Legislator BRIEFING BOOK

2025 JANUARY

The 2025 version of our Legislator Briefing Book is a quick-reference guide that provides background and perspective on state spending, taxes, education, and general economic conditions.

The charts and tables in each section are updated periodically and are available for download in our Tax and Spending media library and the Education media library at **KansasPolicy.org**.

KANSAS POLICY INSTITUTE

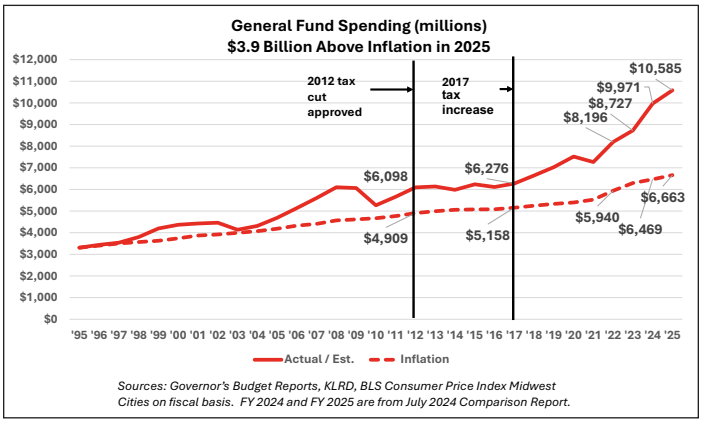
SECTION 1

State Spending

General Fund

Contrary to media reports, General Fund spending routinely set records during the Brownback years. The total was $6.276 billion in FY 2017, the year that tax reform was overturned and income tax rates were dramatically increased.

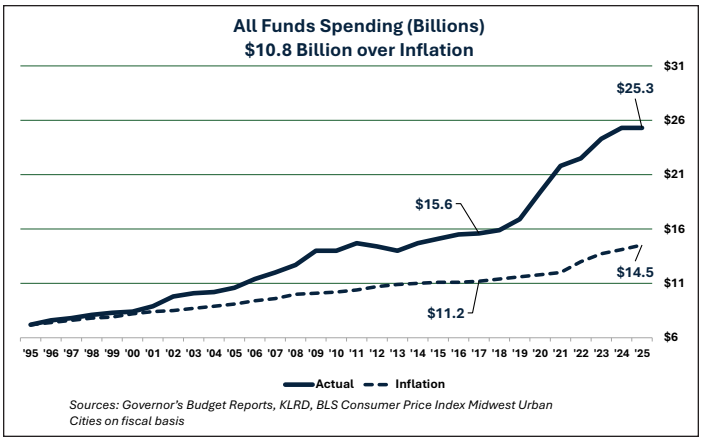
The approved budget for FY 2025 is almost $10.6 billion, a 46% increase over the last four years. SGF spending is now $3.9 billion higher than if it had been increased for inflation since 1995.



Sources: Governor's Budget Reports, KLRD, BLS Consumer Price Index Midwest Cities on fiscal basis. FY 2024 and FY 2025 are from July 2024 Comparison Report.

All Funds

According to Legislative Research, expenditures in the All Funds budget can be divided into four major areas of expenditure: (1) state operations expenditures (incurred in the direct operations of state government, such as salaries and wages, rent, and travel); (2) aid to school districts and other local units of government (payments to governmental units that provide services at the local level and, in most cases, have taxing authority); (3) other assistance, grants, and benefits (payments to individuals and agencies that are not governmental units, such as Medicaid payments and unemployment insurance payments); and (4) capital improvements (repairs and construction of State-owned facilities, including highways and debt service principal payments).



Sources: Governor's Budget Reports, KLRD, BLS Consumer Price Index Midwest Urban Cities on fiscal basis

All federally-funded spending flows through the All Funds budget, not the General Fund.

All Funds spending increased from $15.6 billion in FY 2017 to $25.3 billion (approved budget) for FY 2025 and is $10.8 billion higher than if increased for inflation since 1995.

Spending Per Resident

The table of 2023 spending per resident for each state uses spending data collected by the National Association of State Budget Officers (NASBO). It includes total expenditures (All Funds Budget) less federal spending and spending related to the issuance of debt. Census population estimates for 2023 are used to calculate the amount spent per resident.

Every state provides the same basket of services (education, social services, transportation, etc.), but some states do so at much lower costs, which allows them to have lower taxes. Put differently, the more a state chooses to spend to provide services, the more it must tax.

For example, the 41 states with an income tax spent 72% more per resident than the nine states that do not tax income ($6,000 per resident compared to $3,479). Kansas spent $5,428 per resident, or 56% more than the states without an income tax.

2023 State Spending Per Resident

State	Amount	State	Amount
Alabama	$4,513	Montana	$4,727
Alaska[1,2]	$13,668	Nebraska	$5,946
Arizona	$11,364	Nevada[1]	$3,379
Arkansas	$7,020	New Hampshire[1]	$3,193
California[3]	$6,932	New Jersey[3]	$6,415
Colorado	$4,242	New Mexico	$6,947
Connecticut[3]	$7,912	New York[3]	$6,546
Delaware[3]	$10,778	North Carolina	$3,574
Florida[1]	$3,255	North Dakota[2]	$6,498
Georgia[2]	$3,925	Ohio	$4,478
Hawaii[3]	$9,756	Oklahoma[2]	$3,523
Idaho	$3,561	Oregon	$8,291
Illinois[3]	$7,572	Pennsylvania	$5,126
Indiana	$4,704	Rhode Island	$6,622
Iowa	$5,891	South Carolina[2]	$4,371
Kansas	$5,428	South Dakota[1,2]	$4,221
Kentucky	$6,403	Tennessee[1,2]	$3,887
Louisiana	$4,725	Texas[1,2]	$2,574
Maine[3]	$5,755	Utah	$4,776
Maryland	$6,892	Vermont[3]	$7,088
Massachusetts	$7,560	Virginia[3]	$6,198
Michigan[2]	$4,749	Washington[1]	$6,129
Minnesota	$5,961	West Virginia	$9,298
Mississippi	$4,283	Wisconsin	$7,241
Missouri	$3,540	Wyoming[1,2]	$7,467
Lowest S&L burden states[2]	**$3,661**	No income tax[1]	**$3,479**
Highest S&L burden states[3]	**$6,829**	States w/ income tax	**$6,000**

Source: NASBO; excludes federal spending and spending related to bond issuance.
[1]No state income tax, [2]Among Tax Foundation 10 lowest state & local tax burden states, [3]Among Tax Foundation 10 highest state & local tax burden states

Using the Tax Foundation's most recent ranking of combined state and local tax burdens (as a percentage of income, from 2022), we find that the ten states with the highest combined burden spent 87% more per resident than the ten states with the lowest burdens ($6,829 per resident compared to $3,661).

Reserve Balances

Kansas has reserves in the Budget Stabilization Fund in addition to reserves held in the State General Fund (SGF). According to Kansas Legislative Research Department (KLRD), "The Budget Stabilization Fund can be expended solely by an act of appropriation by the Legislature or the State Finance Council as an act of legislative delegation. The Budget Stabilization Fund shall not be considered as part of the ending balance of the SGF for compliance with any other statutory requirements such as allotments or the unencumbered ending balance requirement."

There is a statutory requirement for having SGF reserves of at least 7.5% of SGF spending, but the Legislature has the authority to waive that requirement and has done so many times in the past.

The adjacent budget profile uses data from the July 2024 KLRD Comparison Report adjusted to the November 2024 Consensus Revenue Estimate (CRE).

Kansas is expected to finish FY 2025 with an ending balance of $1.726 billion, representing 16.3% of FY 2025 expenditures and $1.758 billion in the Budget Stabilization Fund, bringing total reserves to $3.483 billion.

KLRD State General Fund Profile FY 2021 - FY 2025 (millions)

Description	Actual FY 2021	Actual FY 2022	Actual FY 2023	Approved FY 2024	Approved FY 2025
Beginning Balance	$495.0	$2,094.8	$1,834.6	$2,410.4	$2,578.6
Revenue	$8,867.6	$7,935.8	$9,302.8	$10,139.6	$9,731.8
Total Available Revenue	**$9,362.6**	**$10,030.6**	**$11,137.4**	**$12,550.0**	**$12,310.4**
Expenditures	$7,267.8	$8,195.9	$8,727.1	$9,971.4	$10,584.6
Total Adjusted Spending	**$7,267.8**	**$8,195.9**	**$8,727.1**	**$9,971.4**	**$10,584.6**
SGF Ending Balance	**$2,094.8**	**$1,834.6**	**$2,410.4**	**$2,578.6**	**$1,725.8**
as % of Expenditures	28.8%	22.4%	27.6%	25.9%	16.3%
Budget Stabilization Fund Bal.	**$81.9**	**$969.2**	**$1,610.3**	**$1,685.7**	**$1,757.5**
Total Reserves	**$2,176.7**	**$2,803.8**	**$4,020.7**	**$4,264.3**	**$3,483.3**

Source: Kansas Legislative Research

Performance-Based Budgeting

The Kansas budget is theoretically prepared using a performance-based budgeting (PBB) process that was passed in 2016. Unfortunately, Governors Brownback and Kelly never required full compliance, so the benefits have not been realized.

PBB emphasizes resource allocation based on the efficiency and effectiveness of service delivery, with effectiveness based on meeting the expected outcomes of each service or program. Accordingly, it is essential that expectations are based on outcomes, not inputs, and that they are SMART – specific, measurable, attainable, relevant, and time-based.

Consider the Department of Education program goals for the Governance of Education, which typifies the reports of most agencies.

A. Kansas leads the world in the success of each student.

B. Provide an effective educator in every classroom.

C. Develop active communication and partnerships with families, communities, business stakeholders, constituents, and policy partners.

Leading the world in student success sounds good, but it is not practically attainable, it is difficult to measure (what defines success?), and not time-based. A SMART goal is "the percentage of students below grade level will decline from 33% to 10% by 2033." (This specific goal is in statute as part of the Literacy Blueprint legislation passed in 2024.)

Having effective educators is not an outcome; it is an input. Furthermore, it is not an input that the State Board of Education can control because teachers are hired, retained, and dismissed by local school boards.

Communication and partnerships are also valuable inputs, but inputs are meaningless if the desired outcomes are not achieved.

KSDE's performance measurements are also largely irrelevant.

Postsecondary effectiveness (obtain a professional certification or diploma or still in the process of attaining an industry certificate or degree two years after graduation) deliberately overlooks the purpose of public education, which is to prepare students to be successful. Unfortunately, the Kansas public education system is not meeting (what should be) its sole purpose, as evidenced by only 18% of graduates taking the ACT being college-ready in English, reading, math, and science.

The other Outcome Measurement identified by KSDE – percent of fully licensed educators – is not an outcome. It is an irrelevant output because having a license does not necessarily translate to effectiveness.

The efficiency aspect of the Kansas PBB system is nonexistent. Each agency report merely contains a statement

Outcome Measures

1. Five-year postsecondary effectiveness rate ..... A
2. Percentage of assignments filled by fully licensed educators ..... B

Output Measures

4. Total number of licenses issued per year ..... B
5. Statewide dropout rate ..... A

Additional Measures as Necessary

6. Percentage of educator program standards that have completed the comprehensive revision process and have been approved by KSBE ..... B
7. Number of educator vacancies reported by USDs ..... A
8. HS graduation rates ..... A
9. Percentage of students scoring in levels 3 & 4 on the ELA assessment ..... A
10. Percentage of students scoring in levels 3 & 4 on the math assessment ..... A
11. Percentage of students scoring in levels 3 & 4 on the science assessment ..... A

listed under "Consequences of Not Funding this Program;" the answer in each case is a version of "the sky will fall."

Efficient, effective spending is vital to providing additional tax relief and resolving the State's five-decade run of economic stagnation. However, that will not happen until the Legislature forces the issue by compelling compliance with the intent of performance-based budgeting. The solution is simple: notify agencies that budgets will be reduced by 5% annually until PBB is followed with fidelity.

Other Information

Spending by agency for the General Fund and the All Funds budget for the fiscal years 2005 through 2025 is available for download at KansasOpenGov.org. General Fund tax revenue by category (income, sales, etc.) is also available.

Other reports on KansasOpenGov.org include the state employee payroll list, KPERS payments, and unencumbered cash reserves by fund.

KPI collects the data from KLRD, Governor's Budget Books, and through Open Records requests and posts it on our transparency site.

SECTION 2

Tax Facts

Uncompetitive Tax Climate

Tax relief legislation passed in 2024 was a good step in the right direction, but Kansas still has a very uncompetitive tax climate, particularly for businesses and senior citizens.

The Tax Foundation shows Kansas has the ninth-highest state and local combined sales tax rate, at 8.65%. According to SalesTaxHandbook.com, the rate exceeds 10% in some Kansas cities, whereas New York City is 'just' 8.875%

The Lincoln Institute of Land Policy's study for taxes payable in 2023 shows Kansas has some of the highest effective tax rates in the nation, particularly in rural areas. For example, an Iola, Kansas, home appraised at $150,000 was charged $3,202 in property tax, but the same value property in Savannah, Tennessee, was just $923. The disparity on a $1 million commercial property is even worse ($55,447 in Iola vs. $11,697 in Utah).

Property taxes are among the highest in the nation based on Lincoln's calculation of effective tax rates (taxes due as a percentage of appraised value).

National Rankings

- Corporate tax climate – 21st highest *(Tax Foundation)*
- Individual income tax – 27th highest *(Tax Foundation)*
- State and local sales tax – 9th highest *(Tax Foundation)*
- Urban residential property tax – 29th highest *(Lincoln Institute)*
- Urban commercial property – 12th highest *(Lincoln Institute)*
- Rural residential property tax – 4th highest *(Lincoln Institute)*
- Rural commercial property – #1 highest *(Lincoln Institute)*

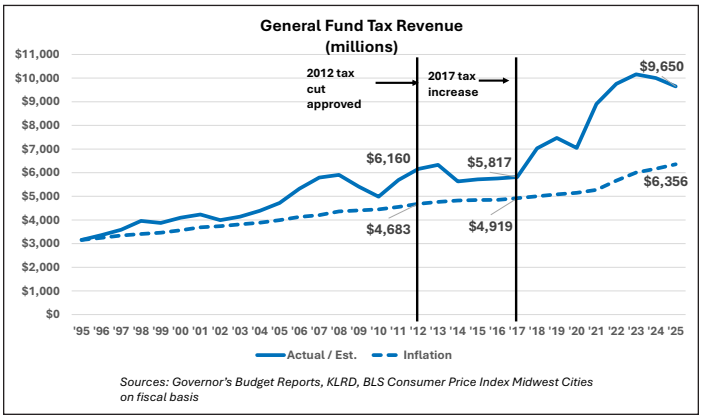
General Fund Tax History

Income tax collections from corporations, individuals, and financial institutions comprised 60% of the $10 billion total General Fund taxes collected in FY 2024. (The state also generates about $860 million from the 20 mills of property tax for schools that does not flow through the General Fund).

Sales and compensating use tax was the next largest category, generating $3.5 billion or about 35% of the total. Excise taxes on tobacco and alcohol produced $224 million (2.2% of the total), taxes on insurance premiums totaled $220.7 million (2.2% of the total). The state also collected severance tax on oil and gas, a motor carrier tax, and miscellaneous taxes.

FY 2024 General fund Tax Receipts (000)		
Tax Type	Amount	% Total
Income tax	$ 5,969,396	59.7%
Sales and Use tax	$ 3,539,483	35.4%
Excise tax	$ 224,246	2.2%
Severance tax	$ 24,307	0.2%
Insurance premium tax	$ 220,680	2.2%
Motor carrier tax	$ 11,786	0.1%
Other tax	$ 13,936	0.1%
Total	$10,003,834	100.0%

Source: Kansas legislative Research



Sources: Governor's Budget Reports, KLRD, BLS Consumer Price Index Midwest Cities on fiscal basis

The chart above shows tax revenue declined in FY 2014 as a result of tax reform legislation and then shot back up in FY 2018 after legislators reversed reform efforts.

But even at the low point in FY 2014, tax revenue of $5.632 billion was still about $800 million higher than if tax collections had increased for inflation since 1995. Tax revenue for FY 2025 is estimated at $9.758 billion (per November 2024 CRE), or about $3.3 billion more than if taxes had been increased for inflation since 1995.

Annual tax collections by tax category going back to FY 1995 are available on KansasOpenGov.org.

States That Spend Less, Tax Less… and Grow More

Taxes are not the only thing that impacts economic competitiveness, but competitive tax burdens are a major factor. Data from the Bureau of Economic Analysis show the states without an income tax increased jobs by 66% between 1998 and 2023, while the other states grew by just 30%. The ten states with the lowest combined state and local tax burden (Tax Foundation) also had superior job gains compared to the ten highest-burden states (49% vs. 32%).

The same is true of real (inflation-adjusted) private-sector GDP growth. The states without an income tax grew by 107% between 1998 and 2023 in current dollars vs. 58% for the other states. The ten lowest-burden states outperformed the ten highest-burden states, 81% to 62%.

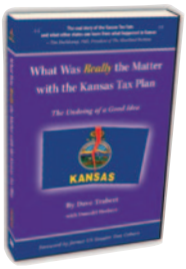
Census Bureau data also shows people migrating to states with lower tax burdens. The nine states without an income

Superior Growth in States with Lower Taxes				
State	States Without an Income Tax	Income-Taxing States	Ten Lowest State & Local Tax Burden	Ten Highest State & Local Tax Burden
Private Real GDP '98-'23	107%	58%	81%	62%
Employment '98 -'23	66%	30%	49%	32%
Private Real Wages '98-'23	89%	46%	60%	51%
Domestic Mig. '00-'23	7.9 Million	(7.9 million)	11.6 million	(3.8 million)

Sources: Tax Foundation, BEA, Census

tax gained 7.9 million residents from the income-taxing states due to domestic migration since the turn of the century. The ten states with the lowest combined tax burden added 11.6 million residents from domestic migration, while the ten states with the highest burdens lost 3.8 million people.

"What Was Really the Matter with the Kansas Tax Plan"



For all that has been written about tax reform passed by the 2012 Kansas legislature, much of its history had either not been recorded or has been skewed to fit political agendas favoring higher taxes and more government spending. The Kansas tax-relief effort was officially killed when the 2017 Kansas legislature overrode Governor Brownback's veto and imposed the largest tax increase in Kansas' history—but distortions of the real story continued in order to discourage other states from reducing taxes and they were even used to undermine federal tax reform efforts in late 2017.

In early 2018, Kansas Policy Institute published *What Was **Really** the Matter with the Kansas Tax Plan* to help citizens and elected officials across the nation learn from the mistakes made in Kansas in their efforts to reduce taxes down the road and create the best path forward for everyone to achieve prosperity.

At the same time Kansas had its problems, other states like North Carolina, Indiana, and Tennessee successfully cut taxes. So, what was different about the Kansas experience?

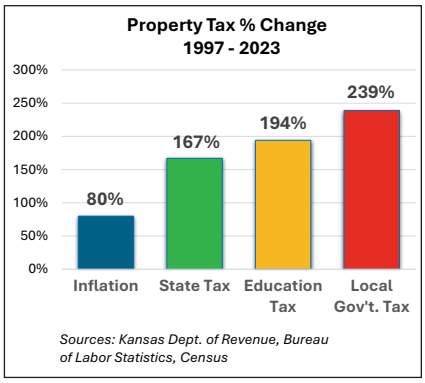
Many of the claims about Kansas were based on incomplete or inaccurate data, but Kansas did have serious budget challenges … and most of those issues were avoidable. There were a lot of mistakes made, and there were also other circumstances at play that created budget issues, including a very toxic political environment.

The three biggest mistakes were:

1. Cutting taxes and increasing spending. General Fund spending set new records most years, and Democrats and many Republicans (including Gov. Brownback) were not willing to implement many efficiency opportunities to balance the budget.
2. There was never a plan on paper to structurally balance the budget.
3. The urgent need for tax reform was not adequately explained.

Complimentary copies of the book are available for legislators and constituents.

Property Tax Allocation



Property tax exceeded $6.2 billion statewide last year (assessed in 2023 for payment in 2024). Only $73 million of the total – about 1% - was for state operations, which is an automatic transfer for university and other state building maintenance. The amount collected has increased by 167% since 1997.

Property tax for education, which includes K-12 and community colleges, consumed $2.76 billion or about 44% of the total; education property tax increased 194% since 1997, while inflation was 80%.

The largest portion, $3.39 billion and 54% of the total, was for local government operations (e.g., cities, counties, townships, and fire districts). Local government property taxes increased the most, jumping 239% since 1997.

Local government property tax increases are driven solely by the amount each entity chooses to spend each year.

2022 Per-Resident Total Spending by County Size (net of transfers)

Category	Population	Counties	Per-Resident Spending		
			High	Median	Low
Less than 3,000	57,686	24	$ 7,026	$ 3,376	$ 2,064
3,000 to 6,000	101,154	22	$ 3,416	$ 2,265	$ 1,459
6,000 to 10,000	166,499	21	$ 4,393	$ 1,879	$ 1,106
10,000 to 30,000	369,053	19	$ 1,798	$ 1,294	$ 831
30,000 to 100,000	654,870	14	$ 1,216	$ 992	$ 621
100,000+	1,559,514	5	$ 1,633	$ 917	$ 743
Statewide	2,908,776	105	$ 7,026	$ 1,934	$ 621

Source: County budget reports

The amount paid by each taxpayer is a function of two variables: property values, which are set by the county appraiser, and mill rates, which are adjusted to deliver the amount of property tax built into each entity's budget.

Spending per resident varies widely across the State's 105 counties. In 2022, Ness County spent the least among counties with a population below 3,000 at $2,064 per resident, whereas Graham County spent $7,026 per resident.

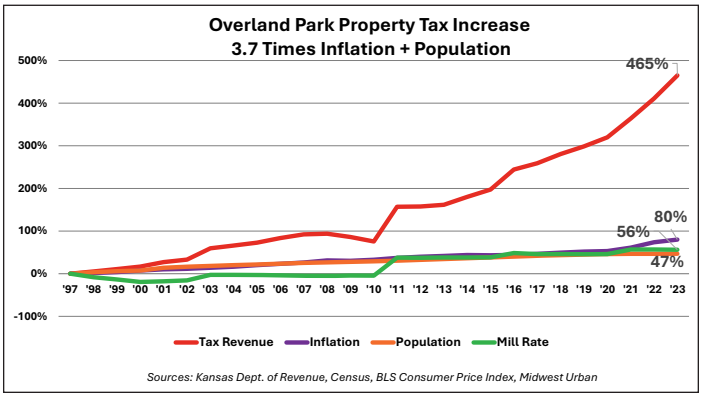
In each population grouping, services in the highest-spending county cost two to three times more than those in the lowest-spending counties.

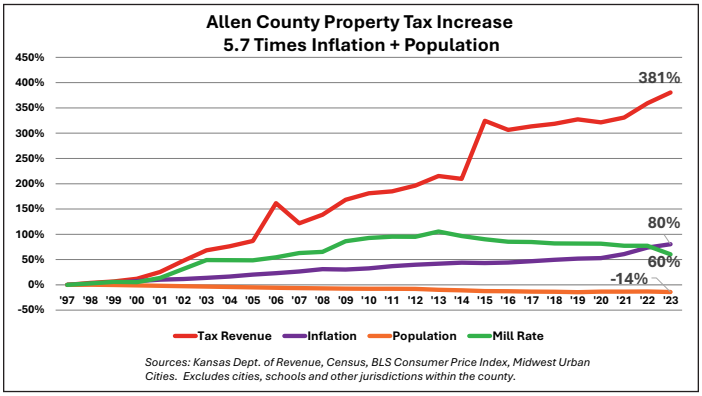
City and County Property Tax Increases

Charts comparing property tax increases with changes in inflation, population, and mill rates are available on KansasOpenGov.org for every county and the largest cities in Kansas.

The chart that follows shows the city of Overland Park increased property tax by 465% between 1997 and 2023, while inflation was 80% and the population increased by 56%. Over the period, Overland Park increased property tax almost four times the combined rates of inflation and population.

Allen County is one of the worst examples of county property tax increases, with a hike of 381%, which is 5.7 times the combined rates of inflation and population.





2023 Property Tax Effective Tax Rate (ETR) National Rankings				
Classification	Largest Rural Area	Tax Owed	Effective Tax Rate	ETR Rank (1=highest)
$1 million Rural Commercial	Iola KS	$ 55,447	4.621%	#1
$1 million Rural Commercial	Savannah, TN	$ 11,316	0.943%	#40
$1 million Rural Commercial	Richfield, UT	$ 11,697	0.975%	#38
Rural Homestead $150,000	Iola KS	$ 3,202	2.134%	#4
Rural Homestead $150,000	Savannah, TN	$ 923	0.615%	#40
Rural Homestead $150,000	Richfield, UT	$ 793	0.529%	#43
Classification	Largest Urban Area			
$1 million Urban Commercial	Wichita, KS	$ 29,315	2.443%	#12
$1 million Urban Commercial	Nashville, TN	$ 11,250	0.937%	#47
$1 million Urban Commercial	Salt Lake City, UT	$ 11,221	0.935%	#48
Urban Homestead $150,000	Wichita, KS	$ 1,668	1.112%	#29
Urban Homestead $150,000	Nashville, TN	$ 872	0.581%	#44
Urban Homestead $150,000	Salt Lake City, UT	$ 781	0.520%	#47
Source: Lincoln Institute of Land Policy				

The county seat of Allen County, Iola, has the unfortunate distinction of having the nation's highest effective property tax rate for commercial property in rural areas.

The Lincoln Institute of Land Policy publishes an annual 50-state property tax analysis ranking effective property tax rates in each state's largest rural and urban areas. The effective property tax rate is the tax paid as a percentage of appraised value. They define rural as a county seat with a population between 2,500 and 10,000 that is not part of a metropolitan area.

A commercial property valued at $1 million would pay a property tax of $55,447 in Allen County, which is an effective tax rate of 4.621%. The same property in Richfield, Utah, would only pay $11,697, and just $11,316 in Savannah, Tennessee.

An Allen County home appraised at $150,000 would pay $3,202; the effective tax rate of 2.134% is the 4th highest among rural areas in the nation.

Wichita, the largest Kansas urban area as defined by Lincoln, also has relatively high effective tax rates. A $1 million commercial property with $200,000 of fixtures would pay $29,315 in tax, with the 12th-highest ETR of 2.443%; a $150,000 home would pay $1,668 in tax, with the 29th-highest ETR of 1.112%.

These high effective property tax rates are major deterrents to economic development. We compare Kansas to Utah and Tennessee because those states enacted property tax reform over thirty years ago, reducing effective tax rates over time. Utah, for example, saw its ETR decline 7.5% between 2000 and 2018, while the ETR jumped 22% in Kansas during that time period.

Kansas passed the Truth in Taxation Act in 2021, which is modeled after the Utah law. It places no restrictions on local units of government; it merely requires them to take a public vote on the entire amount of the property tax increase they impose. Each year, the mill rate is reduced so that new valuations deliver the same property tax revenue as the year before. If local taxing authorities want more tax than budgeted for the current year, they must then notify taxpayers of the full tax increase they intend to impose and after holding public hearings, take a recorded vote.

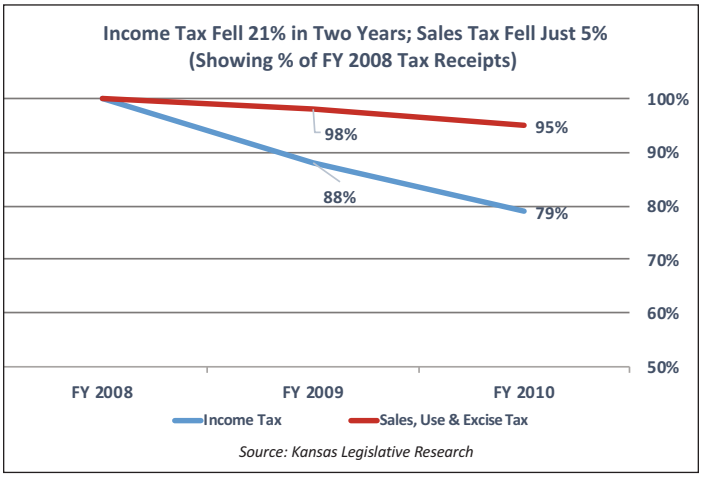
Myth of the 3-Legged Stool

One of the pushbacks against Governor Brownback's proposal to eventually phase out the state income tax was that the state was better off with a "3-legged stool" of income, sales, and property tax. The complaint was that the state's revenue model would be unbalanced with just two revenue sources, but the 'stool' has never been balanced.

Income tax comprised 53% of FY 2024 state tax revenue. Sales, Use, and Excise taxes combined

would be 35% of the total, and the $936 million of property tax for schools and state buildings would be just 9%. All other SGF taxes were just 3%.

The folksy-sounding 'need to keep the 3-legged stool balanced' is merely a myth to justify opposition to reducing income taxes. More importantly, history shows that the state would be more financially stable if it were more reliant on sales tax than on income tax.



Tax revenue declined during the Great Recession, but income tax had a much more precipitous decline, falling 21% between FY 2008 and FY 2010, whereas sales, use, and excise tax was down just 5%.

Legislators had to deal with a $702 million decline in income tax but just a $107 million drop in consumption tax. Dealing with budget challenges would have been much different with single-digit declines in consumption tax.

Kansas could reduce reliance on income tax by operating more efficiently and using the savings to reduce income tax rates across the board.

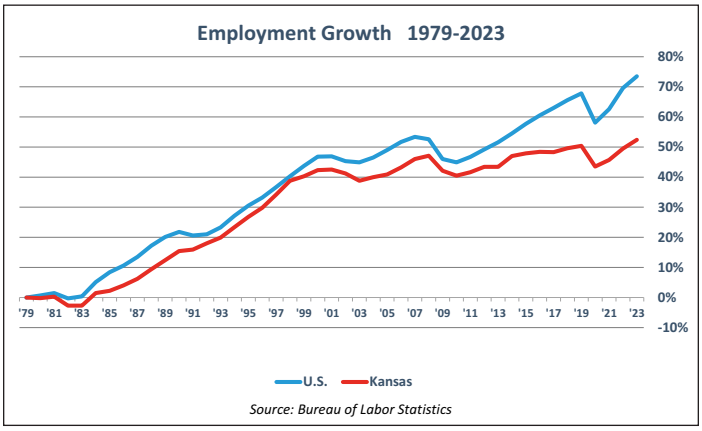
FY 2022 Unbalanced Revenue Stool (000)		
Tax Type	Amount	% Total
Income tax	$5,704,393	58%
Sales, Use, and Excise	$3,775,307	39%
Severance tax	$56,167	1%
Insurance premium tax	$196,373	2%
Motor carrier	$12,921	0%
Other tax	$12,946	0%
Total	$9,758,107	100%
Source: Kansas Legislative Research		

SECTION 3

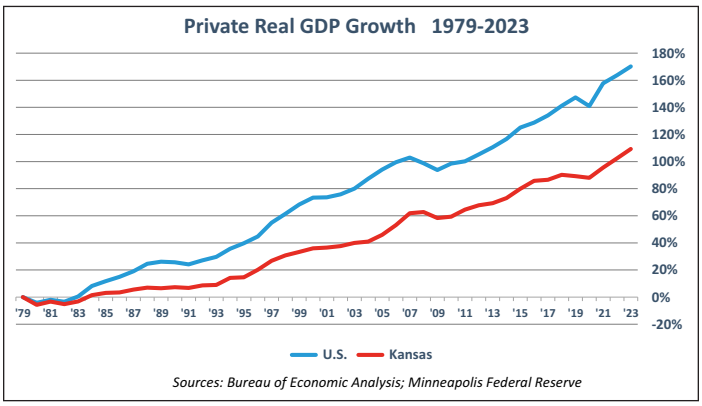
Economic Conditions

5th-Consecutive Decade of Economic Stagnation

Kansas is in its fifth consecutive decade of economic stagnation, trailing the nation in economic activity (GDP) and job growth.



Source: Bureau of Labor Statistics



Sources: Bureau of Economic Analysis; Minneapolis Federal Reserve

According to the Bureau of Economic Analysis, total employment in the United States increased by 91% between 1997 and 2023 but only by 54% in Kansas. Over the same period, real (inflation-adjusted) private-sector Gross Domestic Product (GDP) rose by 170% nationwide but only 109% in Kansas.

There would have been an additional 479,000 jobs in 2023 if Kansas had grown at the national average since 1979. Had private-sector GDP growth matched the national average, Kansas would have had an additional $58.7 billion in economic activity.

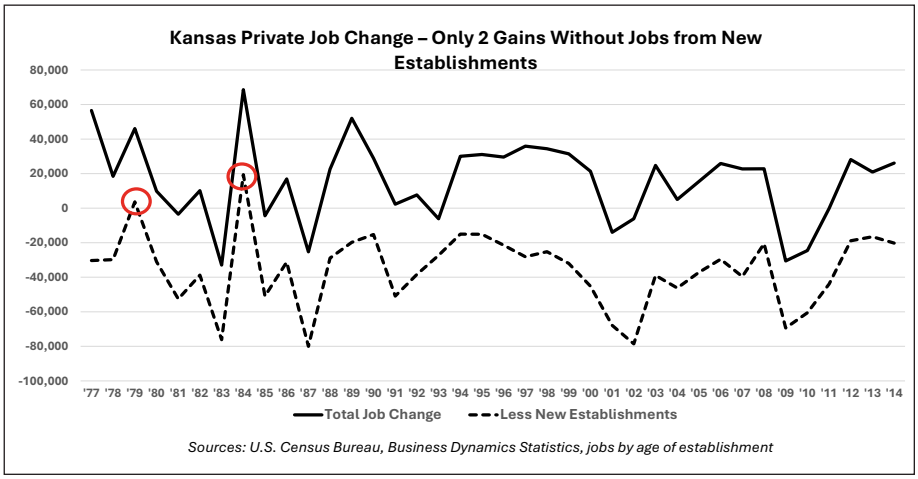
The gaps in jobs and economic activity are worsening, and history shows that relying on subsidies for a handful of companies will not stop long-term economic stagnation.

Heavy Dependence on Jobs From New Establishments

Economic development efforts are largely focused on enticing companies to move across state lines, but research studying the life cycle of businesses shows why those efforts generally fail.

This excerpt from *"What Was **Really** the Matter with the Kansas Tax Plan"* explains.

> As explained in A Thousand Flowers Blooming – Understanding Job Growth and the Kansas Tax Reforms, "Job growth [in Kansas] is critically dependent on new business formation. Several studies have found that start-ups and young firms drive overall job creation. A key academic study found that 'firm births contributed substantially to both gross and net job creation.'" To see how this has played out over time in Kansas, [the chart below] shows the trend of total job creation and jobs created excluding those created by new establishments from 1977 through 2014, the most current data available from the Census Bureau.
>
> Census defines an establishment as "a single physical location where business is conducted or where services or industrial operations are performed;" they define a firm as "a business organization consisting of one or more domestic establishments that were specified under common ownership or control, with the firm and the establishment being the same for single-establishment firms." For example, new establishments could be a new bio-tech startup, a proprietor opening a new restaurant, or even a new Walmart location.
>
> The authors drive home the importance of jobs from new establishments in Kansas and throughout the United States, referencing research pioneered by Dr. Hall. "In Kansas, with the exception of 1979 and 1984, the total number of jobs created would actually have been negative if not for the job creation from new establishments."



Sources: U.S. Census Bureau, Business Dynamics Statistics, jobs by age of establishment

Knowing that the state's economy is heavily dependent on jobs from new establishments, state and local legislators should take steps to make it easier and faster to open a new business.

Studies Show Subsidy Programs Are Not Effective

Subsidy programs that award taxpayer-funded incentives to a few select businesses are the primary focus of state and local officials, even though academic studies show such programs are ineffective.

Most recently, Dr. Arthur Hall completed an analysis of several STAR bond projects that found they mostly rearranged economic activity within the community rather than create new, incremental activity.

> Understanding economic development as an organic process driven by trial-and-error, rather than a mechanistic process driven by strategic planning and engineering, offers a crucial perspective for concerned citizens seeking to enhance Wichita's economic future through civic minded endeavors like Project Wichita. The primary driver of regional economic growth relates to the formation of new businesses (or activation of existing businesses) that grow quickly because they have discovered – by luck or design – a market with under-served demand. Almost by definition such businesses emerge from a dynamic market process of trial-and-error because they would be abundant if people already knew how to create them. This fact explains why government-subsidization of specific enterprises or groups of people through targeted economic development rarely produces net-new economic growth. What may look like economic growth on the surface ends up being, upon closer scrutiny, an expensive exercise in the rearrangement of existing business activity.

The state PEAK program (Promoting Employment Across Kansas) was studied by Dr. Nathan Jensen, then with Washington University at St. Louis. Jensen concluded that companies receiving PEAK incentives were no more likely to add jobs than companies that did not receive the subsidy.

Jensen writes, "My findings from the establishment-level data indicate that incentive programs have no discernable impact on firm expansion, measured by job creation. In addition, the survey data suggest that incentive recipients highly recommend this program to other firms, but few firms actually increased their employment in Kansas because of these incentives; similarly, very few firms would have left the state if they had not benefited from this program. Thus, incentives have little impact on the relocation or expansion decisions of firms."

The hype over the state's "mega deal" with Panasonic is another example of reality not living up to government promises. The state's agreement with Panasonic does not require the company to meet any employment requirements to qualify for the roughly $1 billion in incentives, but if the deal generates 4,000 jobs as touted that would only increase private sector employment by less than half of one percent. That hardly qualifies as what proponents call 'transformative.'

Disprove Einstein's definition of insanity or change strategy

For decades, state and local governments have relied on subsidies and multiple government spending programs as their economic growth strategy. Elected officials no doubt acted in good faith, doing what they thought would work, but the subsidy-spending plan has not worked. Kansas is far below the national average for job creation and economic activity, and it continues to lose population as more people leave the state than move here.

The choice now is clear: continue doing the same things over and over hoping to disprove Albert Einstein's definition of insanity or abandon the strategy and embrace what is producing superior economic growth in some states.

States with lower taxes allow people and businesses to keep more of what they earn, and their economies are growing much faster than those (like Kansas) with high tax burdens. A more efficient and effective government is the key to reducing tax burdens – reducing the cost of providing services, not cutting services – and there are lots of opportunities to reduce costs with Kansas spending 56% more per resident than the states with the lowest tax burdens.

Former Indiana Governor Mitch Daniels once explained how, as president of Purdue University, he was able to hold tuition flat for a decade. He said, "This place was not built to be efficient. [But] you're not going to find many places where you just take a cleaver and hack off a big piece of fat. Just like a cow, it's marbled through the whole enterprise."

Legislators can reduce tax burdens if they are willing to examine the entire enterprise of state government.

SECTION 4

K-12 Education

Achievement is Persistently Flat and Lower Than Claimed

Most of the talk about education focuses on money, but student achievement is the real education crisis in Kansas. About the same number of students are below grade level in Math and English Language Arts as are proficient. Unfortunately, outcomes are much worse for high school students.

2024 State Assessment Results			
Cohort / Subject	Below Grade Level	At Grade Level, Needs Remedial Training	Proficient / On Track for College & Career
All Grades			
Math	33%	35%	32%
ELA	33%	34%	34%
10th Grade			
Math	46%	33%	21%
ELA	35%	37%	28%

Source: Kansas Dept. of Education

The 2024 state assessment results published by the Kansas Department of Education show 46% of 10th-graders are below grade level in Math; 33% are at grade level but still need remedial training, and only 21% are proficient.

In English Language Arts, 35% are below grade level, 37% are at grade level but still need remedial training, and only 28% are proficient.

Results vary by district, but outcomes are not what most people consider 'good' anywhere. Johnson County districts average 32% below grade level in Math and have only 33% proficiency. More than half of 10th-graders in Sedgwick County (57%) are below grade level, and 68% are below grade level in Wyandotte County.

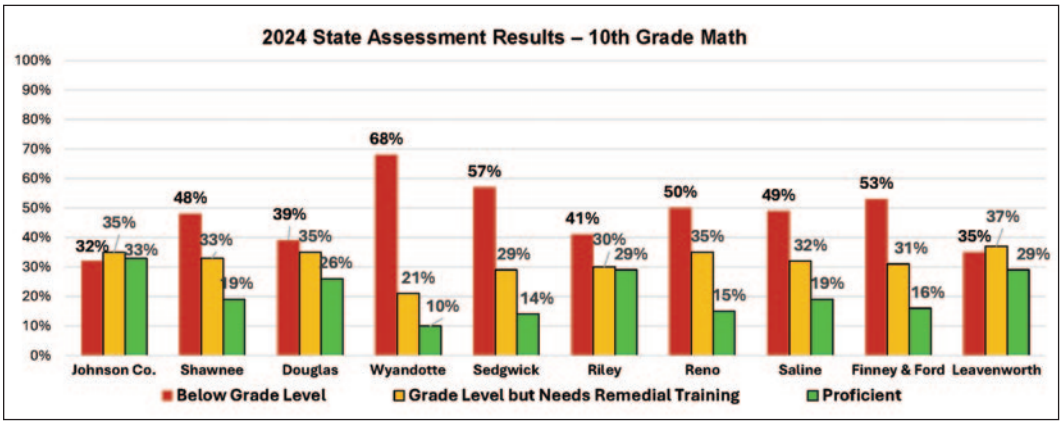
English Language Arts results are similarly low. A quarter of Johnson County 10th-graders are below grade level, and nearly half or more are below grade level in Wyandotte, Sedgwick, Reno, Finney, and Ford counties.

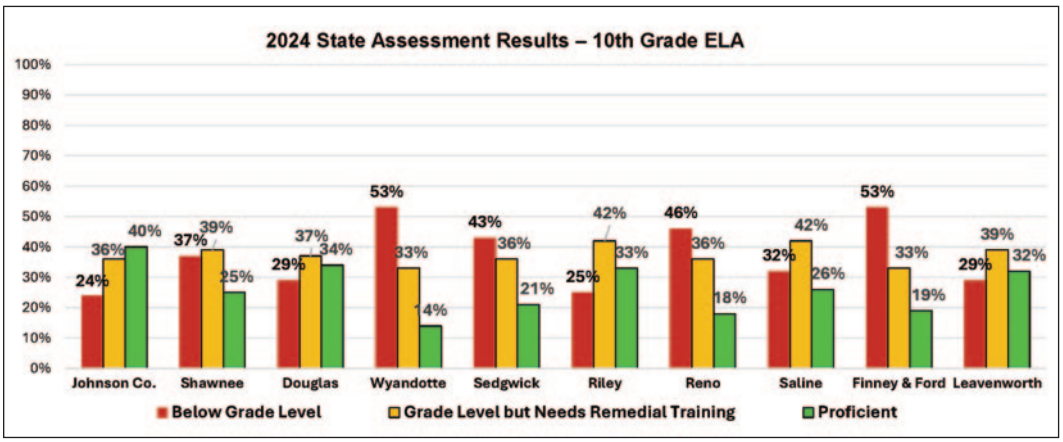
More detailed results are available for each district at KansasOpenGov.org in the 2024 state assessment reports. The school section of KansasOpenGov.org also includes data on spending and funding per student, cash reserves, employment, and enrollment, showing the change in each category between 2005 and 2024.

ACT College-Readiness

The poor showing for 10th-graders on the state assessment is reflected in ACT college-readiness scores.

Only 18% of Kansas students did well enough to be considered college-ready in English, Reading, Math, and Science on the 2024 ACT. That is down from 32% in 2015 and below the national average for the fifth straight year.





Kansas also recorded a composite score (19.3) below the national average.

State average scores are skewed by two major factors – demographic differences among the states and participation rates (the percentage of students taking the ACT in each state).

Participation rates affect average state scores because in states where the ACT is not mandatory, only students planning to attend college are likely to take the test, artificially increasing average state scores over states where the ACT is compulsory for all students. The Kansas Legislature recently approved paying for all students to take the ACT and the state's participation rate jumped from 72% in 2019 to 82% in 2020. The

College-Readiness Declining Last 10 Years					
School Year	ACT Composite Score		Kansas Participation Rate	College Readiness	
	U.S. Avg.	Kansas		U.S. Avg.	Kansas
2015	21.0	21.9	74%	28%	32%
2016	20.8	21.9	74%	26%	31%
2017	21.0	21.7	73%	27%	29%
2018	20.8	21.6	71%	27%	29%
2019	20.7	21.2	72%	26%	27%
2020	20.6	20.4	82%	26%	23%
2021	20.3	19.9	79%	25%	21%
2022	19.8	19.9	73%	22%	21%
2023	19.5	19.4	74%	21%	19%
2024	19.4	19.3	72%	20%	18%
Source: ACT					

Kansas ACT Achievement Gaps						
School Year	Composite Score			College Readiness		
	White	Hispanic	Black	White	Hispanic	Black
2015	22.8	19.2	17.6	37%	15%	8%
2016	22.8	19.2	17.6	36%	15%	8%
2017	22.6	19.2	17.5	35%	14%	6%
2018	22.5	19.0	17.7	34%	13%	8%
2019	22.2	18.5	17.0	32%	11%	7%
2020	21.4	18.0	16.4	28%	11%	6%
2021	21.0	17.4	16.1	25%	9%	5%
2022	20.9	17.5	16.2	25%	9%	5%
2023	20.5	17.1	15.8	23%	9%	5%
2024	20.3	17.4	16.4	22%	8%	5%
Source: ACT						

higher participation rate wiped out some of the state's artificial advantage and likely contributed to the lower score that year. However, participation has declined since then, and results still fell.

There are also significant achievement gaps between white students and students of color and between low-income students and everyone else. As a result, states with higher populations of minorities and low-income kids will appear to have lower average scores.

ACT does not publish income-based demographics, but the achievement gaps between White, Hispanic, and Black students are significant and persistent. Only 5% of Black students are college-ready compared to 8% of Hispanic students and 22% of White students.

Kansas is Below Average, Not Top Ten as Claimed

The Kansas Association of School Boards (KASB) claims Kansas is one of the Top Ten states for student achievement, but that, unfortunately, is not true. Results from the ACT and the National Assessment of Educational Progress (NAEP) show Kansas is below average in a nation that does not perform well.

The most recent NAEP results from 2022 show rankings ranging from #20 to #44. But even the state's 'best' ranking

2022 National Assessment of Educational Progress				
Grade Level / Subject	Low Income		Not Low Income	
	Percent Proficient	National Rank	Percent Proficient	National Rank
4th Grade Reading	18%	#27	41%	#36
4th Grade Math	16%	#41	51%	#20
8th Grade Reading	15%	#41	35%	#39
8th Grade Math	10%	#44	34%	#33
Source: NAEP				

– 4th grade Math for kids who are not low-income – reflects disappointing achievement, with only 51% proficient. The 2024 NAEP results were not available before publishing the 2025 Legislator Briefing Book.

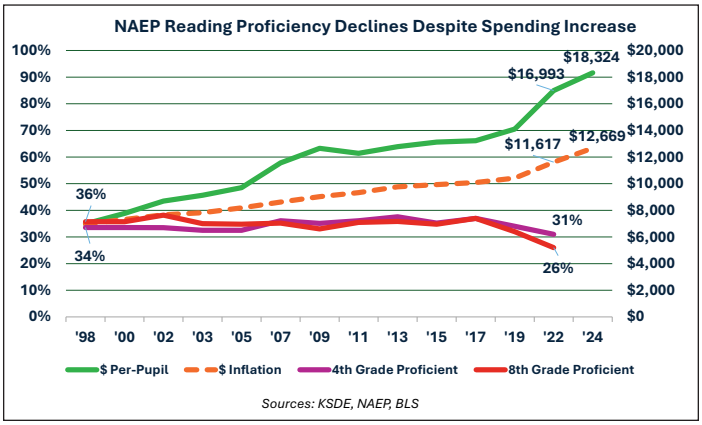
Less than half of the state's 4th-grade and 8th-grade students who are not low-income are proficient in Reading and Math, and less than a fifth of the low-income kids are proficient.

Spending More Does Not Cause Achievement to Improve

Contrary to claims by school officials, Supreme Court judges, and others, spending more money does not improve student achievement. Money can make a difference if properly spent, but simply spending more accomplishes nothing.

Reading proficiency on the most recent NAEP is lower than in 1998 when Kansas first participated in the national exam; only 31% of fourth-grade students and just 26% of eighth-graders were proficient. Per-pupil spending would have increased from about $7,000 to about $11,600 by 2022, but actual spending was $16,993. Spending jumped to $18,324 for the 2024 school year, and based on changes in state assessment scores and the ACT college-readiness decline, the 2024 NAEP results will likely remain below 1998 levels.

The same situation – significant spending increases with flat or declining outcomes – exists nationwide. In Kansas Policy Institute's most recent 50-state spending and achievement analysis, 24 states had the same or better NAEP 8-score composite in 2022 than Kansas while spending less per student (4th-grade and 8th-grade



Sources: KSDE, NAEP, BLS

Reading and Math for low-income kids and students who are not low-income compared to 2022 spending per U.S. Census, adjusted for cost of living). One state had the same NAEP composite as Kansas and spent more; another did worse than Kansas while spending a lot more.

Local Spending Per Student

Total spending for FY 2024 was about $8.5 billion; that is an increase of $4.2 billion since FY 2005.

Per-pupil spending increased by 89% from $9,707 to $18,324; inflation for Midwest Cities on a fiscal-year basis was 55%, so the funding increase significantly increased purchasing power. KSDE had not published the breakout between state, federal, and local aid for the 2024 school year when this report was published, so those amounts are estimated based on the July Consensus Report published in 2024.

KSDE began including KPERS payments in school funding totals in FY 2005, which is also the year before the first court-ordered funding increase.

Total Expenditures by Revenue Source

School Year	FTE Enrolled	State	Federal	Local	Total
2005	441,867.6	2,362,223,172	398,667,040	1,525,990,822	4,289,414,543
2006	442,555.7	2,657,971,383	382,782,642	1,650,894,229	4,689,294,566
2007	444,878.7	2,888,960,769	385,393,086	1,868,974,224	5,142,076,915
2008	446,874.0	3,131,495,347	376,985,620	1,940,052,328	5,446,453,325
2009	447,615.1	3,287,165,278	413,624,558	1,965,551,201	5,666,731,992
2010	453,324.3	2,867,835,438	726,587,277	1,997,207,913	5,589,549,135
2011	454,865.7	2,961,769,735	666,576,422	1,958,698,173	5,587,044,331
2012	456,000.5	3,184,163,559	447,417,409	2,139,429,840	5,771,010,808
2013	457,896.6	3,198,060,481	460,323,467	2,191,583,924	5,849,967,872
2014	461,088.3	3,267,998,852	485,563,067	2,221,955,762	5,975,517,681
2015	463,266.4	3,968,905,979	510,199,401	1,600,892,280	6,079,997,660
2016	463,167.7	3,950,412,825	485,268,953	1,593,236,144	6,028,917,922
2017	460,095.6	4,005,386,032	496,644,072	1,582,548,379	6,084,578,483
2018	476,672.6	4,331,222,299	484,412,006	1,676,578,151	6,492,212,456
2019	476,481.7	4,399,813,150	530,693,304	1,807,414,453	6,711,048,885
2020	476,454.3	4,847,062,500	486,713,815	1,741,250,945	7,074,465,085
2021	462,543.2	4,903,264,060	717,469,924	1,721,601,477	7,339,316,561
2022	463,662.4	5,007,785,452	980,005,708	1,893,250,928	7,879,238,494
2023	464,957.1	5,208,339,564	1,082,080,129	1,916,138,565	8,206,558,258
2024 est.	461,901.6	5,430,550,000	1,212,541,000	1,820,826,269	8,463,917,269

Amount Per Pupil

School Year	State	Federal	Local	Total	% Change Total
2005	5,346	902	3,454	9,707	5.11%
2006	6,006	865	3,730	10,596	9.15%
2007	6,494	866	4,201	11,558	9.08%
2008	7,008	844	4,341	12,188	5.45%
2009	7,344	924	4,391	12,660	3.87%
2010	6,326	1,603	4,406	12,330	-2.60%
2011	6,511	1,465	4,306	12,283	-0.38%
2012	6,983	981	4,692	12,656	3.0%
2013	6,984	1,005	4,786	12,776	0.9%
2014	7,088	1,053	4,819	12,960	1.4%
2015	8,567	1,101	3,456	13,124	1.3%
2016	8,529	1,048	3,440	13,017	-0.8%
2017	8,706	1,079	3,440	13,225	1.6%
2018	9,086	1,016	3,517	13,620	3.0%
2019	9,234	1,114	3,793	14,085	3.4%
2020	10,173	1,022	3,655	14,848	5.4%
2021	10,601	1,551	3,722	15,867	6.9%
2022	10,800	2,114	4,083	16,993	7.1%
2023	11,202	2,327	4,121	17,650	3.9%
2024 est.	11,757	2,625	3,942	18,324	3.8%

Source: Kansas Department of Education

The only accounting change since 2005 occurred in 2015 when the Legislature discovered that the 20 mills of property tax it mandates for school funding was recorded as Local aid; that money was sent to the State and deposited in a separate fund (i.e., not included in General Fund spending totals) beginning in 2015 and returned to school districts so the money is properly recorded as State aid.

The value of the 20 mills transferred was $590.1 million in FY 2015, or about $1,274 per student. In FY 2024, those amounts were $862 million and $1,866, respectively.

The adjacent table also reflects an unusual increase in full-time equivalent enrollment in FY 2018, when kindergarten students began being counted as full-time instead of half-time. Most of the increase that year was attributable to that change.

Each district's state, federal, and local funding history is available at KansasOpenGov.org.

Special Education

The Kansas Supreme Court in 2019 determined that the Legislature met the Court's definition of adequate funding of schools, including increases in special education (SPED) funding. The Legislature said it would initially increase SPED funding by $44 million plus $7.5 million annually thereafter, and those promises were kept. Unfortunately, the statute calling for the state to reimburse districts for 92% of excess SPED costs was not replaced with court settlement language, and school districts seized on that to demand more special education funding, even though special education cash reserves jumped $73 million since 2019. As explained in the next section, cash reserve increases result from spending less money than is transferred into a fund.

Further, the statutory formula for calculating 92% of excess costs does not count all of the special education funding provided by the Legislature. With all the SPED money counted, school districts receive more than 92% of excess costs, but there have not been enough votes in the House and Senate to fix the formula.

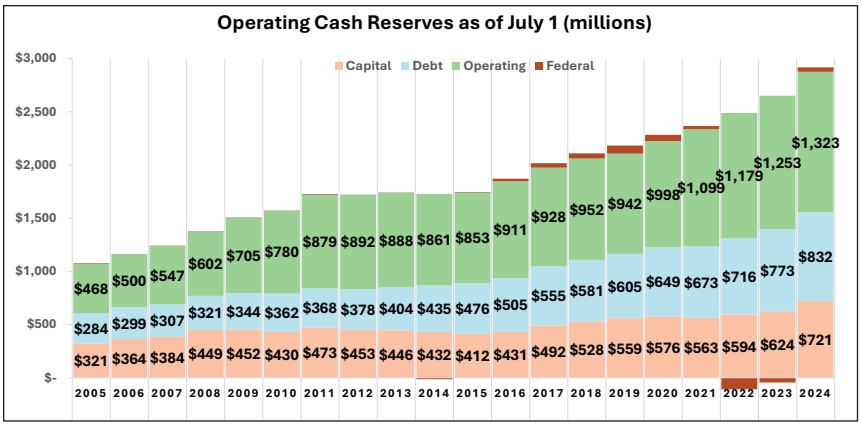
Carryover Cash Reserves

School district funds fall into four broad categories – operating, debt service, capital outlay, and federal.

Capital outlay funds can be used for capital projects and some maintenance costs, and the funding comes from three sources:

1. Up to eight mills of property tax can be levied by school districts,
2. Districts that qualify as being 'poor' based on property valuation per-pupil get additional funding from the state budget for equalization, and
3. Districts can transfer money into the capital fund from other funds.

Debt service funds can only be used to make principal and interest payments on bonded indebtedness from property



taxes collected for that purpose and from state equalization aid for those that qualify.

Operating cash reserves are in multiple funds that are used for current operating costs, coming from state aid, local operating budget property tax, fees, gifts, grants, and interest income.

Funds function the same as personal checking accounts; the ending balance is higher than the beginning balance if more money is deposited into the fund than is spent each year. School districts finished the 2005 school year with $468 million in operating reserves, and they finished last year with more than $1.3 billion. Most of the $855 million increase over the years comes from state and local aid that was not spent.

Much of the money in school district operating funds can be spent going forward, but history indicates that it will only take place with legislative intervention.

Reserve balance charts like the one above are available for every district at KansasOpenGov.org.

Operating Carryover Ratio

The amount of operating carryover reserves at the end of the year expressed as a percentage of that year's operating expense is called the carryover ratio. For the purpose of matching cash reserves to expenditures, operating expense excludes capital outlay, debt service, federal expenditures, and KPERS pension funding (the KPERS fund always has a zero balance).

The median operating ratio has almost doubled since the 2006 school year, going from 9.7% to 17.4% in 2024. The majority of districts had less than 10% in reserve for the 2006 school year but now, the majority have more than 15% in reserve. However, more than 30 districts operate with less than 10% in reserve, so it is clearly possible for many districts to spend down reserves with good cash management practices.

Districts collectively could spend reserves down by $493 million and still have the same carryover ratio each of them had in 2006.

Each district's carryover ratio history is available at KansasOpenGov.org.

School Employment

Local school boards and administrators make all spending and employment decisions without direction from legislators, governors, or the education department.

Many districts say low teacher pay makes it harder to attract and retain good teachers, yet that results from the spending decisions of local school boards and administrators. Between 1992 and 2022, inflation-adjusted current spending (excluding debt payments and capital outlay) per student increased by 51%, while average teacher pay declined by 14.5%. The money was there to improve teacher pay, but district officials spent it on other things (that did not improve student outcomes).

KSDE publishes employment reports by district each year in their Data Central database, with an extensive range of pre-determined positions. Kansas Policy Institute publishes annual summaries of those reports with comparison to enrollment at KansasOpenGov.org.

Employment and Enrollment Comparison

Categories	1993	2024	Change
Classroom teachers	26,371.3	30,103.5	14%
SPED, Reading teachers	3,381.3	4,909.2	45%
Managers	3,195.0	4,992.9	56%
Other staff	21,236.2	35,066.2	65%
Total	54,183.8	75,071.8	39%
FTE enrolled	431,320.5	461,901.6	7%

Source: KSDE. Managers include superintendents, asst. superintendents, principals, asst. principals, directors, managers, instruction coordinators and curriculum specialists. Enrollment based on the audited 2024 Legal Max.

There has been a 7% increase in enrollment since 1993, but school district employment has jumped by 39%. Classroom teachers increased by 14%, there are 45% more special education teachers and reading specialists; management positions increased by 56%, and all other staff increased by 65%.

Management positions include superintendents, assistant superintendents, principals, assistant principals, directors, managers, instruction coordinators, and curriculum specialists.

The student-teacher ratio dropped from 16.4 students per classroom teacher in 1993 to 15.3 in 2024. Class sizes, however, have reportedly increased, although KSDE does not publish that number. When class sizes increase while the student-teacher ratio is falling, it indicates a management issue rather than a funding issue.

Student achievement will not improve until adult behaviors change

Administrators and state and local school board members want student achievement to rise, but their actions demonstrate that many are unwilling to change their behaviors to make it happen.

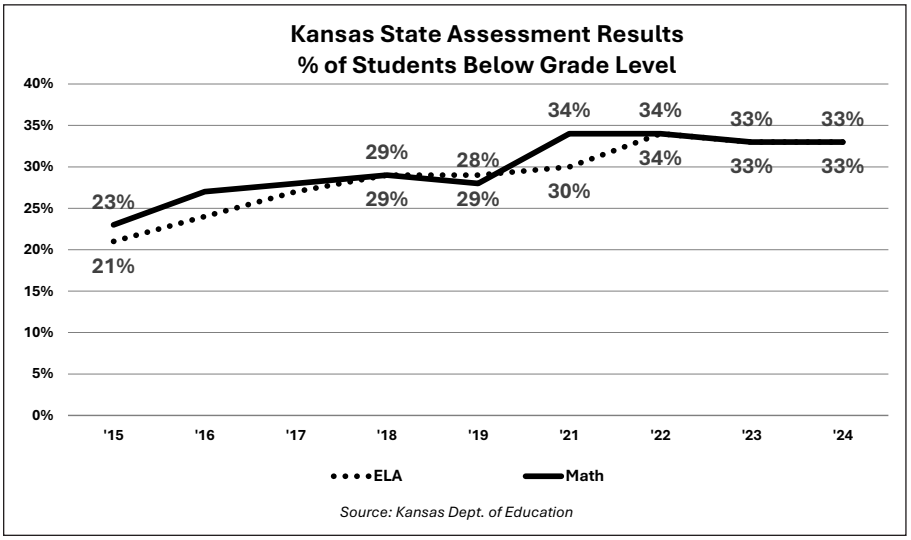
One of the most egregious examples of resistance to changing adult behaviors is a matter of public record. The Kansas Legislature provides more than $500 million in annual funding to provide additional services to students at risk of failing academically. The permitted use of at-risk funding is in state statute. According to K.S.A. 72-5153(d)(5), "The purpose of at-risk and provisional at-risk educational programs and services is to provide students identified as eligible to receive at-risk programs and services with additional educational opportunities, interventions and evidence-based instructional services above and beyond regular educational services."

The emphasis on "additional" and "above and beyond regular educational services" means services provided in a general classroom setting do not qualify because they are simultaneously presented to students who are not at risk of failing and, therefore, not "above and beyond."

Despite increasing at-risk funding more than eightfold since 2005, state assessment results remained stubbornly low, so the Legislature ordered an audit of at-risk spending in 2019. Its findings were not surprising, particularly this conclusion:

"In our sample of 20 districts, most at-risk spending was used for teachers and programs for all students and did not appear to specifically address at-risk students as required by state law."

The State Board of Education, the Department of Education, and many others quickly condemned the audit. State Board President Kathy Busch published a column that essentially said, "Shut up, go away, we know what we're doing."



However, state assessment results indicate otherwise. The adjacent chart shows that in Kansas, 21% of students were below grade level in English language arts and 23% in math in 2015. By 2018—the last test before the at-risk audit was published—29% of students were below grade level in both subjects. The state's at-risk program was clearly failing students.

The Legislature had another audit conducted in 2023 to determine whether the State Board of Education adopted the audit recommendations. As expected by many legislators, it was déjà vu all over again, as evidenced by this quote from the audit:

"This is the second time we have evaluated district at-risk expenditures and KSDE's role in at-risk programs in the last (four) years. Despite calling out several problems and making recommendations to correct those problems in December 2019, little appears to have changed. The problems with the department's approved at-risk program list have persisted and are especially concerning. Districts depend on that list to drive at-risk spending and, ultimately, the programs and services they offer. As outcomes show, at-risk students are behind academically and do not appear to be making up much ground. It is critical that the department's list includes programs that are proven effective for at-risk students. When the department's list is poor, district spending is less likely to be targeted to at-risk students. More importantly, struggling students are less likely to get the effective help they need."

Now, 33% of students are below grade level in ELA and math, yet the adults in charge continually defy state law.

The only consequence for violating state law—loss of accreditation—is not enforced by the State Board of Education.

This is just one of many examples demonstrating that the adults in charge of the education system resist change. Many legislators in both parties also resist change.

Some privately acknowledge that student outcomes will not change until the Legislature intervenes and compels change. However, they also admit they will not vote to hold school districts accountable because superintendents who carry a lot of sway in their communities will label them as anti-education.

It comes down to deciding whether to withstand criticism to get students the education they deserve or condemning many Kansas kids to a lifetime of underachievement to avoid the wrath of the adults in charge of the education system.

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