

# School Funding and the Future of Kansas

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Educational attainment is crucial to the future economic and social well-being of our society. Kansas has made vast strides in improving educational attainment. Additional funding in recent years has been used efficiently and effectively. Failure to sustain suitable funding for the educational interests of the state is not only contrary to the state constitution, it threatens the future of the state and its people.

## WHAT HAS PUBLIC EDUCATION MEANT TO KANSAS?

Despite what critics of public education claim, Kansas educational expectations and outcomes have simply never been higher than today.

**Long-Term Educational Attainment.** According to the U.S. Census, the percent of Kansans 25 and older with a high school diploma was just 28.5 percent in 1940. It has steadily increased every decade since, reaching 86 percent in 2000. Kansans with a college degree rose from 4.6 percent in 1940 to 25.8 percent in 2000.

African-American attainment in Kansas has risen even more dramatically, from 16 percent with a high school diploma in 1940 to 79.7 in 2000; and just 2.3 percent with a college degree in 1940 to 14.9 percent in 2000.

**Progress in Recent Years.** According to the latest estimates from the National Center for Education Statistics, these trends have continued since 2000, with the percent of Kansans 25 and older with a high school diploma increasing from 86 percent to 88.7 percent in 2005, and those with a college degree increasing from 25.8 percent to 28.7 percent. Among Kansans 18 to 24, the percent with a high school diploma increased from 78.3 percent to 84.2 percent between 2000 and 2005.

Yet another indicator is the cumulative promotion index, which measures the percent of students graduating in four years. A report from *Education Week* and *Editorial Projects in Education* says the Kansas index rose from 72.8 percent in 1996 to 75.4 percent in 2006, and Kansas was one of a minority of states showing improvement between 2005 and 2006.

**Economic Impact of Education.** Education has become the single most critical factor in social and economic well-being. Most would agree the benefits of education go far beyond earning power alone, but that is one of the few ways to measure the individual impact of educational attainment.

The United States is in the midst of a growing social divide based on education levels. Between 1973 and 2007, growth in family income based on education, adjusted for inflation, changed as follows:

Some high school; no degree	-15.7%
High school diploma	+3.3%
Some college	+15.8%
Bachelor's degree	+36.3%
Advanced college degree	+48.3%

As a result, educational levels strongly affect a state’s economic performance. In general, states with higher levels of education also have higher per capita income and lower poverty rates. This is clearly true for Kansas, its neighbors and other Plains states.

State	Economic Prosperity Indicators		Educational Level for Population over 25 years, 2006		
	Per Capita Income, 2006 (U.S. Rank)	Estimated Poverty Rate, 2007 (U.S. Rank)	High School Diploma (U.S. Rank)	Bachelor’s Degree (U.S. Rank)	Advanced Degree (U.S. Rank)
Colorado	\$39,186 (8)	12.0% (19)	88.0% (17)	34.3 (4)	12.4 (8)
Minnesota	\$38,712 (12)	9.5% (9)	90.5% (1)	30.4 (12)	9.8 (20)
<b>Kansas</b>	<b>\$34,743 (21)</b>	<b>11.2% (17)</b>	<b>88.7% (13)</b>	<b>28.6 (17)</b>	<b>9.8 (18)</b>
Nebraska	\$34,397 (23)	11.2% (18)	89.5% (8)	26.9 (22)	8.4 (30)
South Dakota	\$33,929 (26)	13.1% (30)	88.3% (15)	24.8 (32)	7.2 (43)
Iowa	\$33,236 (30)	11.0% (15)	88.9% (11)	24.0 (37)	7.4 (41)
Missouri	\$32,705 (31)	13.0% (29)	84.8% (31)	24.3 (36)	8.7 (29)
North Dakota	\$32,552 (32)	12.1% (20)	88.1% (16)	25.6 (26)	6.5 (49)
Oklahoma	\$32,210 (37)	15.9% (29)	84.3% (33)	22.1 (42)	7.2 (43)
<i>United States</i>	<i>\$36,276</i>	<i>13.0%</i>	<i>84.1%</i>	<i>27.0</i>	<i>9.9</i>

*Source: U.S. Census Bureau, Bureau of Economic Analysis*

Kansas ranks in the top half of the nation – 21<sup>st</sup> – in per capita income. Among neighboring and Plains states, only Colorado and Minnesota have higher per capita income than Kansas, with Nebraska close behind. These four states have the highest overall educational attainment. South Dakota, Iowa, Missouri, North Dakota, and Oklahoma have lower per capita income than Kansas, and lower education attainment. Kansas is a high income point on the prairie because it is a high education point as well.

Likewise, only Minnesota and Iowa had a lower *poverty* rate than Kansas in 2007. The states with highest poverty in the region have the lowest education levels.

If Kansans are going to prosper economically, the state must continue to increase education attainment. Of course, the same is true for the United States compared to the rest of the world.

## HOW HAS THE COST OF EDUCATION CHANGED?

Some have noted school district funding has increased significantly in recent years, although there has been almost no increase in total statewide student enrollment. Actually, that is true over a much longer period of time. Total school district enrollment today is very close to total enrollment 35 years ago. Although the number of students has not changed much over the past 35 years, the type of students, the services they receive and the outcomes expected have changed dramatically.

- **Special Education.** Federal and state requirements for disabled students began in the 1970s. The number of children served and the cost of these programs have increased dramatically, fueled by demands from parents, advocates, elected officials and the courts. The “excess cost” of special education is now more than 10 percent of district budgets, and rising every year as more services are expected in areas such as autism.
- **Children At-Risk.** For decades, it has been documented that lower income, English language learners and children from some minority groups have lagged significantly behind and proven more expensive to educate. These children comprise a much larger percentage of school district enrollments today. Districts have added numerous programs to help them succeed.

- **Demographic Changes.** The single greatest factor contributing to enrollment growth in Kansas public schools is Hispanic immigration. Without these students, Kansas enrollment would have declined over 5 percent this decade. This change is a stark contrast to decades of net out-migration from Kansas, and other Plains states. Some estimates are that over 90 percent Hispanic children in the United States are citizens. However, Hispanic high school students in Kansas currently suffer dropout rates exceeding one-third, and without dramatic change will create a huge unskilled workforce over the next generation, for whom jobs may be scarce.
- **Higher Standards.** Until fairly recent changes in the economy, it was accepted that many students could drop out of high school or leave with relatively low skills because the U.S. economy provided jobs that could support these individuals and their families. That is no longer the case. Competing in the new knowledge-based economy requires almost all students reach levels never previously expected of the public school system. Other nations are also raising educational attainment to meet and surpass expectations in the United States.

**School Costs and Kansas Income.** Addressing the changing needs of public school students has certainly increased school spending. Since 1975, school district operating budgets have increased over 700 percent. That may sound shocking until you consider Kansas per capita income increased over **800 percent** between 1970 and 2007, exceeding the national average. As Kansas school districts have improved educational attainment, earnings have increased so K-12 education has, in a sense, paid for itself. As a percent of Kansas personal income, school district operating budgets (including federal stimulus funds) are now equal to where they were in 1997, and close to the 35 year average. In other words, the overall cost of funding public education has not significantly increased compared to income.

It's true *state aid* for school districts has increased more rapidly in the past 35 years. That is because the state has assumed a larger role in funding education, both to provide more equal education opportunities and to reduce reliance on local property taxes. Increased state funding has reduced local funding.

Although spending on public education has increased significantly, it has been accompanied by equally significant increases in requirements, standards and outcomes – and has *not* significantly increased compared to Kansas personal income. However, demands for even greater outcomes continue.

## WHAT IS THE COST OF MEETING NEW EDUCATIONAL OUTCOMES?

**Rising Expectations.** The Kansas Constitution's Article Six requires a system of public education to provide for "intellectual, educational, vocational, and scientific *improvement*." In 1992, the Kansas Legislature required school accreditation be based on a system of "*measurable improvement*" in school performance. In 2003, the Kansas State Board of Education adopted the standards of the federal No Child Left Behind Act, which requires schools meet annual targets in student proficiency, based on reading and math state assessments, *increasing* every year until 2014.

**Legislative Cost Studies.** Twice in the past 10 years, the Kansas Legislature commissioned studies to determine the cost of "suitable" education funding as required by the Kansas Constitution. Both the Augenblick and Myers (2001) study and the Legislative Post Audit (2006) study came to similar conclusions. Neither study indicated public schools were failing, or performance was declining. Instead, using a total of four different approaches, the two studies found funding was inadequate to meet increasing standards, especially for students in groups with historically lower performance now being held to the same rising expectations.

It should be noted neither the Legislature nor State Board made any effort to reduce the standards when told what they would cost, even after the *Montoy* decision, which ordered the Legislature to increase school funding.

**Funding Increases and Academic Results.** Between 1998 and 2009, school district general fund budgets increased by \$941 million, or 41.6 percent. But over 60 percent of that amount (\$583 million) was targeted funding for special education, at-risk programs, bilingual education, vocational education and mandatory transportation costs. Without those increases, “regular” education funding increased just 15.8 percent over that period, or less than 1.5 percent per year. To compensate, school districts increased local option budgets by \$673 million. What were the results of that funding?

- Between 2000 and 2008, the percent of students scoring proficient or higher on all four state assessments (reading, writing, science and history/government) increased at equal to or greater than the percentage increase in both school district budgets and state aid.
- For every student group that received targeted funding increases (students with disabilities, bilingual, and free lunch), the achievement gap on state assessments narrowed substantially. This also raised the achievement of minority groups, doubling or tripling their proficiency rates.
- Kansas ACT scores for graduating seniors increased every year from 2003 to 2008, exceeding both the average and rate of increase for both Kansas and other states with universities in the “Big 12.” Kansas also has one of the highest rates of high school graduates taking the ACT.
- On the National Assessment of Education Progress, Kansas combined fourth and eighth grade reading and math scores increased from 12<sup>th</sup> in the nation in 2003 to 11<sup>th</sup> in 2005 and 7<sup>th</sup> in 2007. Kansas now has the highest combined scores among “Big 12” states.
- Between 1996 and 2006, Kansas increased its national ranking for graduation rates using the cumulative promotion index – basically the percentage of students graduating in four years – from 21<sup>st</sup> to 16<sup>th</sup>.

On every measure, Kansas academic indicators have improved; where there was targeted additional funding, the improvement was even greater, and on every national comparative measure, Kansas improved faster than the national average.

## **DO NATIONAL TESTS SHOW MOST KANSAS STUDENTS ARE FAILING?**

Some critics of Kansas public schools charge additional funding for education hasn’t been effective because less than half of Kansas fourth and eighth graders tested by the National Assessment of Education Progress scored “proficient” in reading and math. Several facts must be kept in mind.

- NAEP assessments only test a small sample of Kansas students, and are not based on Kansas academic standards. It provides a general measure of Kansas academic performance compared to other states, but is not designed to assess how students are mastering the standards adopted by Kansas education officials – as required by state law.
- The National Assessment Governing Board, which oversees NAEP policies, states “In particular, it is important to understand clearly that the Proficient achievement level does not refer to ‘at grade level.’” The NAGB also says “...students who may be considered proficient in a subject to the common usage of the term, might not satisfy the requirements of the NAEP achievement level.” In other words, the NAEP “Proficient” level is a very challenging standard. Documents from NAEP indicate that if there is a benchmark for “passing,” it is the “basic” level.

- No states have even a majority of students scoring “proficient” on each of these tests, and studies from the U.S. Department of Education also using NAEP results show both private schools and public charter schools have performance levels similar to public schools taking into account differences in student characteristics.

Here is the percentage of Kansas students scoring at both basic and proficient levels on the 2007 NAEP, compared to the U.S. average.

<b>2007 National Assessment of Education Progress</b>				
	<b>Basic or Higher</b>		<b>Proficient or Higher</b>	
	<b>Kansas</b>	<b>U.S.</b>	<b>Kansas</b>	<b>U.S.</b>
Grade 4 Math:	89%	81%	51%	39%
Grade 8 Math:	81%	70%	40%	31%
Grade 4 Reading:	72%	66%	36%	32%
Grade 8 Reading:	81%	73%	35%	29%

Obviously, a solid majority of Kansas students tested by the NAEP are “passing.” Regardless of the standard, Kansas significantly exceeds the national average. Also, every state that exceeds Kansas in the combined percentage of students at “Proficient” on all four tests spent significantly more per pupil than Kansas.

	<b>2007 NAEP, Combined Percent at Proficient</b>	<b>2006 Current Spending Per Pupil</b>	<b>Spending Per Pupil National Rank</b>
Massachusetts	201	\$11,981	5
New Jersey	174	\$14,630	2
Vermont	173	\$12,614	3
New Hampshire	168	\$10,079	13
Minnesota	168	\$9,158	21
<b>Kansas</b>	<b>162</b>	<b>\$8,392</b>	<b>30</b>

## **HOW DO KANSAS EXPENDITURES AND RESULTS COMPARE TO OTHER STATES?**

Kansas school spending is clearly effective; i.e., it produces good results. But how does the cost of those results compare to spending in other states?

The most recent national data on school spending from the National Center for Education Statistics is for FY 2006, which included the first and largest increase following the *Montoy* decision. Even after this increase, Kansas was still below the national average, and ranked in the bottom half of states on both total revenue per pupil and current spending per pupil (which excludes debt service and capital costs).

Among the nine neighboring and Plains states, Kansas ranked third in both categories of funding. Among the same states, Kansas was ranked third in adults with a high school diploma, third in adults with at least a bachelors’ degree, fourth in average ACT scores, and second in NAEP scores. Kansans are getting what they pay for from their public schools – and more.

State	2006 Funding Per Pupil		Educational Achievement (with regional rank)				
	(with U.S. Rank)		Adults over 25 with:		ACT	2007 NAEP Combined	
	Total Revenue	Current Spending	High School diploma	College Degree	2008 Score	Basic or Above	Proficient or Above
Minn.	\$11,010 (19)	\$9,138 (22)	90.7 (1)	30.4 (2)	22.6 (1)	321 (3)	168 (1)
Nebraska	\$10,541 (22)	\$8,736 (24)	89.5 (2)	26.9 (4)	22.1 (3)	304 (6)	143 (7)
<b>Kansas</b>	<b>\$9,973 (28)</b>	<b>\$8,392 (31)</b>	<b>88.5 (4)</b>	<b>28.6 (3)</b>	<b>22.0 (4)</b>	<b>323 (2)</b>	<b>162 (2)</b>
N. Dakota	\$9,815 (29)	\$8,603 (25)	88.1 (6)	25.6 (5)	21.6 (6)	336 (1)	154 (3)
Iowa	\$9,771 (30)	\$8,360 (32)	88.9 (3)	24.0 (8)	22.4 (2)	318 (5)	150 (5)
Missouri	\$9,585 (33)	\$8,107 (33)	84.8 (8)	24.3 (7)	21.6 (6)	296 (8)	131 (8)
Colorado	\$9,285 (38)	\$8,057 (36)	88.0 (7)	34.3 (1)	20.5 (8)	306 (7)	149 (6)
S. Dakota	\$8,904 (42)	\$7,651 (41)	88.4 (5)	24.8 (6)	22.0 (4)	321 (4)	151 (4)
Oklahoma	\$8,069 (47)	\$6,961 (47)	84.3 (9)	22.1 (9)	20.7 (9)	285 (9)	107 (9)
U.S.	\$10,771	\$9,138	84.1	27.0	21.1	290	131

## HOW WAS SCHOOL FUNDING REDUCED BY THE 2009 LEGISLATURE?

After four years of funding increases after the *Montoy* decision, the Legislature reduced state aid to public schools next year (Fiscal Year 2010) by \$80.4 million, or 2.4 percent below the current year (after rescissions). But that includes \$194.4 in federal stimulus funding, used to replace general aid and special education aid. Without that funding, which expires after two years, the cut would be \$374.8 million, or 11.2 percent. How do these cuts compare to the educational costs and the Legislature’s commitments after the *Montoy* case?

Program	Requirement	Legislative Action for FY 2010
2006 Legislative Post Audit <b>Outcomes Cost Study</b> on the cost of meeting math and reading proficiency targets.	Updated in 2008 to estimate the cost of meeting performance outcomes in FY 2010 would be \$3,987.4 million.	School district general fund authority estimated at \$3,151.3 million for FY 2010, plus \$339.2 million local option budget aid. Results in a <i>\$496.9 million shortfall</i> . (Without stimulus funding, \$691.3 million.)
Increase school district aid at least as much as change in <b>Consumer Price Index</b> .	Legislation passed in response to <i>Montoy</i> decision, required FY 2010 state aid increase of \$142 million.	State aid was reduced by \$80.4 million. Results in a <i>\$222.4 million net shortfall</i> compared to the CPI.
“ <b>Fourth Year</b> ” base budget increase to allow districts advance planning.	Passed in 2008; funding placed in “lockbox” to provide \$59 base increase to \$4,492	Base budget reduced to \$4,280. Results in a <i>\$212 per pupil (4.7%) reduction</i> or \$134.8 million.
<b>Special Education State Aid</b> for the additional or “excess cost” of special services required by state and federal law.	Legislation passed in response to <i>Montoy</i> decision promised state funding for 92% of “excess cost,” requiring an increase of \$4.5 million in FY 2009 and \$33.7 million in FY 2010.	Funding reduced by \$4.5 million in FY 2010, to <i>85% of excess cost</i> .
<b>Capital Outlay State Aid</b> to match local mill levies for building and equipment costs (not bond issues).	Legislation passed in response to <i>Montoy</i> decision to assist districts with low property valuation per pupil. Formula requires \$25.6 million in FY 2010.	<i>Funding eliminated</i> . Affects only lower wealth districts that qualify for state aid; either reduces capital outlay funding or requires mill levy increase.
<b>Professional Development</b> aid and National Board Certification reimbursement.	Legislature requires districts to provide programs for continued training of teachers and administrators; districts must provide \$1,000 stipends to teacher with national board certification.	<i>Funding eliminated</i> . Reduces school district aid by \$2 million.

## **WHAT ARE THE FUTURE PROSPECTS FOR SCHOOL FUNDING?**

In the first monthly report after the end of the 2009 Legislative Session, state revenues were \$105 million below projections for May alone. This immediately caused a delay in state aid payments to schools and will likely result in additional funding cuts for public education and other areas of the state budget in FY 2010.

Based on the April, 2009, consensus revenue estimates and actions by the 2009 Legislature, the Legislative Research Department projected a \$569.6 million deficit in the state general fund for FY 2011 even before the May shortfall. If the Legislature cuts spending by that amount and took 50 percent from education, school district aid would be reduced a further \$284.8 million, equal to \$448 in the base budget per pupil. In 2012, \$194.4 million in federal stimulus funding expires, which equals another \$306 in the base.

These cumulative reductions would lower base state aid to \$3,526: \$907 or 20 percent below the level approved for FY 2009. The cumulative impact of these cuts would be \$559.6 million, or 60 percent of all the state funding added after the *Montoy* decision in 2005.

## **WHAT ARE THE CONCLUSIONS AND CHOICES CONFRONTING KANSAS?**

First, the future economic prosperity of Kansas students and the state as a whole depends on continuing to increase education outcomes. Those requirements are written into the state constitution, state laws and State Board regulations.

Second, achieving those outcomes will take more funding, not less, as demonstrated by the Legislative Post Audit Outcomes study and other studies; by the result of increased funding in recent years; and by the example of other states.

Third, school funding has already been significantly reduced, but the impact has been softened by federal stimulus aid. Under current projections, far deeper reductions are inevitable unless action is taken. Deeper reductions will erode the progress made in recent years.

Fourth, unless Kansas is prepared to embrace a future as a low skill, low wage state with declining public schools, the Governor and Legislature must find ways to provide the revenue necessary to fund the cost of high educational outcomes.

Raising revenue may be a difficult political choice, but like most sound, long-term investments, the economic consequences are clear. Deeper cuts in education will have an immediate impact by eliminating jobs, closing schools in communities and neighborhoods throughout Kansas, and reducing school district purchases. But in the long-term, it means more drop-outs, fewer skilled workers and less economic growth in the state. Because under-educated individuals are far more likely to commit crimes, require social services and have poorer health, spending less on education drives up the cost of other parts of the budget.

Raising more revenue for education, on the other hand, will require individuals and businesses to contribute more in the short term. But virtually all of those dollars will be immediately returned to the Kansas economy in wages and purchases. In the long term, education results in a more productive, innovative and prosperous economy for the benefit of the entire state – and nation.