



2018 Voter Issue Guide

Kansas Policy Institute does not support or oppose candidates for public office, but we do provide educational information to the public about key economic and education issues facing Kansans. Our 2018 Voter Issue Guide is intended to arm readers with facts and key questions to consider so each reader can be better informed on the issues.

The five issues included were selected for their relative economic and educational importance to the future of Kansas, but are not listed in any particular order:

1. Closing a \$3.7 billion revenue shortfall over the next four years.
2. Improving low student achievement levels.
3. Getting schools to spend money more efficiently and effectively.
4. Stopping four decades of economic stagnation.
5. Amending the constitution to prevent courts from setting school funding levels.

1. Closing a \$3.7 billion revenue shortfall over the next four years.

Calculations by Kansas Legislative Research Department show a [\\$3.7 billion revenue shortfall](#) exists over the next four years to pay for approved and proposed school funding increases if no money is taken from the highway fund, pension payments are made as scheduled and legally-required ending balances are maintained.

State General Fund Profile							
Description	Actual FY 2017	APVD FY 2018	APVD FY 2019	Est. FY 2020	Est. FY 2021	Est. FY 2022	Est. FY 2023
Beginning Balance	\$ 37.1	\$ 108.5	\$ 762.4	\$ 664.7	\$ 570.4	\$ 593.9	\$ 617.9
Consensus Rev. Estimate	\$6,348.0	\$7,298.1	\$7,003.3	\$7,221.8	\$7,351.4	\$7,522.9	\$7,692.9
Less Highway Transfers				\$ (293.1)	\$ (293.1)	\$ (293.1)	\$ (293.1)
Federal Tax Adjustment				\$ 145.8	\$ 157.7	\$ 159.0	\$ 161.0
Released encumbrances		\$ 0.6	\$ -				
Tax incr. for 7.5% end. bal.			\$ -	\$ 436.0	\$ 725.6	\$ 874.2	\$1,022.0
Total available revenue	\$6,385.1	\$7,407.2	\$7,765.7	\$8,175.2	\$8,512.0	\$8,856.8	\$9,200.7
Approved expenditures	\$6,276.5	\$6,644.8	\$7,071.0	\$7,101.0	\$7,604.8	\$7,918.1	\$8,238.9
Est. KPERS school inc.		\$ -	\$ -	\$ 26.2	\$ 23.9	\$ 25.0	\$ 25.0
Human Services caseload		\$ -	\$ -	\$ 70.0	\$ 75.0	\$ 80.0	\$ 85.0
School finance SB 423		\$ -	\$ -	\$ 80.0	\$ 79.0	\$ 87.5	\$ 81.6
KPERS w/statutory inc.		\$ -	\$ -	\$ 266.4	\$ 44.2	\$ 37.0	\$ 37.0
Est. Sup Court ruling KSDE		\$ -	\$ -	\$ 91.2	\$ 91.2	\$ 91.3	\$ 91.3
Reappropriations		\$ -	\$ 30.0	\$ (30.0)			
Total adj expenditures	\$6,276.5	\$6,644.8	\$7,101.0	\$7,604.8	\$7,918.1	\$8,238.9	\$8,558.8
Ending Balance	\$ 108.6	\$ 762.4	\$ 664.7	\$ 570.4	\$ 593.9	\$ 617.9	\$ 641.9
as % of expenditures	1.7%	11.5%	9.4%	7.5%	7.5%	7.5%	7.5%

Source: Kansas Legislative Research Department, prepared at the request and direction of Rep. Susan Humphries. Amounts in bold are KLRD estimates and do not include any consensus estimates. Transfers are included in FY 2020 - FY 2023 at the FY 2019 approved level, adjusted to remove the one-time KPERS transfer of \$82 million.

The shortfall includes a roughly \$600 million income tax increase that will occur as a result of federal changes that eliminate personal exemptions and cap deductions for some people who itemize. School funding approved by previous legislatures generate a \$2.1 billion shortfall and complying the latest court ruling would create a \$940 million shortfall over the next four years.

Options to Avoid a Tax Increase

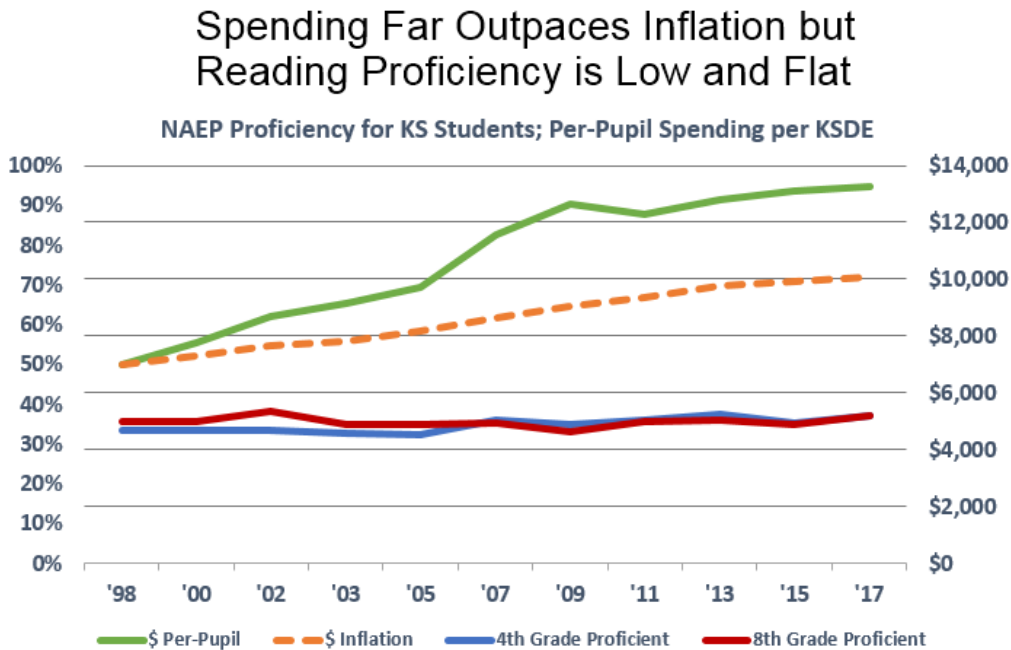
- ✓ Ignore the court's call for more funding. KSDE estimates it will cost \$365 million over four years, but the compounding effect would result in a \$940 million revenue shortfall. The court has no constitutional authority to appropriate money, and state law prohibits courts from closing schools.
- ✓ Reverse some of the Base State Aid increases. One legislature cannot legally bind another and force spending in the future, and as explained above, courts cannot order appropriations or close schools.
- ✓ Cap school district operating cash reserves, deducting excess reserves from state aid for districts above the maximum. This one-time reduction in school funding (which wouldn't reduce money available to districts) would save \$255 million if capped at 15 percent or \$365 million if capped at 12 percent (based on July 1, 2017 cash balances).
- ✓ One-time reduction in funding for higher education of \$63 million, representing the increase in universities' in cash reserves for unspent tuition over the last 15 years.
- ✓ The [2017 audited financial report](#) for the Kansas Turnpike Authority shows KTA had a \$46 million 'profit' last year and finished the year with \$84 million in unrestricted cash and receivables. Assessing a 15 percent royalty on KTA revenue would generate \$18 million annually for the General Fund, or \$72 million over the four year period.
- ✓ Sell the right to collect future tobacco settlement funds at a discount. The last government estimate showed the 'securitization' process could generate \$530 million over two years.
- ✓ Expand the legislative budget process to a full-year cycle and thoroughly review opportunities to reduce costs identified in the performance-based budget system.
- ✓ Continue transferring sales tax revenue diverted to highway fund back to General Fund (\$293 million currently).

Questions to Consider

- Should Kansans be subject to a back-door income tax increase due to federal tax law changes?
- Should any type of tax increase be imposed on Kansans?
- What specific actions should be undertaken to close a \$3 billion revenue shortfall over the next four years resulting from school funding increases?

2. Improving Low Student Achievement Levels

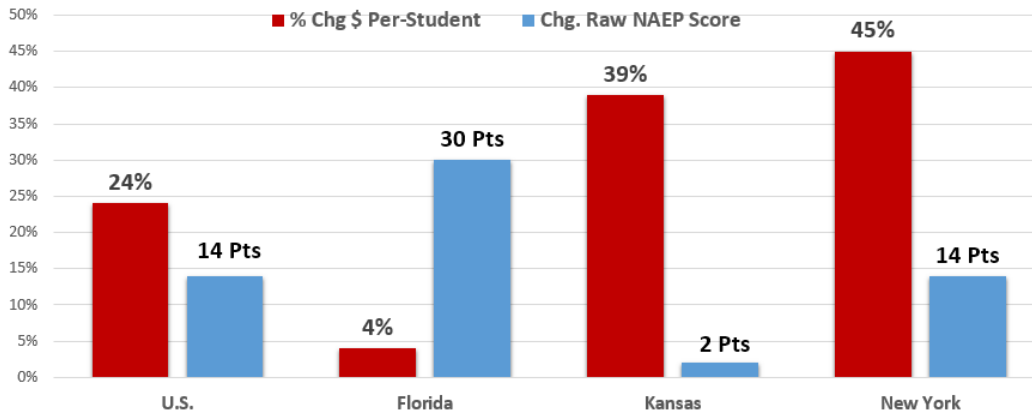
Contrary to claims by education officials, simply spending more money has not produced better achievement in Kansas or anywhere else. Reading proficiency levels on the National Assessment of Educational Progress (NAEP) went from just 35 percent to 37 percent over the last 19 years, while spending increased far more than inflation. Kansas students' average score on the ACT test is exactly where it was 20 years ago, and only 29 percent of those taking the test last year were considered college-ready in English, Reading, Math, and Science.



Cross-state comparisons of spending and achievement also demonstrate there's no relationship between spending and achievement. Between 1998 and 2015, Kansas had a 39 percent real (inflation-adjusted) per-student spending increase the reading score for 4th grade low income kids only improved by two points. At the same time, the national average for spending grew much slower (24 percent) but Reading scores improved by 14 points. New York got the same 14-point improvement but had a whopping 45 percent spending jump.

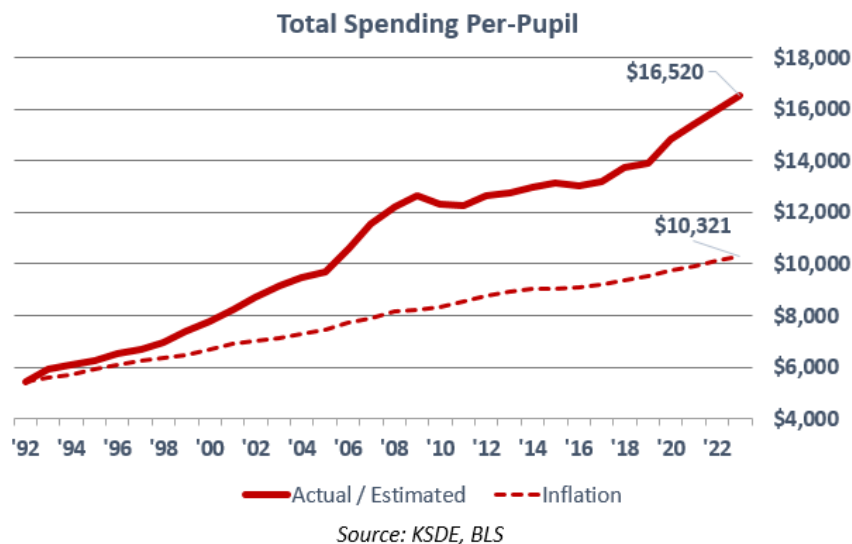
Florida, on the other hand, had a tiny spending gain of just 4 percent, but their Reading score shot up 30 points! Florida also has much stronger gains for other students and subjects, even while spending much less per-state each year; in 2015 for example, Florida spent just \$10,168 per-pupil while Kansas spent \$12,753.

Change in Real Spending Per-Student and NAEP Grade 4 Reading Scores for Low Income Students (1998 to 2015)



The difference is that Florida has had a long term focus on holding schools accountable. They have a robust public charter school system as well as other choice options for parents. Their pioneering 3rd grade reading initiative – not promoting students to the 4th grade unless they could read at grade-level – has been adopted by many states, but not Kansas; legislators caved to pressure from unions and local schools boards. Florida also introduced strong transparency measures, including an “A-F grading system” so parents know how their school is performing.

The Kansas Department of Education estimates complying with court rulings will push funding to \$16,520 per-pupil in five years, even with no increase in federal aid and minimal gain in local funding; that’s more than \$6,000 per-pupil above long-term inflation.



Questions to Consider

- Do you believe massive funding increases alone will cause achievement to improve?
- Should there be some student-focused consequence to schools that don’t improve achievement? For example, should low income kids in schools with average scores below grade-level be allowed to take their funding to another school of their choice?

3. Getting schools to spend money more efficiently and effectively

There are two common ways to measure efficiency and Kansas school districts have a lot of room for improvement on both accounts.

Cost-per-unit-of-output is one measurement, which compares spending to some form of achievement. The adjacent table compares per-student spending to an 8-score composite of NAEP scores (Reading and Math for 4th Grade and 8th Grade, for low income students and all other students) to calculate the ‘cost’ of each point on the 8-score composite.

Kansas spent \$12,744 per-pupil in 2015 and had an 8-score composite of 2,029.9; spending divided by score, therefore, means Kansas spent \$6.28 for each point of its composite score. The U.S. average was \$6.33 per point (\$12,796 per-student and 2,020.9 composite). Kansas’ score is a little above average but spending per-student is a little below average, so it’s slightly more efficient than the nation.

Idaho is the most efficient on this measure, at \$3.80 per point and Alaska is the least efficient at \$11.45 per point.

2015 Spending and Achievement			
State	8-Score Composite	Spending Per-Student	Cost per Point
Indiana	2,060.2	\$ 10,795	\$5.24
Washington	2,050.1	\$ 12,565	\$6.13
Kentucky	2,045.7	\$ 10,670	\$5.22
North Carolina	2,043.0	\$ 8,986	\$4.40
Virginia	2,038.7	\$ 12,200	\$5.98
Florida	2,036.5	\$ 9,962	\$4.89
Montana	2,036.2	\$ 12,422	\$6.10
Oregon	2,033.3	\$ 11,894	\$5.85
Texas	2,031.7	\$ 10,971	\$5.40
Kansas	2,029.9	\$ 12,744	\$6.28
Colorado	2,029.2	\$ 10,815	\$5.33
Georgia	2,028.0	\$ 10,675	\$5.26
Utah	2,024.4	\$ 8,079	\$3.99
Idaho	2,022.9	\$ 7,688	\$3.80
Missouri	2,019.7	\$ 11,544	\$5.72

Source: U.S. Dept of Education; NAEP and NCES

Getting a better price for the same or better quality of product or service is another way of measuring efficiency. With 286 school districts averaging about 1,650 students per district, Kansas has a lot of redundancy in accounting, payroll, food service, transportation, human resources, purchasing, etc. The services need to be provided to every district but they could be much more efficiently provided through regional service centers, and the savings could be used to improve instruction and teacher pay.

Getting a larger portion of spending dedicated to Instruction (defined as direct interaction between students and teachers by the Department of Education) is one way of improving effectiveness.

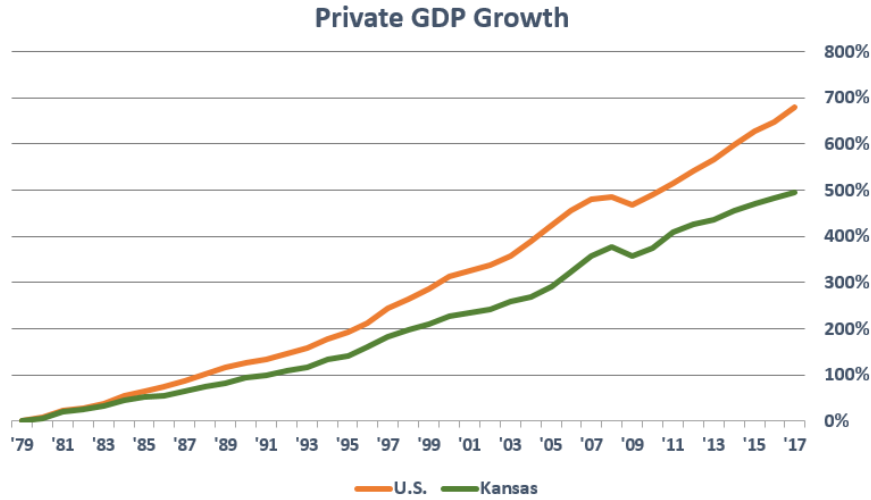
In the 2005 school year, local school boards allocated about 54 percent of all spending to Instruction; [it declined to 53 percent by the 2017 school year.](#)

Questions to Consider

- A recent survey found 89 percent of voters believe spending on out-of-the-classroom costs (administration, building operations, transportation, etc.) should be provided more efficiently on a regionalized basis, with the savings put into classrooms. Is this a good idea?
- Do you believe school districts should be required to allocate a certain percentage of total funding to Instruction?

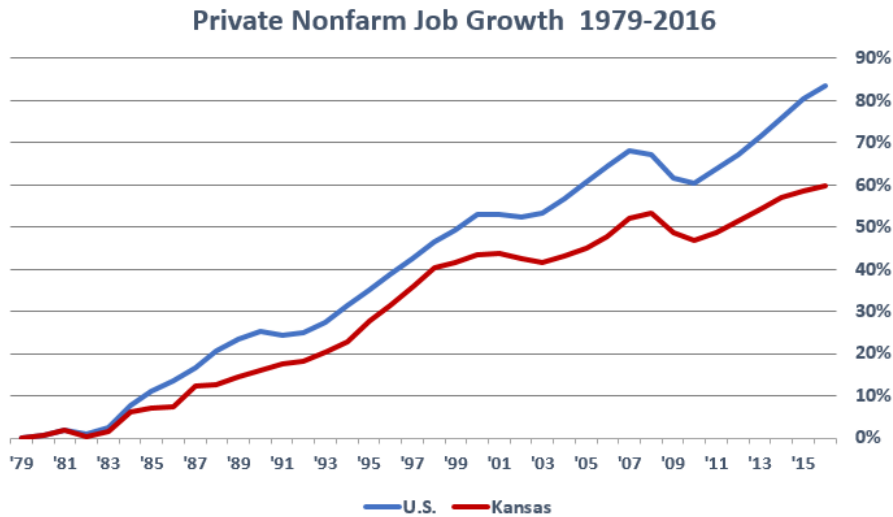
4. Stopping four decades of economic stagnation

Kansas is in its fourth consecutive decade of economic stagnation and is falling farther behind the nation in jobs and economic growth. Private sector Gross Domestic Product (GDP) began lagging the nation in the late 1980s and the gap rapidly widened in the 2000s.



Source: Bureau of Economic Analysis

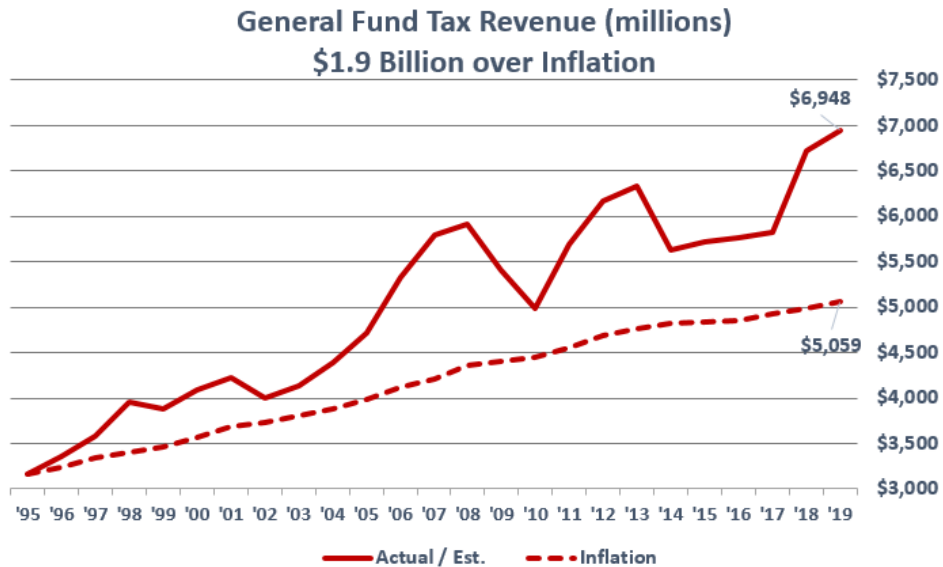
Private nonfarm job growth has followed a similar pattern. 2017 data has not been published by the Bureau of Economic Analysis at this writing, but preliminary information indicates Kansas fell a little farther behind.



Source: Bureau of Economic Analysis

Not coincidentally, state tax collections have far outpaced inflation since 1995. The most current government estimate shows tax collections of \$6.95 billion for the current fiscal year will be \$1.9 billion higher than the inflation-adjusted level since 1995. That out-sized tax growth was used to pay

for spending that's also running close far above long term inflation, but as explained earlier, there is still a \$3.7 billion revenue shortfall over the next four years due to a huge education spending increase.



Source: Kansas Division of Budget, Consensus Revenue Estimates, BLS Consumer Price Index Midwest Urban Cities on fiscal basis

Some degree of taxation is necessary but taxes always have a net negative effect on economic growth; like any other cost increase incurred by people and business, a tax increase leaves less money to grow the private sector economy.

Questions to Consider

- Politicians love to call for more ‘investment’ in pet projects, but every dollar ‘invested’ must first be extracted from taxpayers. Should new ‘investments’ be paid for with tax increases, or by reducing other spending?
- Should state and local regulatory restrictions and ‘red tape’ be modified to make it easier to open and operate a business?

5. Amending the constitution to prevent courts from setting school funding levels

The Kansas Supreme Court’s latest ruling that a six-year, \$854-million funding increase is inadequate has renewed talk of amending the constitution. Those opposed to amending the constitution generally cite two reasons for their objection: respect for a system of checks and balances and schools won’t be adequately funded unless the court intervenes.

Separation of powers is fundamental to our constitutional republic, and the Kansas Supreme Court has made two critical findings that explain why courts cannot set funding levels.

Its 1994 ruling in USD 229 v. State of Kansas declared that “suitable provision for finance” in the Kansas constitution does not refer to a level of funding, but to a system of finance which, as stipulated

in the constitution, may not include tuition. “Adequate” isn’t part of the constitutional language on education; that adjective was created by courts.

And in 2015, the court found the Legislature’s attempt to allow local judges to elect their own chief judge unconstitutional. The court said the Legislature violated the court’s constitutional authority and quite emphatically said it is the duty of the judicial, legislative and executive branches “... to abstain from, and to oppose, encroachments...” on their authority.

Since the Kansas constitution vests authority to spend money solely with the Legislature and the 1994 court said the constitutional meaning of “suitable” doesn’t reference a level of funding, those proposing a constitutional amendment believe they are honoring the system of checks and balances and upholding the rule of law and constitutional intent.

Ignoring the 1994 precedent isn’t the only directional change of the current court. It’s not unlike playing board games with young children, with the rules constantly changing so the rule-maker can win.

The court’s first ruling on the current case established a new test of adequacy (reasonably calculated for students to achieve certain outcomes) rather than the old Base State Aid primary test; it also said all funding sources should be considered and declared cost studies to be “more akin to estimates than ... certainties....” Now we’re back to using artificially inflated cost studies and primarily focusing on Base State Aid.

Student achievement is only marginally considered. Every instance cited purporting to correlate higher spending with better outcomes is easily refuted with multiple examples showing exactly the opposite.

Finally, even if the Legislature adds more money and satisfies the court on adequacy, it’s just a matter of when the next lawsuit is filed. The Legislature’s cost study with its \$2 billion recommendation is a ticking time bomb, and school attorneys won’t hesitate to exploit it.

For these reasons, many people believe a constitutional amendment is the only way to end the litigation cycle. A constitutional amendment would also prevent courts from effectively imposing even larger tax hikes, which dramatically impact our children’s future.

Questions to Consider

- Do you believe courts or elected legislators should establish school funding levels?
- Should the constitution be amended to stipulate that courts have no authority to determine whether school funding is adequate or whether it should be increased?
- Do you believe taxpayer money should be used to sue the state or the legislature for more money?