



Testimony to House K-12 Education Budget Committee
HB 2347 School District Finance and Student Success Act
February 20, 2017
Dave Trabert, President

Chairman Campbell and Members of the Committee,

We appreciate this opportunity to testify in support of the new school funding formula proposed in HB 2347.

Constitutional Test of Adequacy

In our opinion this is the only proposal thus far that meets – or even attempts to meet – the Supreme Court’s test on determining adequacy. The Kansas Supreme Court says adequacy of funding “...is met when the public education financing system provided by the legislature for grades K-12—through structure and implementation—is reasonably calculated to have all Kansas public education students meet or exceed...” the Rose standards.

There was little, if anything, ‘reasonably calculated’ about the old formula or there was no focus on outcomes approaching specific goals. Indeed, the Legislature was repeatedly criticized in the *Montoy* and *Gannon* proceedings for having no rational basis for its funding decisions. Base state aid, weightings and even eligibility for equity funding were simply determined by picking numbers for which enough votes can be obtained.

The formula proposed in HB 2347 is essentially an honest version of the Augenblick & Myers’ successful schools model. They were supposed to identify districts that were academically successful and base funding recommendations upon the subset of those districts that were also efficient spenders but A&M deviated from their own methodology and ignored efficiency. The formula for calculating Enrollment State Aid Per-Student in Section 5 of the bill is, in our opinion, a reasonable method of calculating funding that meets the Supreme Court test of adequacy.

We also believe the bill’s expansion of the Tax Credit Scholarship program for low income students and the creation of Education Savings Accounts is responsive to the Court’s emphasis on improving outcomes. The Legislature cannot compel the State Board of Education to take action against schools that are not providing students with the required educational opportunities, but these programs allow parents to send their children to the public or private school they believe is best able to provide the education that their children deserve.

Public Support of Accountability for Better Outcomes

HB 2347 also includes two concepts that citizens believe should be included in a new school funding formula – accountability for improved outcomes and efficient use of taxpayer money.

According to a recent market research study conducted earlier this month by SurveyUSA on our behalf, 69 percent of Kansans agree that districts should be held accountable for improving outcomes at the building level and only 21 percent disagree; this sentiment exists across all geographic and ideological lines.

Q6: A new school funding formula should include rewards for better performance and hold districts accountable for improving outcomes, with accountability meaning there is a consequence for not improving outcomes and with improvement measured at the building level.								
501 Registered Voters	All	Region				Ideology		
Credibility Interval: ± 4.5 pct points		Western Kansas	Wichita Area	Kansas City Area	Eastern Kansas	Conserv	Mod.	Liberal
Strongly agree	29%	36%	28%	24%	32%	34%	30%	19%
Somewhat agree	40%	42%	37%	44%	37%	44%	38%	34%
Somewhat disagree	12%	10%	14%	11%	13%	7%	14%	21%
Strongly disagree	9%	11%	6%	10%	8%	6%	11%	14%
Not Sure	10%	1%	15%	11%	10%	9%	7%	13%
Total agree	69%	78%	65%	68%	69%	78%	68%	53%
Total disagree	21%	21%	20%	21%	21%	13%	25%	35%

Kansas school districts have never been held accountable in this manner and outcomes remain stubbornly low for many students. Legislators and Kansans have been given a false impression of high outcomes; some even claim that Kansas is among the top ten in the nation but it's simply not true. Indeed, Education Week's 2017 Quality Counts report gives Kansas a "D" for student achievement.

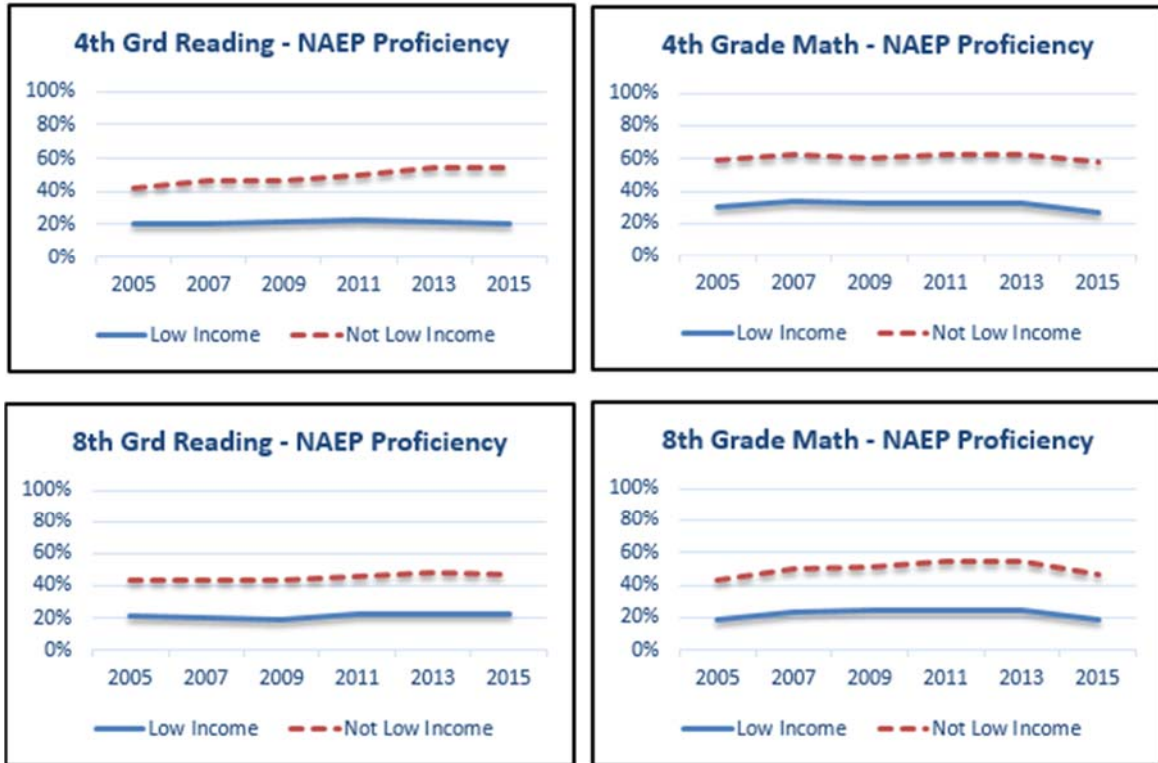
Not a single national ranking on NAEP or the ACT are in the top ten. NAEP proficiency rankings range from the mid-teens to the mid-thirties and the ACT rankings are in the low twenties.

Kansas National Rank		2015 NAEP Proficiency		
Student Group	4th Grade Reading	8th Grade Reading	4th Grade Math	8th Grade Math
Low Income	#36	#21	#16	#25
Not Low Income	#15	#22	#17	#25
Source: National Assessment of Educational Progress				
Percent Proficient		2015 NAEP		
Student Group	4th Grade Reading	8th Grade Reading	4th Grade Math	8th Grade Math
KS Low Income	20%	22%	27%	19%
U.S. Low Income	21%	20%	24%	18%
KS Not Low Income	54%	47%	58%	46%
U.S. Not Low Income	52%	47%	58%	48%
Source: National Assessment of Educational Progress				

KS National Rank		2016 ACT	
Student Group	Score	Score Rank	% College Ready*
White	22.8	#20	36%
Hispanic	19.2	#21	15%
African American	17.6	#23	8%
*English, Reading, Math & Science Source: ACT			

Even 'good' national ranks are deceiving. Kansas is #16 in 4th Grade Math (low income) but only 27% are Proficient.

Kansas does match or exceed some of the national proficiency rankings, but that’s like celebrating having a luxury suite on the Titanic. How can we be happy, for example, that low income 8th grade students are beating the national average in Math when only 19 percent of them are proficient? Proficiency levels have remained stubbornly low over the last ten years and the achievement gaps for low income students have even gotten worse.



The time it would take to close achievement gaps for low income students and minorities used to be measured in decades; now it must be measured in centuries.

National Assessment of Educational Progress - scale scores					
Grade Level / Subject	2005	2015	Average Annual Change	Target: Not Low Income 2015	Years to Catch up
4th grade Reading - low income	208	208	0	238	Never
4th grade Math - low income	235	231	-0.4	253	Never
8th grade Reading - low income	254	256	0.2	277	105
8th grade Math - low income	270	272	0.2	295	115
National Assessment of Educational Progress - Percent Proficient					
Grade Level / Subject	2005	2015	Average Annual Change	Target: Not Low Income 2015	Years to Catch up
4th grade Reading - low income	20%	20%	0.0%	54%	Never
4th grade Math - low income	30%	27%	-0.3%	58%	Never
8th grade Reading - low income	21%	22%	0.1%	47%	250
8th grade Math - low income	19%	19%	0.0%	46%	Never

Source: U.S. Department of Education, National Center for Education Statistics

It will also take centuries for minority students close the achievement gap with White students on the ACT. Of Kansas students taking the 2016 ACT test, only 36 percent of White students were considered college-ready in English, Reading, Math and Science. Minority students fared far worse; just 15 percent of Hispanic students and a paltry 8 percent of African-Americans met that standard.

ACT Scores					
Student Group	2005	2016	Average Annual Change	Target: White 2016	Years to Catch up
Hispanic	19.1	19.2	0.01	22.8	396
African American	17.4	17.6	0.02	22.8	286

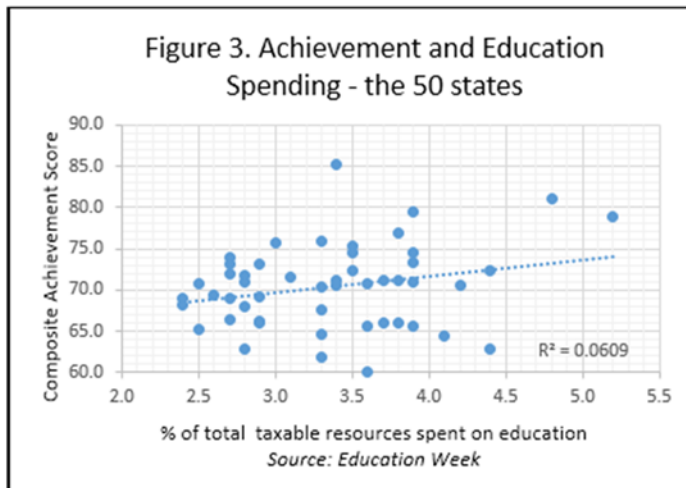
Source: ACT; breakouts by income level not published

The 2016 State Assessment also reflects startlingly low preparedness for college and career. The adjacent table shows the percentages of 10th Grade students considered to be on track to be college and career ready in English Language Arts (ELA) and Math. Only 18 percent of low income 10th graders are on track in ELA and just 11 percent in Math; among their affluent peers, just 42 percent are on track in ELA and only 34 percent in Math. The geographic sampling of some of the larger districts in Kansas show similarly distressing results. Even in Blue Valley, often thought of as having the highest scores in Kansas, only about a quarter of low income students and barely more than half of the more affluent are on track.

10 th Grade - On Track to be College & Career Ready				
School District	ELA		Math	
	Low Income	Not Low Income	Low Income	Not Low Income
State Average	18%	42%	11%	34%
Blue Valley	28%	55%	28%	55%
Kansas City	9%	16%	7%	10%
Wichita	14%	40%	9%	28%
Topeka	12%	29%	10%	18%
Shawnee Mission	22%	54%	15%	45%
Olathe	20%	52%	16%	48%
Dodge City	11%	27%	9%	21%
Hays	36%	51%	25%	44%
Emporia	22%	39%	14%	28%
Hutchinson	14%	35%	9%	19%

2016 State Assessment; ELA = English Language Arts

Some people believe there is a correlation between spending more money and getting better outcomes but even the majority of researchers who hold that opinion admit that it's how money is spent that makes a difference rather than simply spending more. In Kansas, scores



remained stubbornly low and relatively unchanged even though funding increased from \$4.3 billion in 2005 to \$6.0 billion in 2016; that increase was roughly twice the rate of inflation.

KPI Senior Education Fellow David Dorsey addresses the lack of correlation...let alone causation...in his September 2016 Policy Brief “Supreme Court Should Dismiss *Gannon* for Lack of *Rose* Measurement and False Spending Premise.”¹ He writes, “The 20th annual

edition of Quality Counts, a nationwide report card produced by Education Week magazine, provided education funding and performance data as part of their analysis. A statistical analysis from the scatterplot in Figure 3...shows the correlation between spending and results falls short of even being considered statistically weak.” He further explains, “The R² value is a measure of the strength of the relationship between the two variables – achievement and spending. An R² of 0.06, as in this case, is considered statistically ‘weak’ (anything less than an R² of 0.09 is considered a weak relationship) and when the one outlier in the scatterplot (Vermont) is removed, the R² is 0.02.”

This comparison of NAEP scores and per-pupil spending clearly shows the lack of correlation. Florida outperforms Kansas on four of the eight NAEP scores and has the better composite score of all eight measurements, yet spends almost \$2,200 per-student less. Texas spends about \$1,300 less and wins three of the eight comparisons.

Some states do spend more than Kansas and also have better outcomes, but that is not evidence that spending more causes outcomes to be better, any more than the adjacent example would prove that spending less causes outcomes to be better.

Kansas Spends More, Achieves Less on NAEP			
Category	Kansas	Texas	Florida
4th Grade Reading Score 2015			
Low Income students	208.0	208.3	220.2
Not Low Income students	238.2	234.8	238.5
8th Grade Reading Score 2015			
Low Income students	255.6	251.8	256.6
Not Low Income students	277.5	272.2	274.5
4th Grade Math Score 2015			
Low Income students	230.9	235.1	235.2
Not Low Income students	253.1	259.9	254.3
8th Grade Math Score 2015			
Low Income students	271.8	273.7	265.5
Not Low Income students	294.8	296.0	291.7
Composite - all scores	2029.9	2031.7	2036.5
2014 Per-Pupil (headcount)	\$12,002	\$10,695	\$9,794

Source: Census, NAEP

Public Support for Efficiency Accountability

The SurveyUSA market study mentioned earlier also found that 84 percent of Kansans want the new formula to include some requirement for spending money efficiently, a very strong sentiment that crosses all geographic and ideological boundaries.

Q5: A new school funding formula should include some requirement for spending money efficiently, with efficient defined as getting the same or better quality service or product at the best possible price.								
501 Registered Voters	All	Region				Ideology		
Credibility Interval: ± 4.5 pct points		Western Kansas	Wichita Area	Kansas City Area	Eastern Kansas	Conserv	Mod.	Liberal
Strongly agree	45%	52%	40%	47%	43%	51%	41%	44%
Somewhat agree	39%	35%	44%	36%	40%	35%	46%	32%
Somewhat disagree	7%	2%	5%	7%	9%	6%	6%	11%
Strongly disagree	2%	5%	0%	3%	2%	2%	2%	4%
Not Sure	7%	7%	10%	7%	7%	6%	5%	9%
Agree	84%	87%	84%	83%	83%	86%	87%	76%
Disagree	9%	7%	5%	10%	11%	8%	8%	15%

Source: SurveyUSA, data collected Feb. 3 to Feb. 8, 2017

School districts often say they are operating as efficiently as they can, and while they may well believe that, the data shows a completely different story. School officials testified in opposition to HB 2143 to create savings from a statewide procurement system, saying they prefer to spend more than necessary to support their local community. Noble intentions aside, doing so wastes money and consciously diverts funds from Instruction.

Many school districts have excessive operating cash reserves set aside. At the maximum 15 percent of operating funds recommended in the Alvarez & Marsal efficiency study, state aid could have been reduced by \$196.5 million this year – most of which represents aid provided in prior years but not spent. With 286 school districts in Kansas, there are nearly that many separate systems for accounting, payroll, HR, purchasing, transportation, IT, food service and other functions. These are just a few large examples of how money is diverted from Instruction and ultimately results in excess taxation of citizens and/or crowding out funding for other services.

In addition to taking efficiency into account in the calculation of adequate funding, HB 2347 also requires districts to more efficiently utilize excess carryover cash reserves and disallows money being diverted from Instruction to subsidize losses on Food Service and Extracurricular Activities.

Other Favorable Elements

HB 2347 contains many other student- and citizen-focused elements, including but not limited to:

- ✓ Higher Enrollment State Aid Per-Pupil and fewer weightings.
- ✓ Provides all adequate funding through the state budget, thereby eliminating the need for a traditional Local Option Budget and related equalization.
- ✓ Raises the mandatory statewide property tax from 20 mills to 35 mills and eliminates local mill levies except for Capital Outlay and Bond & Interest; doing so provides net property tax relief to residents of 240 (out of 286) school districts, totaling \$113 million.²
- ✓ Uses U.S. Census data to allocate Poverty funding rather than registration for Free & Reduced Lunch program.
- ✓ Gives school districts broad latitude and flexibility in spending decisions.
- ✓ Introduces accountability for legislative review of necessity and cost of school construction plans in order to be eligible for matching state aid.
- ✓ Provides accountability and transparency to parents by requiring each building to be given an A-F grade based on student achievement.
- ✓ Requires development of a merit pay systems for teachers and administrators, which underscores the importance of improving student achievement.

Recommendations for Enhancement

We offer the following suggestions to enhance the effectiveness of HB 2347:

1. Section 4 – use spending and achievement data from the 2015-16 school year instead of the 2014-15 school year.
2. Section 9 – exclude expenditures from Federal, Bond & Interest, Capital Outlay and Gifts & Grants funds from the calculation of General operating expenditures to match

corresponding exclusions of cash balances in those funds, thereby providing a measurement of the percentage of cash reserves to General operating expense using identical funds.

3. Section 14 – Replace the Success Grants with per-student bonus payments to buildings that improve a letter grade or maintain an A on the A-F grading system; stipulate that payments are for the building rather than the district and that bonuses be paid to building staff in a manner defined by the Legislature.
4. Section 30 – stipulate that the building grading system be A-B-C-D-F.
5. Section 85 and as otherwise appropriate – modify Resolutions and ballot language to specify the impact of voting ‘no’ or ‘yes.’ Citizens are often told that voting ‘yes’ won’t increase their mill rate but they are often unaware that voting ‘no’ could reduce their mill rate.

Conclusion

We support HB 2347 and encourage the Committee to recommend it favorably, including our proposed recommendations for enhancement.

¹ Kansas Policy Institute, “Supreme Court Should Dismiss *Gannon* for Lack of *Rose* Measurement and False Spending Premise” at <https://kansaspolicy.org/gannon-policy-brief/>

² Based on calculations from HB 2741 in the 2016 Session, which included the same concept.