



Written Testimony as Neutral before the  
**Senate Select Committee on Federal Tax Code Implementation**

on

**SB 22 – Kansas itemized deductions, election, providing for deferred foreign income, global intangible low-taxed income, business interest, capital contributions and FDIC premiums income tax modifications.**

by

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**January 31, 2019**

Madam Chairwoman, Members of the Committee:

The Kansas Association of School Boards is submitting neutral testimony on [SB 22](#) because our membership has not adopted a position on how to respond to the changes in the federal tax code. However, we believe our members have serious concerns about passing such a bill until other issues are addressed.

We would agree with the representative of the Tax Foundation who told the Senate Assessment and Taxation Committee that tax policy must be a balance between the goal of keeping taxes low and the need to provide appropriate levels of public services.

Kansas school boards believe one critical measure of appropriate levels of public services is the school finance plan passed by the Legislature last session, and the need to adopt an “inflation adjustment” as noted by the Kansas Supreme Court. The Court accepted the plan passed by the 2018 Legislature constitutionally suitable funding – using the Legislature’s own methodology – but said it needed to be adjusted for inflation during the phase-in period.

The on-going, annual cost of this final step, as proposed by the Kansas State Board of Education and conditionally endorsed by the plaintiffs, is approximately \$100 million per year. Compared to total K-12 state aid of over \$5 billion already approved for 2021, this final step amounts to about 2 percent to hopefully settle the Gannon lawsuit and restore school funding to constitutional levels.

We believe addressing this final step should be the top priority of the 2019 Legislature. As the attached chart notes, the impact of the plan is to simply restore funding to constitutional levels in 2009 – 10 years ago – after adjusting for inflation. Unfortunately, we do not know how passage of this bill will affect the Legislature’s ability to do that, as well as meet other public needs.

As we saw last year when school districts received the first significant increase in state aid in almost a decade, funding the current school finance plan and inflation will allow the following:

- Improving salaries to be more competitive, after falling behind other state and other employers.
- Improving programs for students with special challenges due to poverty disability and other factors, such as early childhood, special education and at-risk programs.
- Strengthening student health and safety.
- Increase student readiness for postsecondary education and the workplace. KASB believes that our educational outputs as measured by educational attainment and workforce skills is at least as important as our tax structure in economic competitiveness.

Just as important, Kansas must be able to compete with other states on educational outcomes as well as taxes. The Tax Foundation noted that Kansas is “in the middle” on most tax measures, neither particularly higher or low. Kansas has historically also been “in the middle” on education funding yet has ranked well above average on most measure of educational outcomes.

However, since 2008, Kansas has slipped from 24<sup>th</sup> in total per pupil funding from all sources to 30<sup>th</sup> in 2016. In 2016, on a per pupil basis, total Kansas school district revenue was over \$800 million below both the U.S average and the average regional and neighboring states like Iowa, Nebraska, Minnesota, Missouri and North Dakota, that have the highest educational outcomes. The regional states still below Kansas in funding – Colorado, Oklahoma and South Dakota – have lower educational outcomes on most measures. Unfortunately, as Kansas funding fell behind inflation and other states during the 2010’s, other many other states improved educational outcomes more than Kansas.

Not only did Kansas education funding fall behind inflation and other states, total K-12 expenditures as a percent of total Kansas personal income also fell to the lowest level in in two decades, which means Kansas are investing a lower share of their income on K-12 funding as educational needs continue to rise.

Low taxes will not help Kansas economically if Kansans lack the educational levels required for high skill, high wage jobs. “Low tax states” may have higher population growth, but they may also have lower per capita income and higher poverty if they can’t produce higher educational outcomes.

Kansas homeowners certainly would like to benefit from tax deductions on their homes and other exemptions, and businesses want favorable tax treatment to invest and expand. But they also want to benefit from strong public schools in their neighborhoods and communities, as well as other public services.

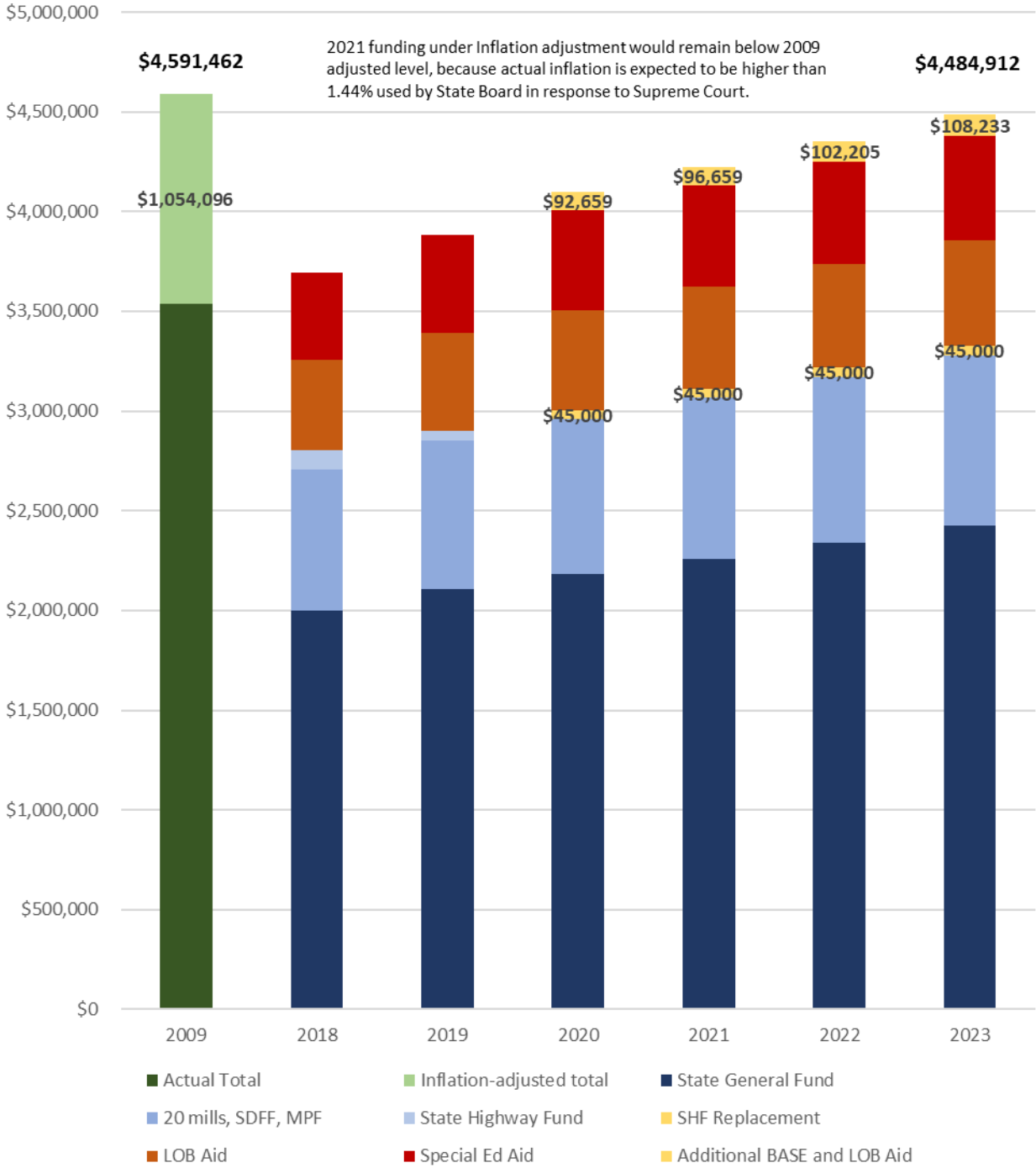
KASB urges the Legislature to adopt the inflation adjustment to the school finance plan it has already approved for 2019 through 2023 as soon as possible, to settle the lawsuit, determine levels of K-12 funding and complete the rest of the budget, and allow school districts to plan for their own budget levels.

The Legislature can then determine the actual cost of tax changes – which we understand are still uncertain for many proposals – and their impact on the state budget and other important state programs.

Thank you.

# Major School Finance Programs

Current Law and Governor's Proposed Inflation Adjustment  
 (2009 total adjusted by actual consumer price index 2009 to 2018, Consensus Revenue Estimate for 2019 to 2021 and 2.0% for 2022 and 2023)  
 (Dollars in Thousands)





## School Expenditures as Percent of Kansas Personal Income

2018 to 2021 estimated based on November 2018 consensus revenue estimates for KS Personal Income and KASB projections based on Governor's budget.

