

### ***The Education Community and the budget crisis***

Kansas, like most other states, is in the midst of an unprecedented budget crisis. We in the education community recognize the difficulties faced by the legislature in dealing with this problem. It is for this reason that we have never tried to demand that the legislature honor the school finance commitments made during the 2008 legislative session to fund an additional \$59 per pupil in 2010 and meet the consumer price index (CPI-U) for school finance. We understood that this would simply not be possible.

At the same time, we vowed to protect to the greatest extent possible the current level of school funding for 2009 and beyond. We supported the Governor's budget with an \$11 per pupil cut. With new information, we supported the plan passed by the full Senate with a cut of \$33 per pupil. Ultimately, we supported the Governor's veto and allotment for K-12 education when she came to sign Substitute for SB 23 including the \$33 per pupil cut.

There are a number of reasons why we felt throughout this process that schools should be spared from budget cuts to the greatest extent possible.

- First, schools, unlike businesses, do not have the option of closing a plant or stopping a production line. Our "production line" must always run at full capacity and we are never permitted to take measures that would result in stagnant or reduced quality. Schools are held accountable under both the federal No Child Left Behind Act and the state's accreditation system for continuous improvement. Under federal law, schools are punished if their quality results are flat or diminished from year to year. In fact, under NCLB, student performance scores are expected to increase every year.
- Secondly, our children should not pay for economic hardships with their opportunities. We do not – and we should not – accept that a generation of children will have fewer opportunities for growth and achievement because our economy is experiencing a downturn. Should we reduce those opportunities, whether by cutting course offerings, increasing class size, slashing support services, or any combination of these, we will create a generation less educated than their parents. We cannot let a child's opportunity to learn and grow be subject to economic winds.
- Finally, when the economic recovery comes, Kansas must be prepared to meet that recovery with an educated workforce ready to meet the challenges of moving forward. Large reductions to school funding would put Kansas at an economic disadvantage when the recovery comes.

### ***The American Recovery and Reinvestment Act: New hope for our schools and economy***

The passage of the American Recovery and Reinvestment Act (ARRA) has made it possible for Kansas to continue to fund a quality education for every child. Congress and the President realize that to keep America competitive we cannot disadvantage our children educationally. That is why the ARRA provides significant funding directed toward education.

Some of the funding comes in expanded support for existing programs such as Title 1 (poverty) and IDEA (special education) but much of the funding comes as "fiscal stabilization" money. The ARRA directs that 81.8% of the fiscal stabilization funds coming to the states be spent on education. To access that money, the state must ensure that funding for K-12 education does not drop below the 2008 or 2009 level, whichever is higher.

### ***The ARRA keeps Kansas school employees working and spending in the Kansas economy.***

President Obama and congressional leaders have repeatedly insisted that the ARRA funds be used to preserve and/or create jobs. Using this money to offset further reductions to schools keeps Kansas educators working. Any cuts needed in school budgets in 2010 would be to offset inflationary costs, not to absorb further funding reductions. Inflationary costs will be much easier to absorb and job reductions will be minimized.

Kansas school districts spend the bulk of their funding on personnel. None of those personnel needs can be outsourced – they are people who live, work, and spend their incomes in Kansas communities. In some Kansas counties, the K-12 payroll is as much as 25% of the total payroll in the county. This represents a significant part of the local economy.

***The last thing the state needs to do at a time of relatively high unemployment is to enact policies that result in even greater unemployment. The ARRA helps ensure that Kansas school employees keep working and spending in the Kansas economy.***

**The ARRA is a bridge to a better tomorrow**

There has been much talk about the fact that the ARRA provides “one time” money and that all of this federal help will eventually go away. We understand that but we fundamentally disagree with the premise that the state will be worse off in 2012 by using the stimulus money.

In the best case scenario, our economy is in full recovery in 2012 and the state will be able to pick up the programs covered by the stimulus money at that time. In the worst case scenario, we are at exactly the same point and will have to make the same kinds of tough decisions then. It is also possible that we will be somewhere in between. The economy will be in recovery and the cuts needed in 2012 will be significantly smaller than those needed today without the stimulus money.

The ARRA is not the foundation of our future; it is a bridge to a better future. It sustains us until we reach that better future.

**Actions subsequent to the passage of the mega bill**

The House Appropriations Committee and the Senate Ways and Means Committee have each crafted an omnibus budget bill for consideration this week. In the House this is Sub for HB 2022; in the Senate it is Sub for HB 2373.

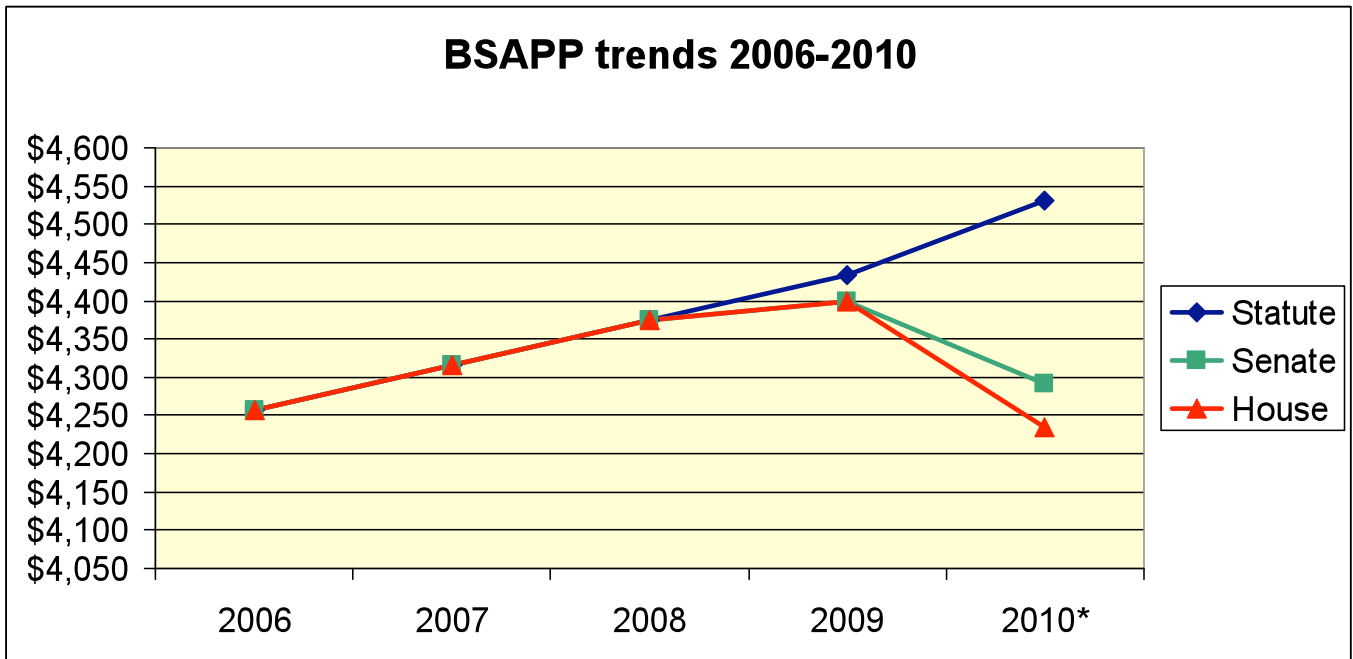
Following is a brief comparison of the K-12 reductions proposed by Senate Ways and Means in Sub for HB 2373 and by House Appropriations in Sub for HB 2022:

	Senate	House
<b>Total K-12 Reduction</b>	\$75.5 million	\$113.2 million
<b>BSAPP change</b>	-\$75	-\$131
<b>Resulting BSAPP</b>	\$4,292	\$4,236
<b>Capital Outlay Reduction</b>	\$25.6 million	\$25.6 million

It bears remembering that the BSAPP for FY 2009, as passed by the 2008 Legislature, was \$4,433. The 2008 Legislature also provided that BSAPP for FY 2010 would increase by \$59 and be adjusted upward by the Consumer Price Index (CPI).

- SB 23 reduced the FY 2009 amount by \$33,
- HB 2354 reduced this amount by an additional \$33 for FY 2010,
- HB 2022, the new House proposal, would reduce that amount by an additional \$131 for a total reduction of \$197, and
- HB 2373, the new Senate proposal, would reduce that amount by an additional \$75 for a total reduction of \$141.

The BSAPP in 2006 was \$4,257. The latest House proposal would take the BSAPP below the 2006 amount by \$21. The chart below shows in graphic form the trendlines for base state aid per pupil from 2006 through 2010. The line labeled “Statute” demonstrates the impact of adding \$59 to BSAPP and applying the CPI adjustment.



Both chambers have begun to consider revenue solutions in addition to cuts in addressing the latest revenue estimates.

Among those adjustments under consideration are temporarily suspending the phase out of the franchise tax and the estate tax and decoupling from the federal tax code. We would point out that none of these represent a tax increase. Even under the proposal to decouple, business will continue to get the federal tax relief and, in the case of depreciation, they will continue to get the relief provided for in current law.

Adoption of the revenue solutions is a responsible way to soften cuts to all state services.

### ***Senate or House plan?***

We support the Senate plan in Sub for HB 2373.

While recognizing that these are challenging times, we believe the Senate has crafted a bill to protect – to the greatest extent possible – all state services. The Senate plan provides for significantly smaller cuts to all state agencies, cutting social services, public safety, and education at the same level (2.5%).

Combined with their recommended revenue solutions, it balances the budget. Adoption of this plan allows the state to get through this difficult time and hope that the economy is in recovery before further cuts would need to be considered.

***We urge the Kansas Legislature to adopt Sub for HB 2373 as adopted by the Senate Ways and Means Committee and to pass the recommended tax enhancements. We believe this will allow the state to use the money available in the American Recovery and Reinvestment Act to preserve jobs in education, to maintain the services for children, and to build a bridge to a better tomorrow.***

## FY 2010 School Funding Facts

<b>FY 2010 School Finance</b>				
	STATUTORY LAW (NOV. ESTIMATES BY LEGIS. RESEARCH DEPT.)	FUNDING IN MEGA-BILL	HOUSE APPROPRIATIONS OMNIBUS PROPOSAL	SENATE WAYS & MEANS OMNIBUS PROPOSAL
<b>BASE STATE AID PER PUPIL</b>	\$4,532 (\$59 plus CPI adjustment)	\$4,367	\$4,235	\$4,292
<b>COMPARED TO FY 2010 STATUTORY AMOUNT</b>	NA	- \$165 (3.6%)	- \$297 (6.6%)	- \$240 (5.3%)
<b>COMPARED TO FY 2009 PUBLISHED (\$4,433)</b>	+ \$99	- \$66 (1.5%)	- \$198 (4.5%)	- \$141 (3.2%)
<b>COMPARED TO BASE IN FY 2006 (\$4,257)</b>	+ \$275	+ \$110	- \$22	+ \$35
<b>GENERAL STATE AID</b>	\$2.245 billion	\$2.140 billion	\$2.051 billion	\$2.093 billion
<b>COMPARED TO FY 2010 STATUTORY AMOUNT</b>	NA	- \$105 million (4.7%)	- \$194 million (8.6%)	- \$152 million (6.8%)
<b>COMPARED TO FY 2009</b>	+ \$47.9 million	- \$36.0 million	- \$104.6 million	- \$68.4 million
<b>LOB STATE AID</b>	\$339.2 million	\$339.2 million	\$339.2 million	\$339.2 million
<b>SPECIAL EDUCATION AID</b>	\$465.7 million	\$423.3 million	\$423.3 million	\$423.2 million
<b>COMPARED TO FY 2010 STATUTORY AMOUNT</b>	NA	- \$42.4 million	- \$42.4 million	- \$42.4 million
<b>CAPITAL OUTLAY AID</b>	\$25.6 million	\$25.6 million	0	0
<b>COMPARED TO FY 2010 STATUTORY AMOUNT</b>	NA	Same	- \$25.6 million	- \$25.6 million
<b>KPERS CONTRIBUTION</b>	\$282.7 million	\$260.7 million (With D&D moratorium)	\$256.7 million	\$258.2 million
<b>BOND AND INTEREST AID</b>	\$85.0 million	\$80.0 million	\$80.0 million	\$80.0 million
<b>TOTAL SCHOOL FINANCE</b>	\$3.443 billion	\$3.2686 billion	\$3.1502 billion	\$3.1936 billion
<b>COMPARED TO FY 2010 STATUTORY AMOUNT</b>	NA	- \$174.4 million (5.1%)	- \$292.8 million (8.5%)	- \$249.4 million (7.2%)