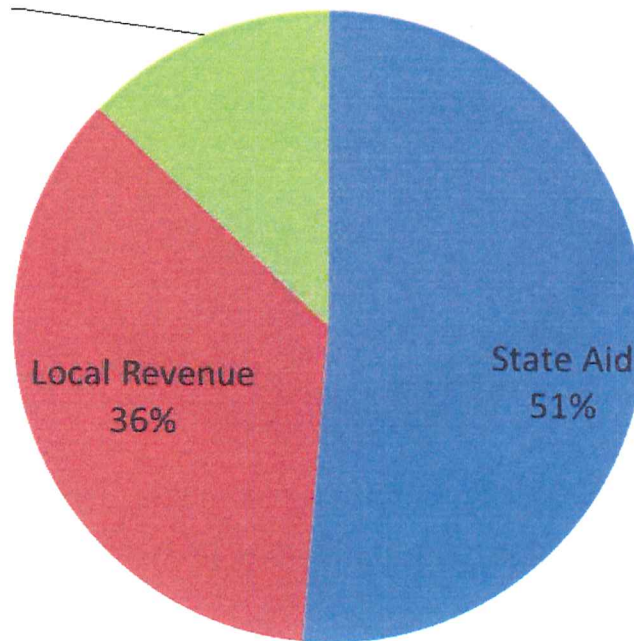
### State General Fund Receipts, FY 2011



51% of total school revenues came from state aid.  
Almost all state aid from the state general fund.  
Federal aid will drop to under 10% after stimulus.

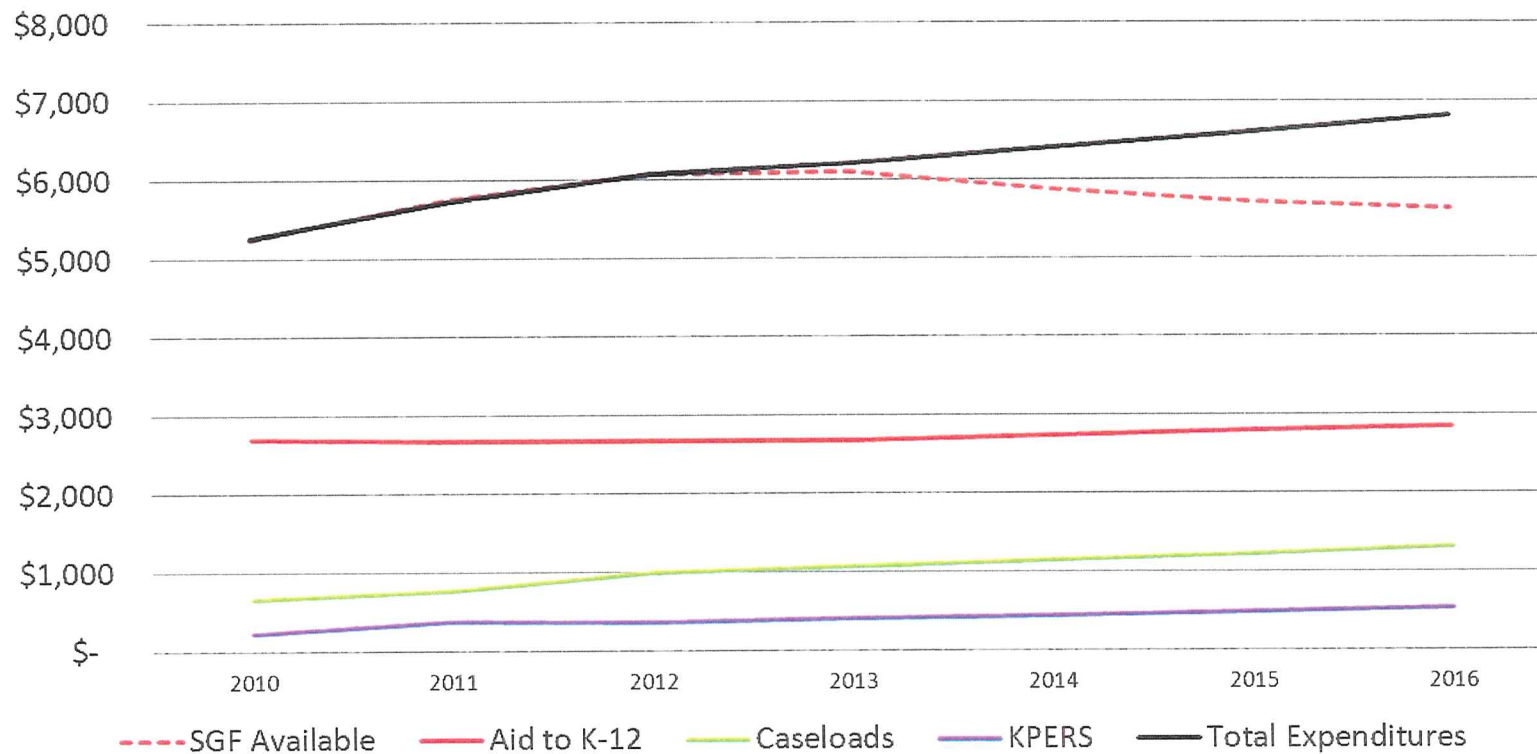
### School District Revenues, FY 2011

Federal Aid  
(Including  
Stimulus)  
13%



Projects from state budget director show \$1 billion deficit by 2016.  
 Assume 4% revenues growth, sales tax expires, no other tax cuts.  
 2% K-12 growth, mandatory caseloads, KPERS, other.

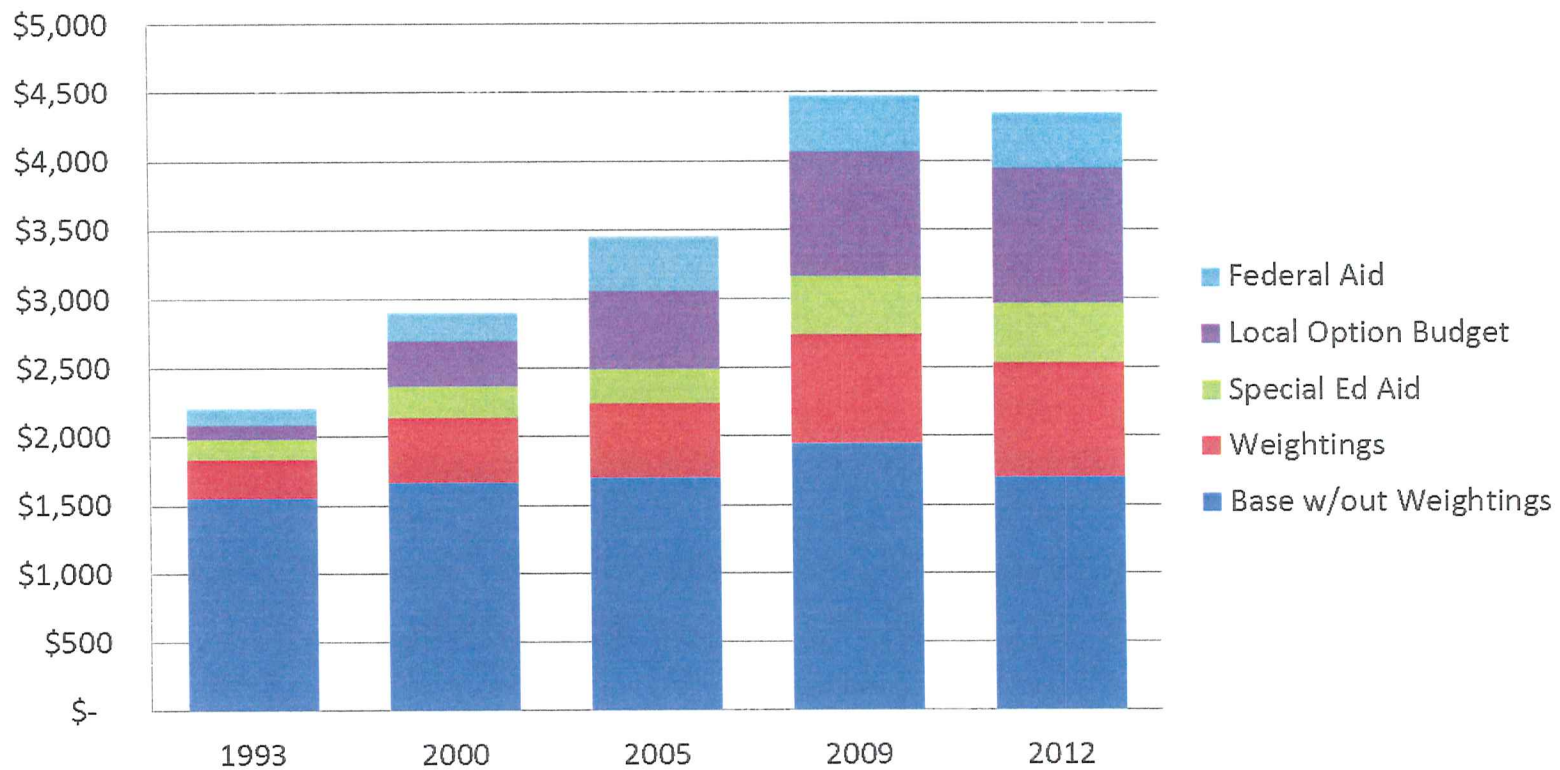
### State General Fund Projections (\$Millions)



# CHANGING COMPONENTS OF SCHOOL FINANCE

Base (weighted) state fund is lower than 2000.  
 Operating budgets have declined high point in 2009.  
 Most funding growth has been in LOB, special education and weightings.

**Changes in School Finance Components Since 1993 (\$millions)**

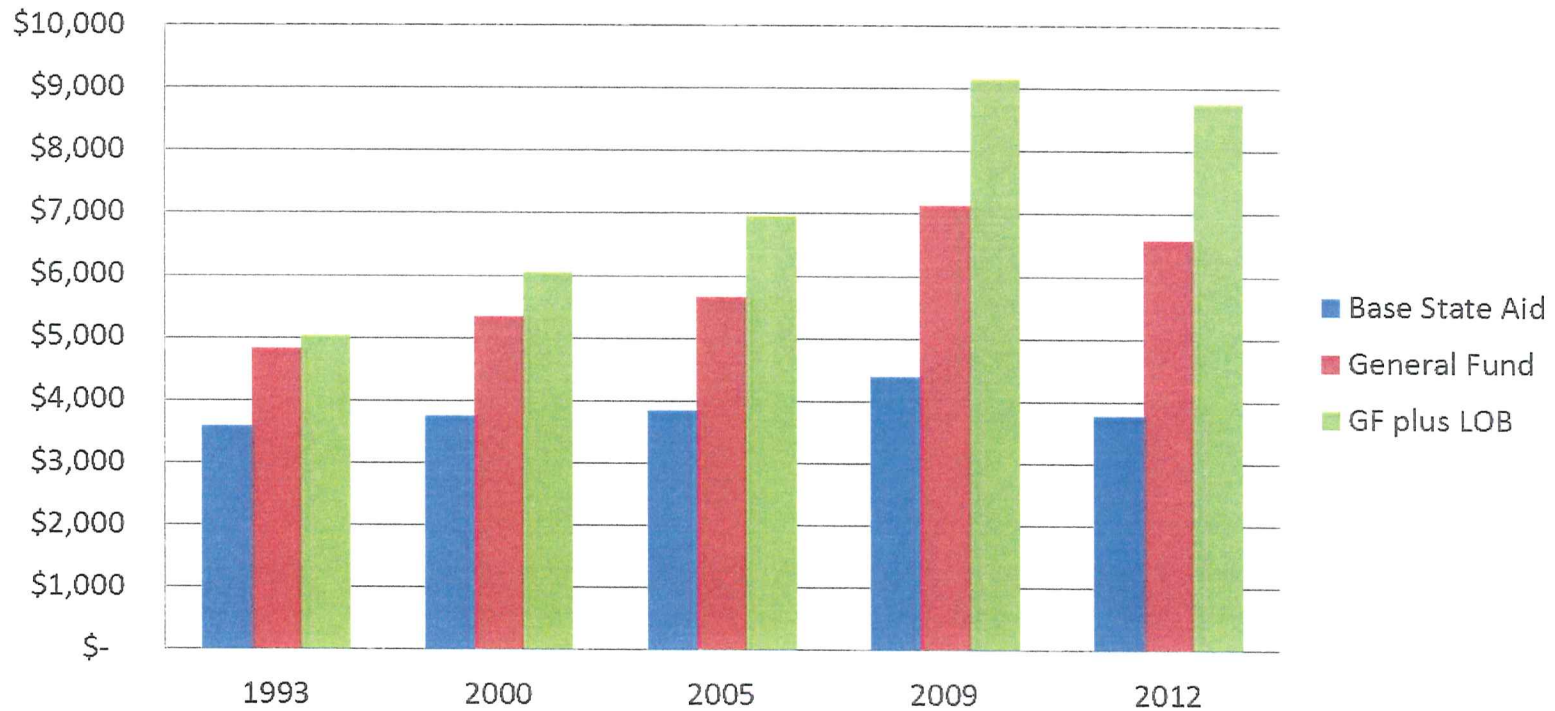


Because of weighting, total general fund per pupil is about twice the base budget per pupil.

With LOB, general operating budgets nearly \$9,000 per pupil.

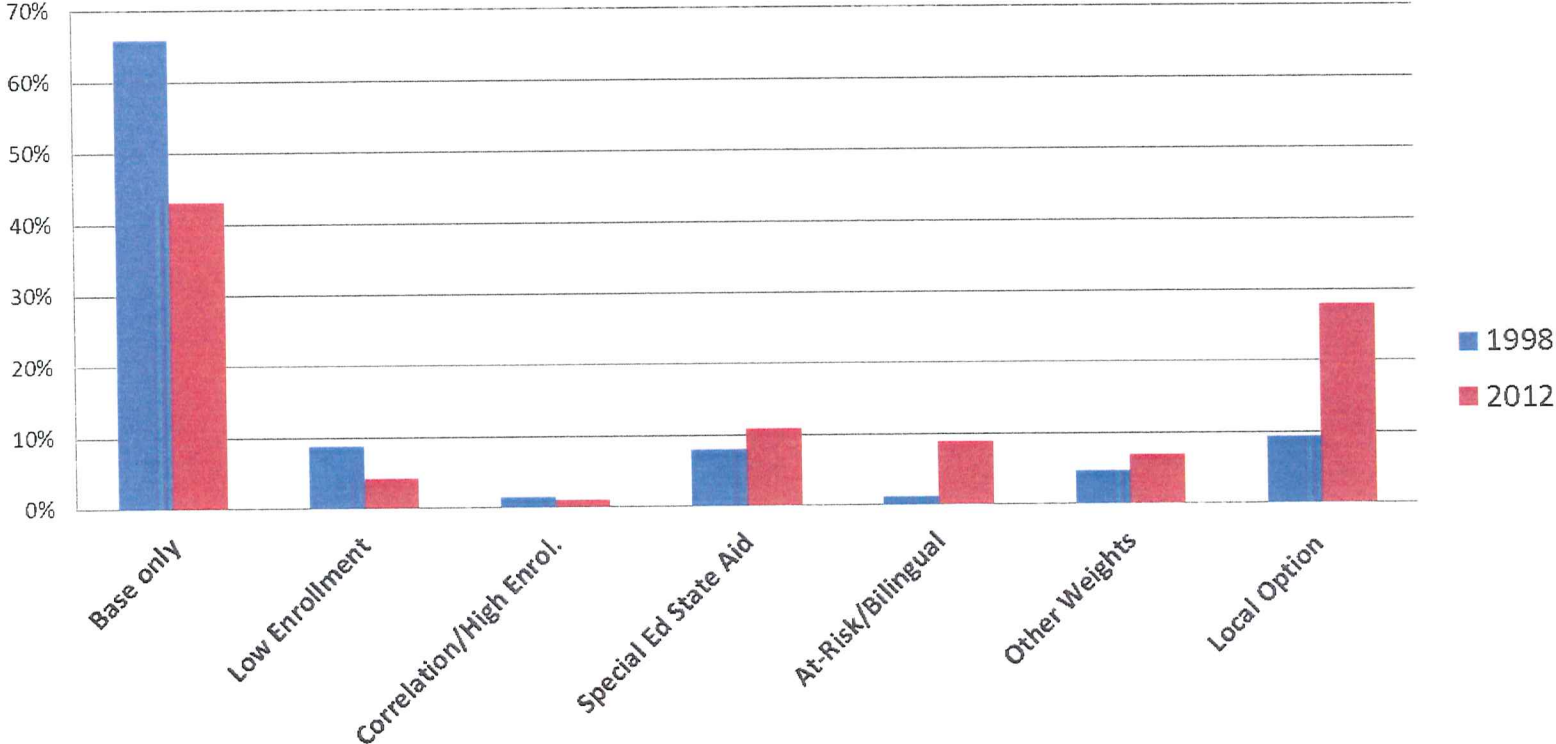
### Base State Aid vs. Per Pupil Funding

(Based on FTE enrollment, excludes federal aid, capital costs, debt, other local)



Formula has changed from primarily base aid and low enrollment for general purposes funded by the state to special purposes weightings and local funding with significant local mill levies.

### School Finance Comparison

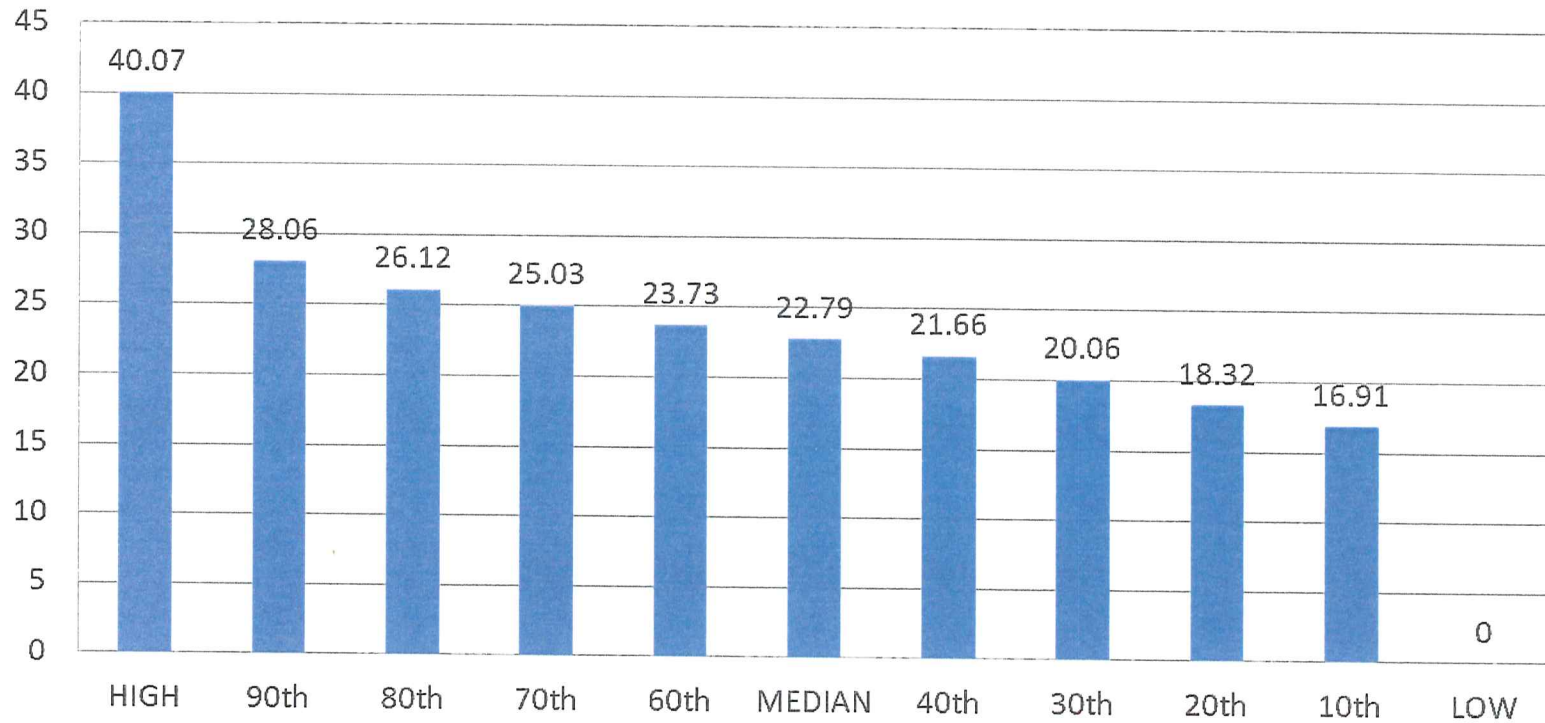


70% of districts need a higher LOB mill levy than general fund levy (20 mills) to levy maximum local option budget.

Rates more than double low to high for same percentage LOB.

### Mill levy required to raise 31% LOB

(Districts by percentile – at current equalization rate)

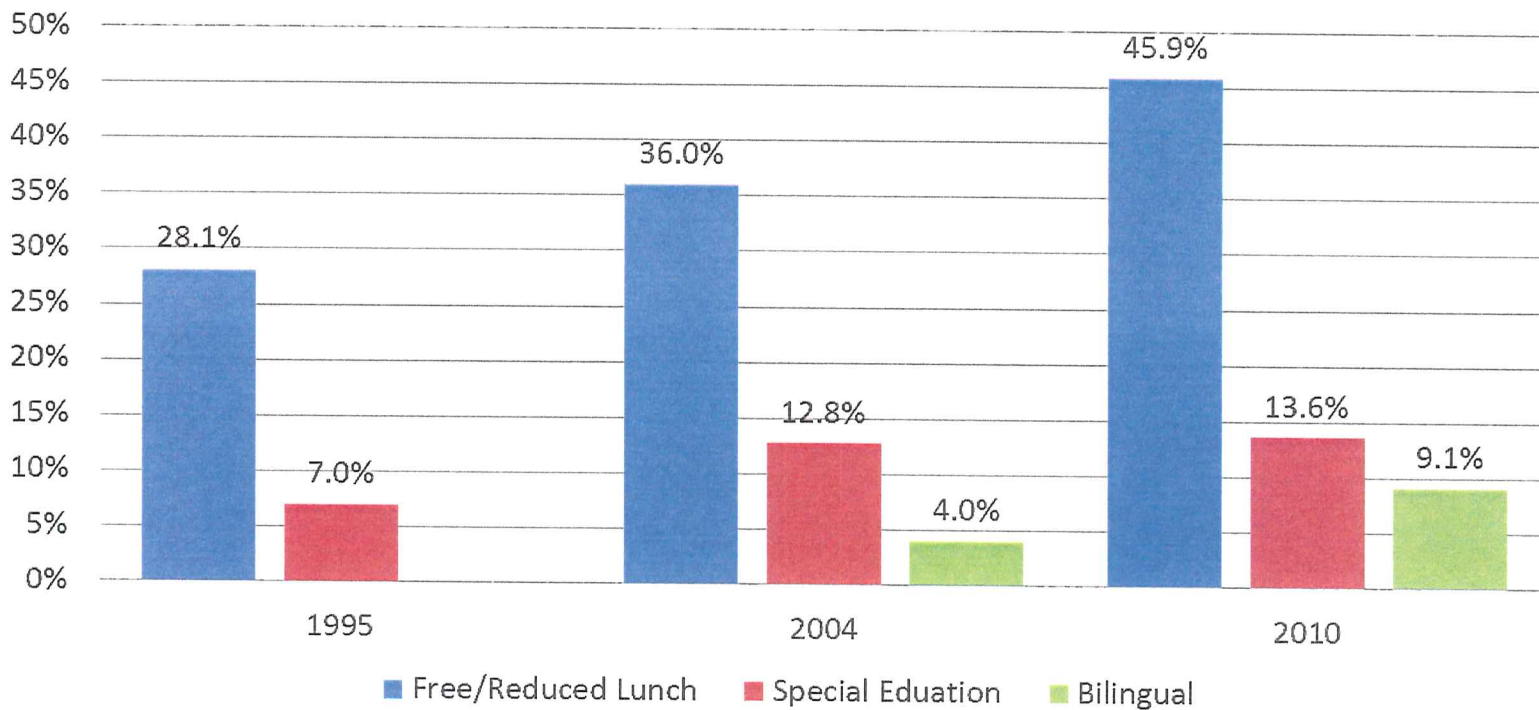




# **CHANGING STUDENT POPULATION**

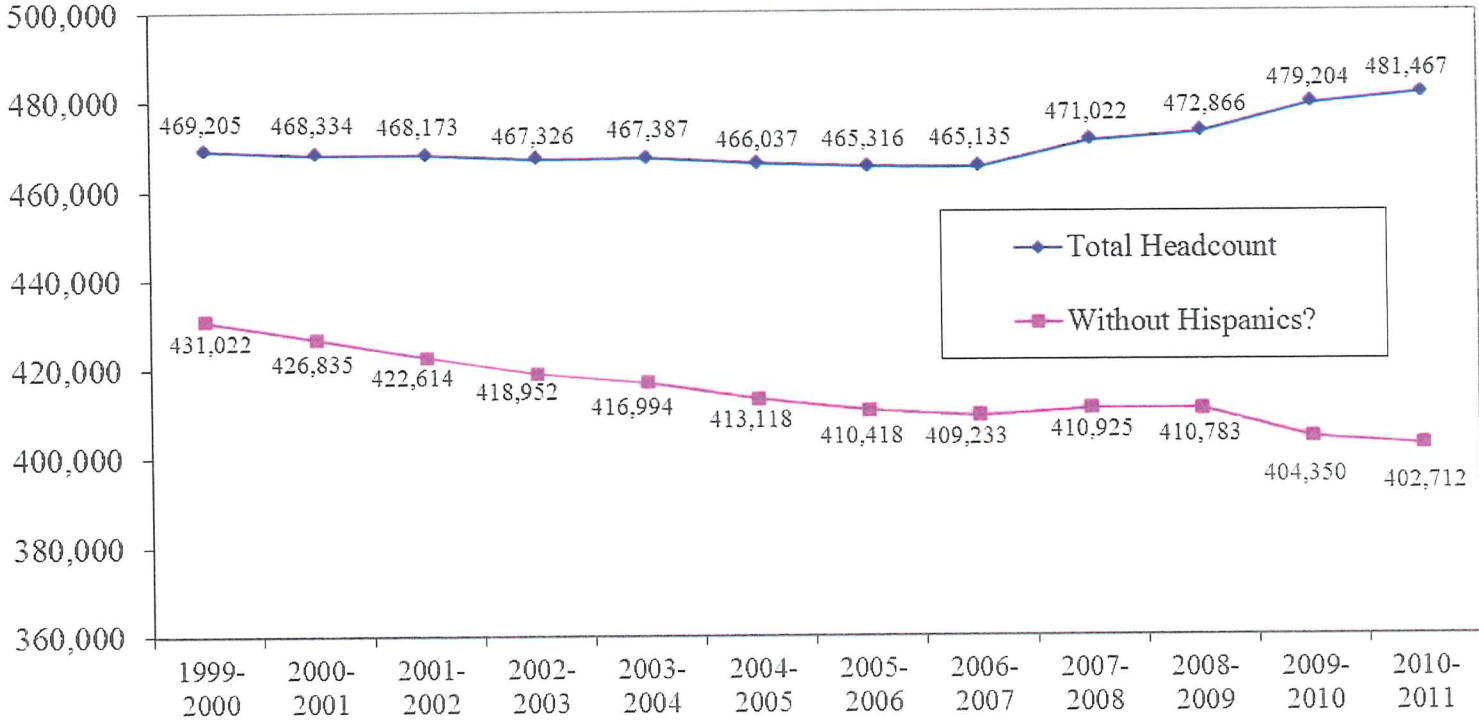
Studies show higher educational costs for certain groups.  
High cost student enrollment has risen substantially.  
The value of these weightings has also increased.

**Kansas Student Population Trends**  
(Percent of statewide enrollment)



After slow decline, statewide enrollment increased the past four years. Without Hispanics, enrollment would be nearly 80,000 less. Over \$300 million in base state aid alone (no weightings).

### Kansas Enrollments Without Hispanics?



# WHAT IS KANSAS GETTING FOR ITS EDUCATION FUNDING?

# Index: Average rank on 11 indicators

## **Mastering the Basics before High School**

• *Two indicators:* % all students scoring basic or above on 4<sup>th</sup> and 8<sup>th</sup> grade National Assessment of Education Progress (NAEP) reading and math tests, plus free/reduced lunch only.

## **High School Completion**

• *Three indicators:* two 4-year high school graduation rate estimates, plus % of population under 25 with high school diploma or equivalent.

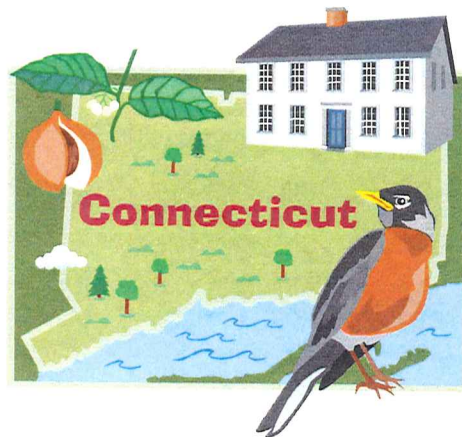
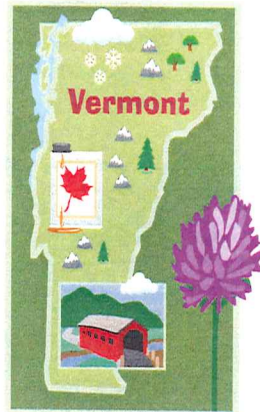
## **Preparation for College**

• *Three indicators:* State average scores on college entrance test (ACT or SAT) taken by most students in each state, percent taking majority test, plus number of high scoring students per 1,000 graduates.

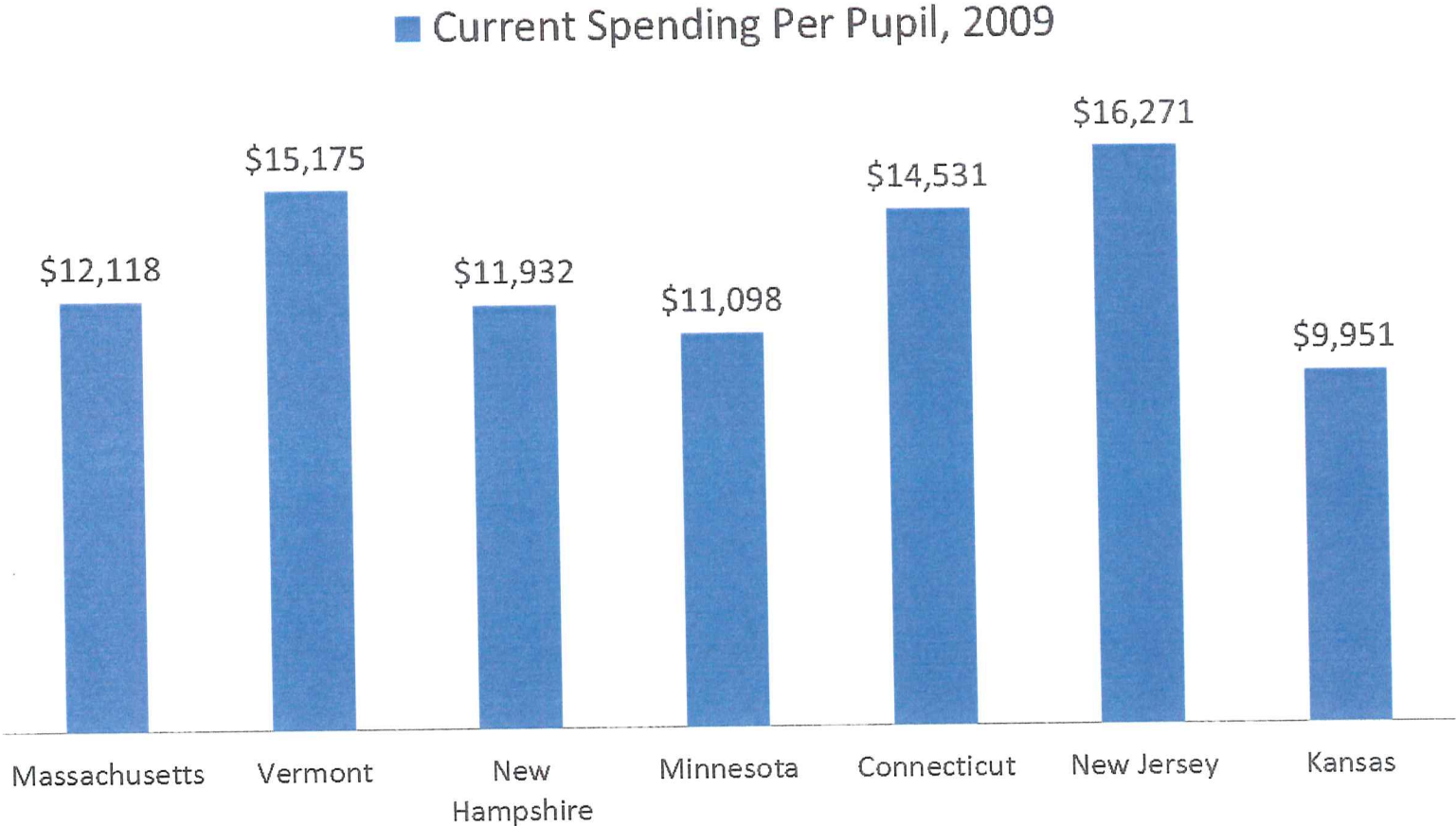
## **Adult Education Attainment**

• *Three indicators:* % of population 25 and older with high school diploma or equivalent, bachelor's degree or an advanced degree.

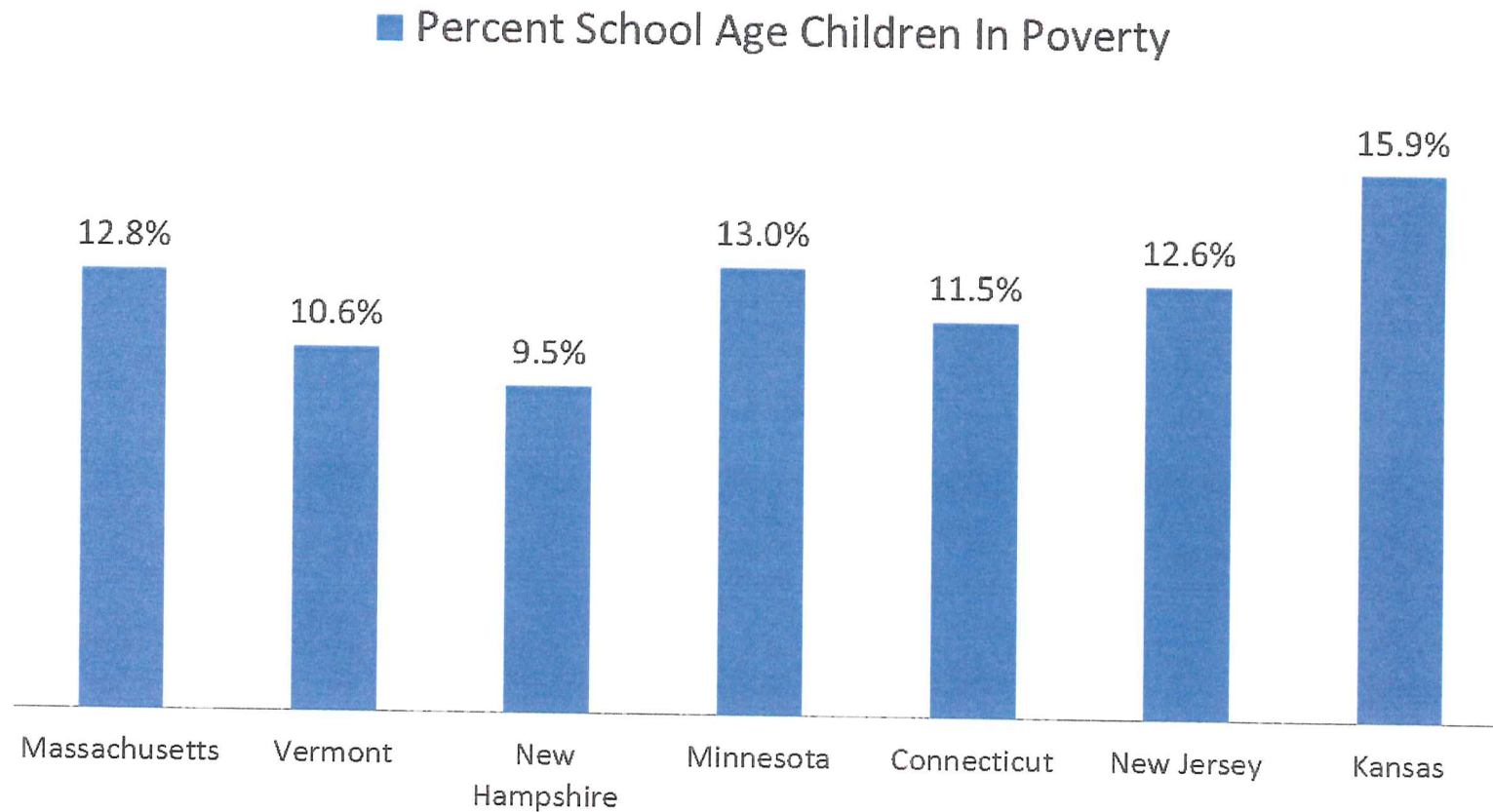
# Which Are the Top Seven States?



# Kansas spends less than higher-ranking states



# Kansas has higher child poverty than higher ranking states





# Key Findings

Unlike many, Kansas in Top 20 on all measures.

Examples: Florida and Texas rank 17<sup>th</sup> and 24<sup>th</sup> for mastering basics before high school, but bottom 10 in graduation and bottom 5 for college preparation. Pennsylvania 11<sup>th</sup> in high school completion but 35<sup>th</sup> in preparation for college.

**Kansas ranks highest on national tests.**

**Mastering basics** before high school: 9<sup>th</sup> for all students and 5<sup>th</sup> for low income; shows positive impact of at-risk programs.

**College preparation:** 5<sup>th</sup> highest among ACT states, sixth best for high ACT and SAT scores per 1,000 graduates.

Index recognizes states for percent of graduates taking either ACT or SAT; scores tend to decline the more students tested. (Six states tested all graduates on ACT.)

# Key Findings

## Kansas lowest in high school completion: 15<sup>th</sup>

Most states ranking higher have less poverty, fewer minorities or spent more money.

Two measures of students who graduate in four years or less; third measure adds students who graduate or get GED by age 24. **Kansas does better in completion by young adults; impact of “drop-out recovery” programs.**

Missouri does better in 4-year graduation, much lower in graduates by age 24.

## High attainment high school through college.

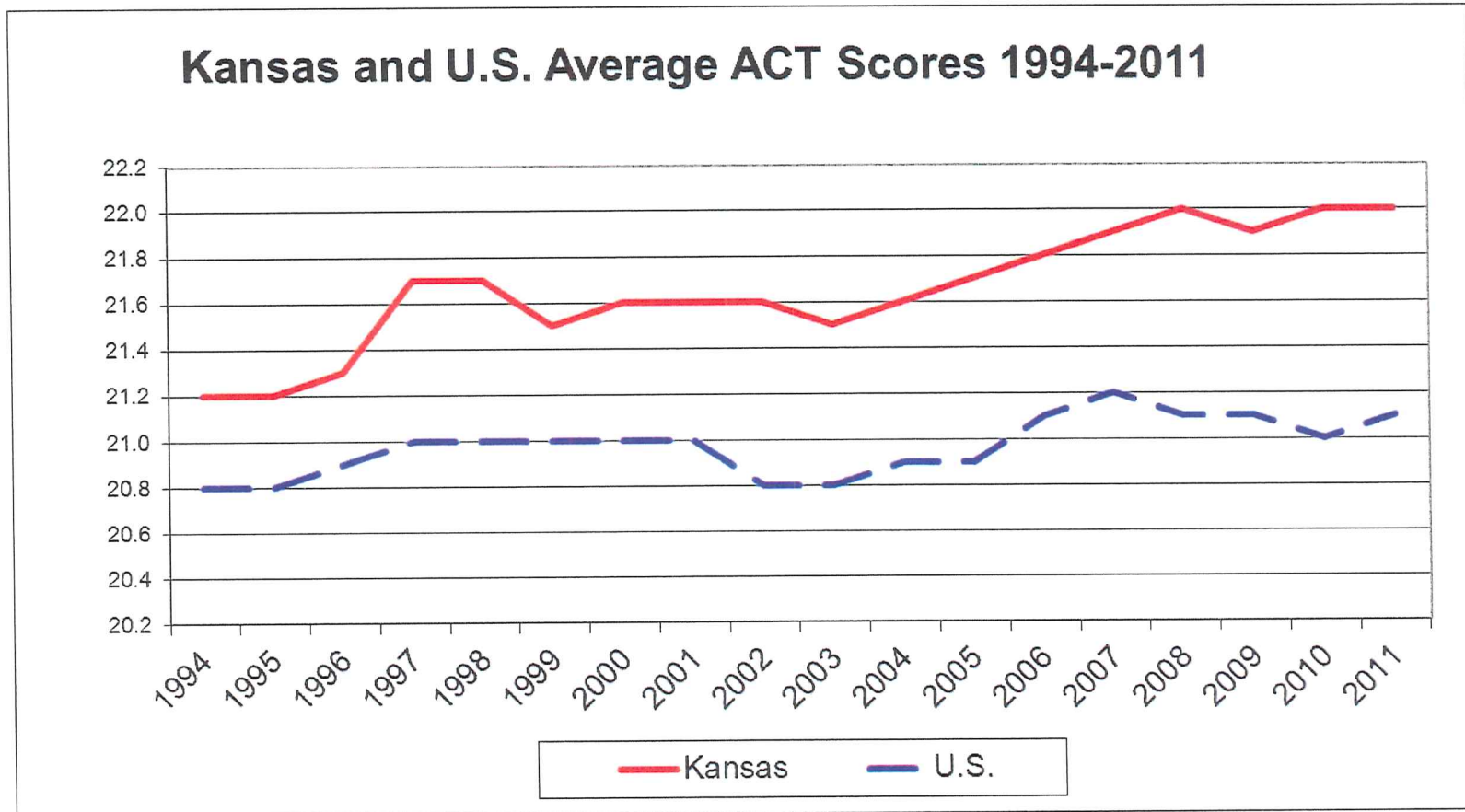
Kansas ranks 13<sup>th</sup> in adult attainment (16<sup>th</sup> for high school, 14<sup>th</sup> for bachelor's degree, 16<sup>th</sup> for advanced degree). In region, only Colorado and Minnesota are higher.

Most states either high in high school and low in college completion, or the reverse.

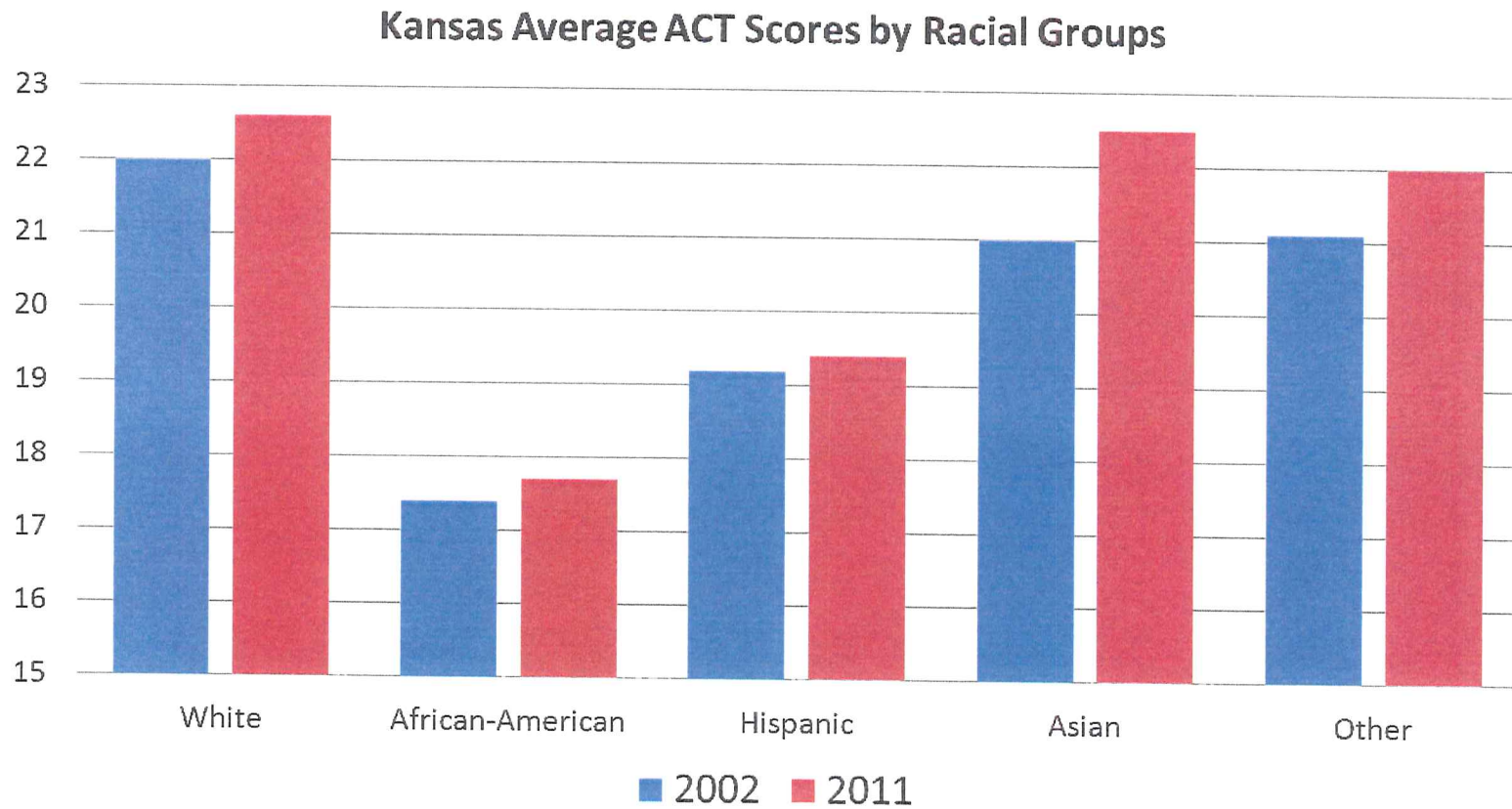
Other regional states better in high school completion, but much worse in college degrees.

**Kansas has less of a “brain drain,” keeps or replaces college graduates.**

# Reason for celebration

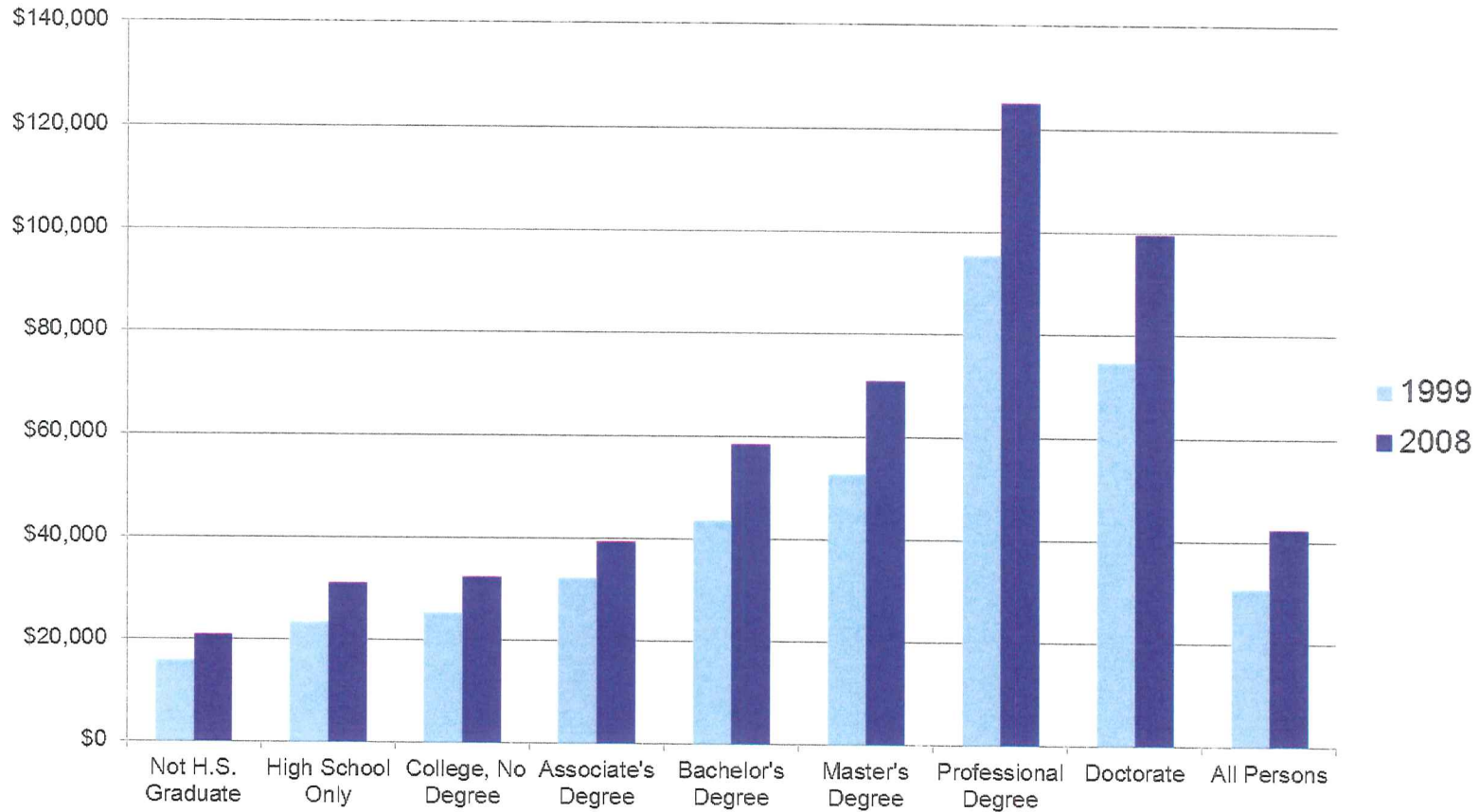


# Reason for concern

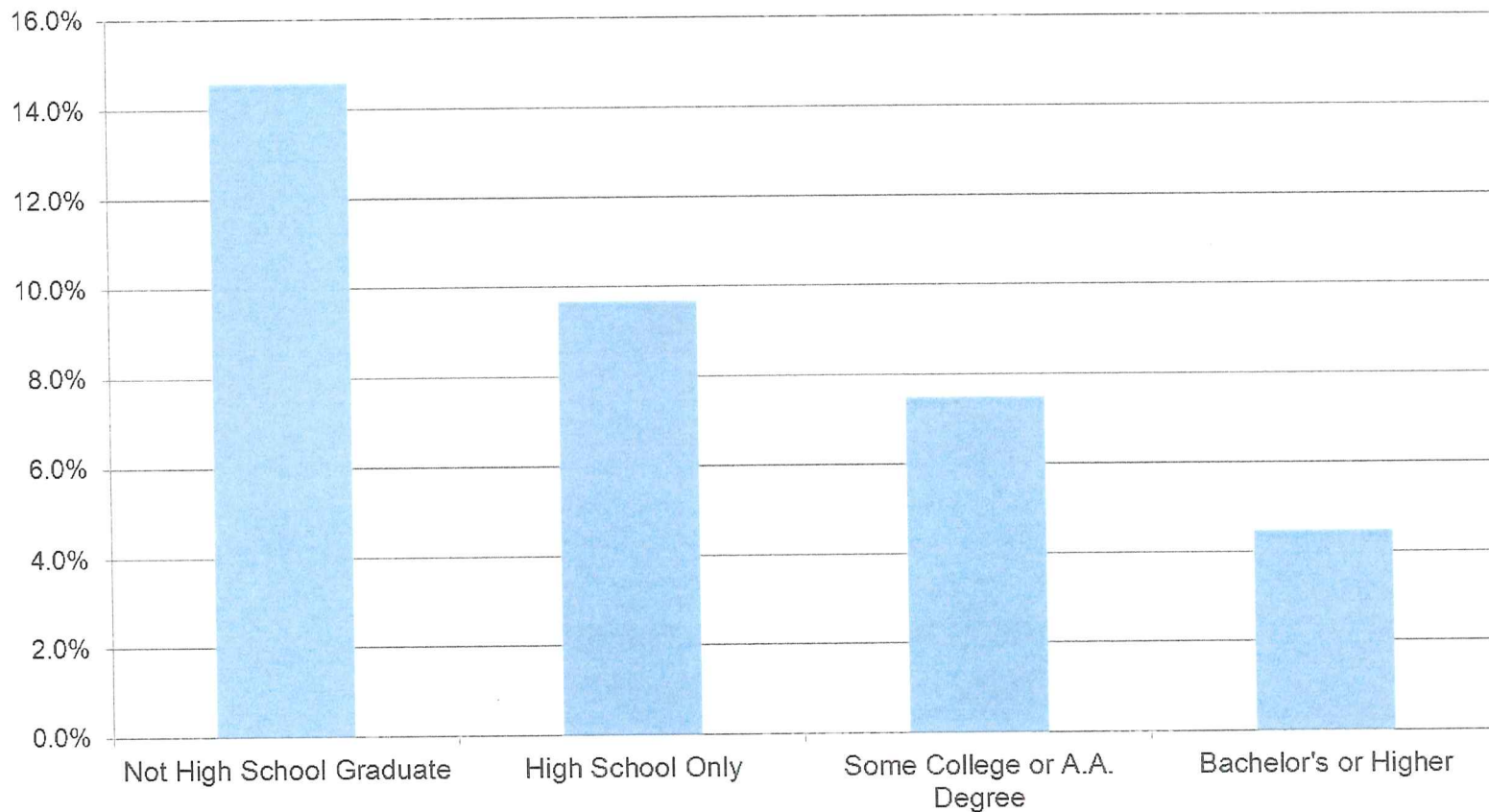


# **WHY DOES EDUCATION MATTER?**

# Why education matters: U.S. average income by education level

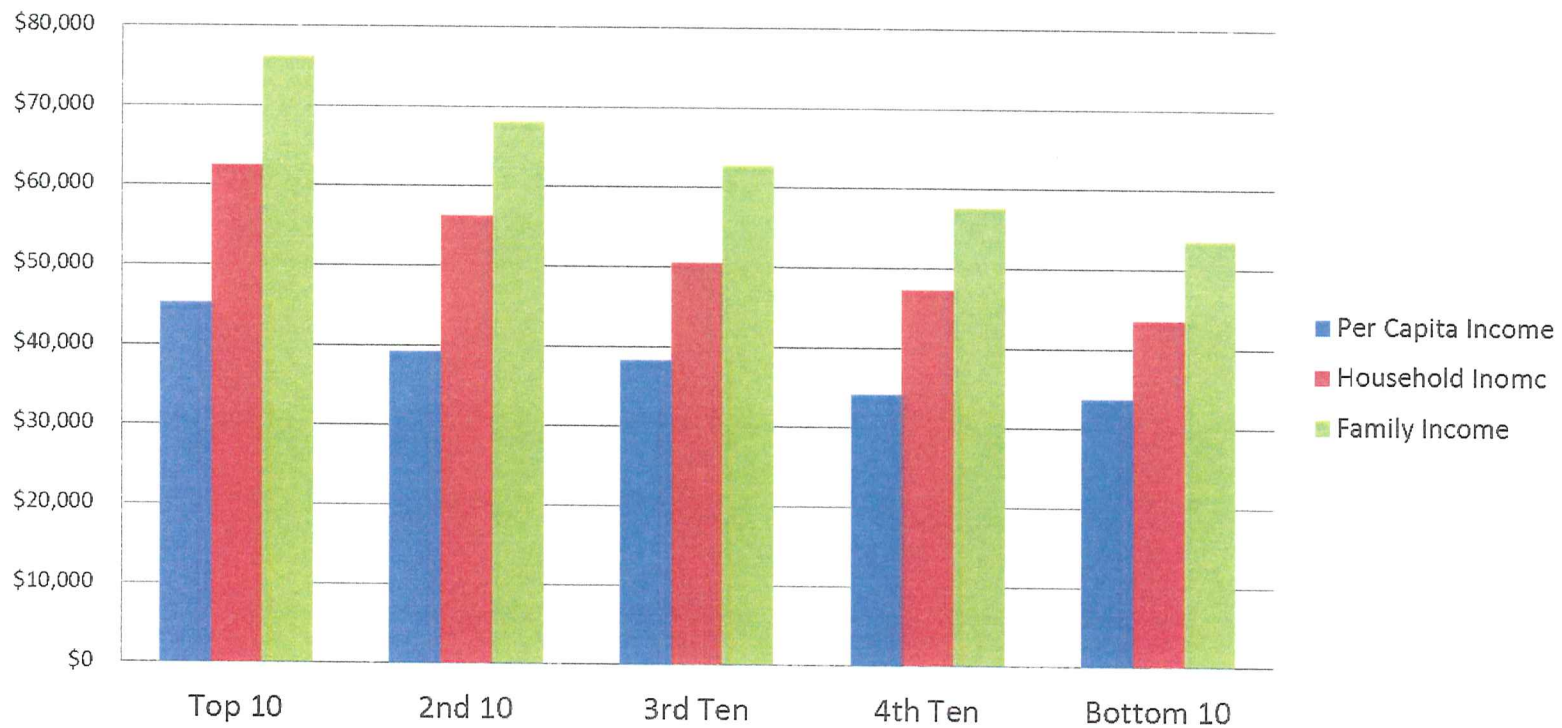


# Why education matters: U.S. unemployment rate by education level



# What education matters state income

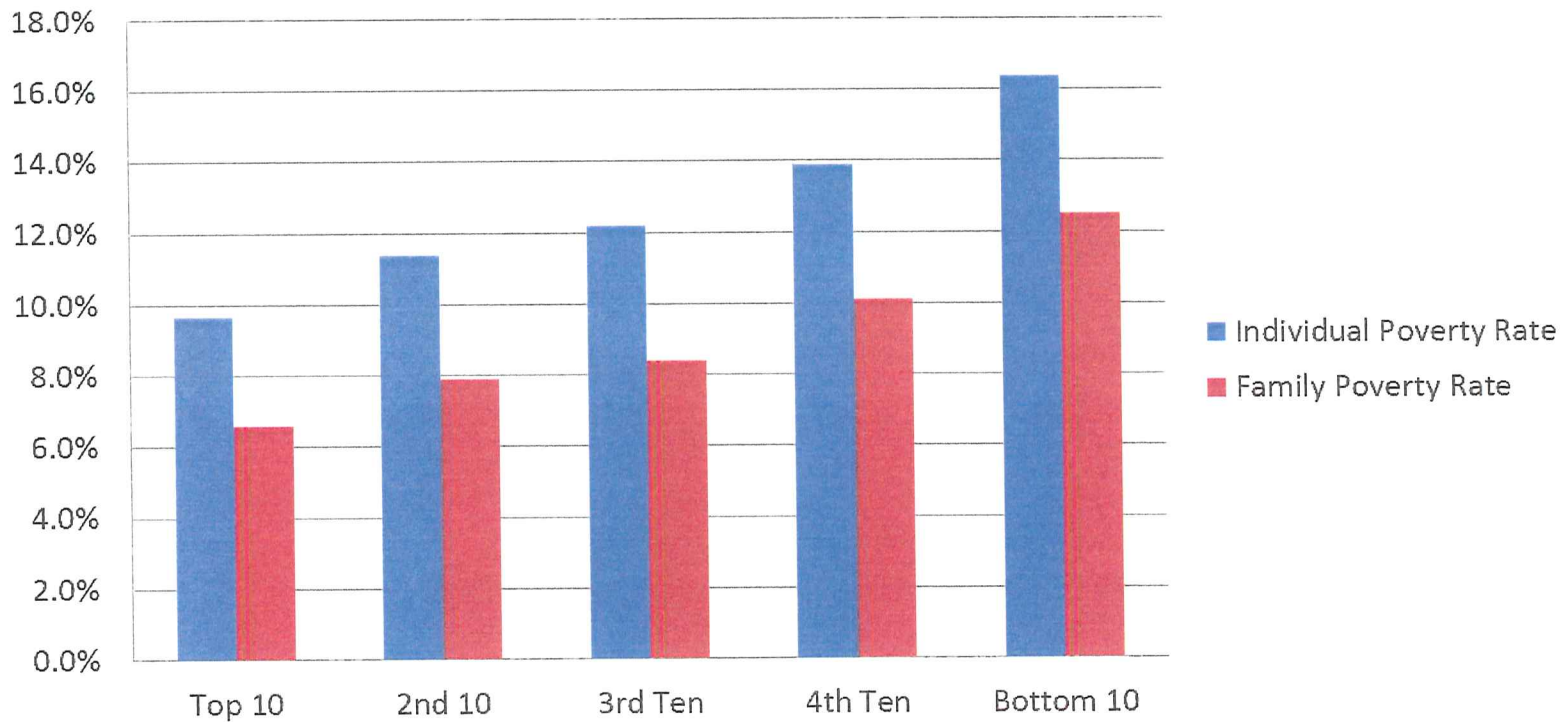
States Ranked by Adult Education Attainment  
with 2008 Average Income Measures





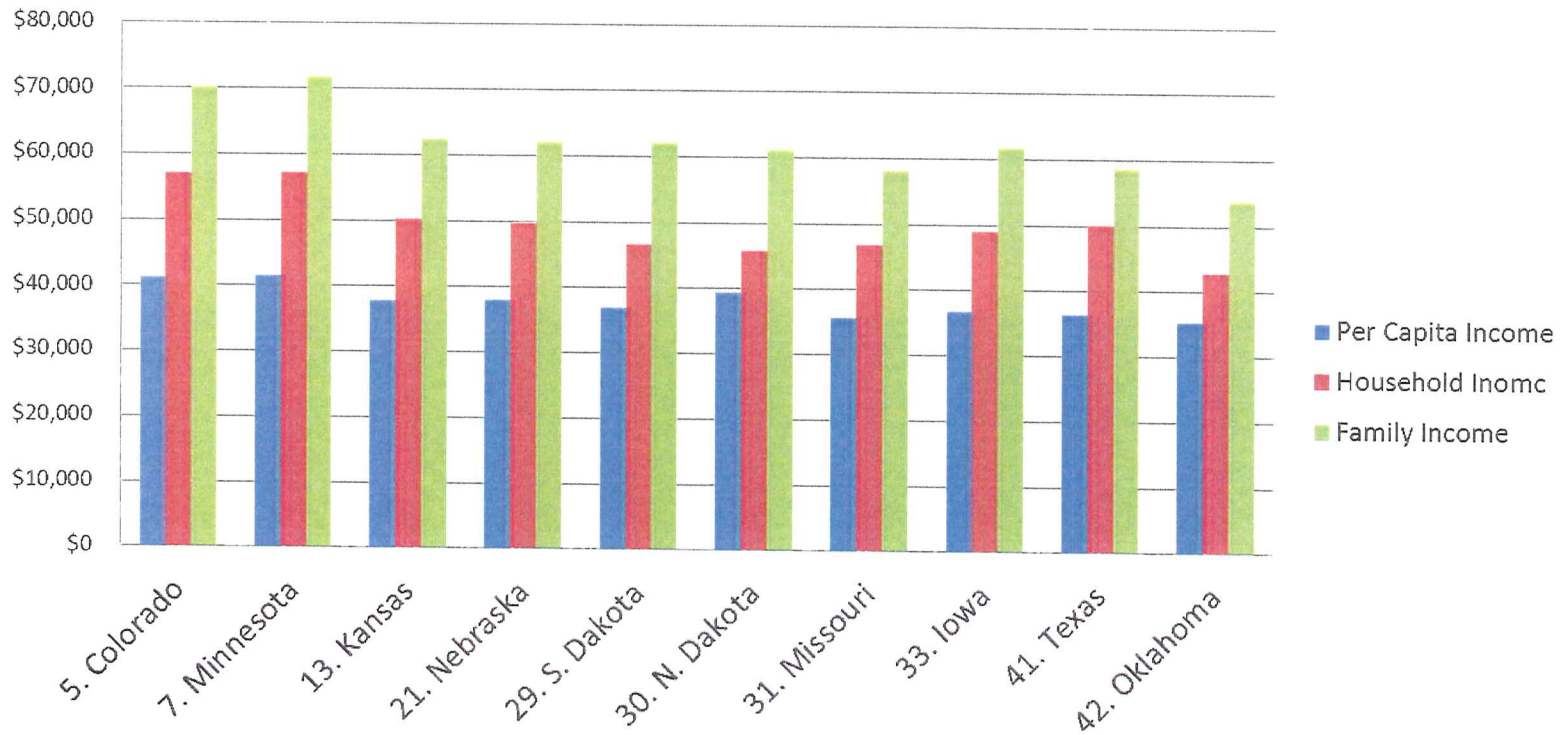
# Why education matters state poverty

States Ranked by Adult Education Attainment  
with 2008 Average Poverty Measures



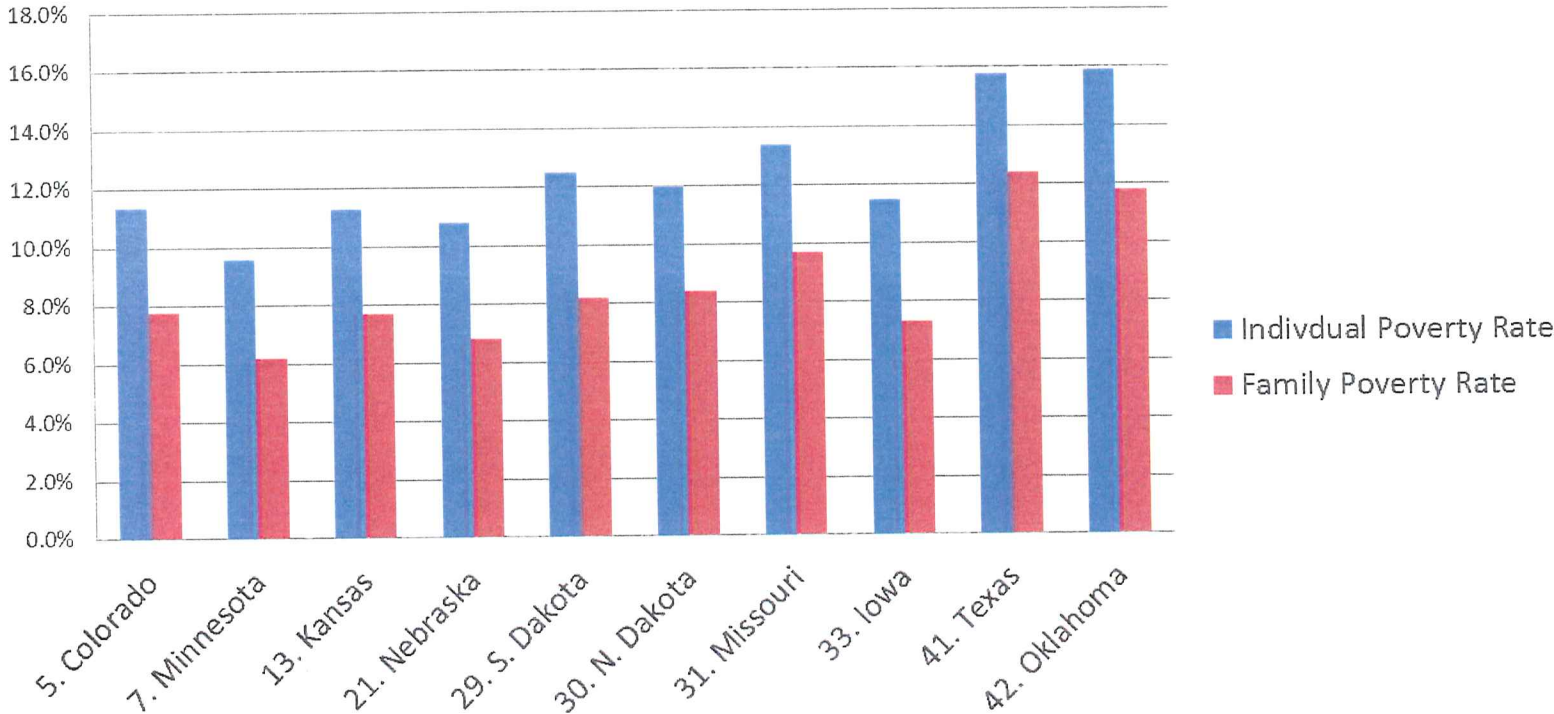
# Why education matters [?] regional income

States ranked by Adult Education Attainment  
with 2008 Average Income Measures



# Why education matters [?] regional poverty

States ranked by Adult Education Attainment with 2008 Average Poverty Measures



# KEY ISSUES FOR SCHOOL FINANCE

# Key Choices at State Level

- Changing formula with no more money means [?]winner and losers.[?]
- More local funding with less state aid means more disparity in local tax burden, programs and services.
- Cutting state revenues means cutting education, cutting other programs, or shifting to local revenue sources.
- Should educational attainment be determined by wealth of location or special needs?

# Options for Governor, Legislature

- Reduce low-enrollment weighting to encourage or force consolidation of districts or programs.
- Reduce at-risk funding to students currently [non-proficient] or other criteria than free lunch.
- Reduce/eliminate bond and interest aid.
- Change weightings to block grants, sever link to base.
- Raise or eliminate local option revenue limits, add local sales tax options.
- Change special education distribution.
- Require districts to share in KPERS costs.

**QUESTIONS?**