

# TALKING POINTS ON SCHOOL SPENDING AND BALANCES

*Kansas Association of School Boards*

April 2010

Kansans have recently been seeing and hearing ads questioning the need to protect schools from funding cuts because of past increases in school budgets and large amounts of cash balances. These reports leave out the most important facts about why school funding and cash balances have increased and what has happened as a result.

- School funding increased over the past five years because school boards and patrons, the Governor and Legislature, Presidents and Congress, and the Kansas Supreme Court, all recognized that it takes more money to ensure more students reach higher standards of achievement.
- Student Adequate Yearly Progress requirements for school districts have increased *more* than school funding over this period. Much of the new funding was directed toward at-risk, bilingual and special education programs to help school districts meet these and other requirements.
- Increased funding also includes payments to correct the under-funding of the state retirement system, and decisions by local voters to approve bond issues, capital outlay and other local funding measures.
- Districts have cash balances at the beginning of each year to operate until state aid payments or property tax revenues arrive, to cover costs if state aid payments are late (as has frequently happened recently), or for emergency expenses.
- The Legislature is considering a constitutional amendment to require a state general fund reserve fund. School districts shouldn't be criticized for maintaining adequate balances.

## **Here the facts about school spending and balances:**

### **Overall Spending per Pupil**

1. Total aid per K-12 pupil has increased by 26 percent over the past five years, but the consumer price index increased by 13.6 percent from January 2005 to January 2010, which equals over half of the increase. Kansas personal income increased 18.2 percent and, average teacher salaries in Kansas rose 19.4 percent. Over half of the "per pupil" increase would be expected due to *inflation, salaries and general economic conditions*.

### **State Funding**

2. In 2005, the Kansas Supreme Court ordered the Legislature to correct its failure to provide *constitutionally suitable funding*. The only way to respond to underfunding was to add funding at a significantly higher rate than inflation.

3. The reason the Court ordered more money was due to the Legislature's own *cost studies* which showed funding was inadequate to meet rising performance targets mandated by the state. Between 2005 and 2010, the student proficiency targets mandated by the Kansas State Board of Education under the Federal No Child Left Behind Act (NCLB) increased from 46.8 percent to 76.5 percent in math and from 58.0 percent to 81.3 percent in reading, far more than the increase in funding (especially after adjusting for inflation).

4. Most of the new *state* funding wasn't distributed on a per pupil basis; it was targeted at students who have been lagging on achievement. Special education funding increased from \$246.7 million to \$423.3 million; at-risk funding from \$52.7 million to \$348.8 million; and bilingual funding from \$9.8 million to \$28.9 million. Those groups have shown significant progress on state assessments. We shouldn't roll back achievement for special education, minority and low income students who will be needed for future economic vitality.

5. State spending also increased from \$161.1 million to \$256.0 million, or 58.9 percent, to make up for substantial increases in *KPERS contributions* due to underfunding of the system. School districts don't control KPERS benefits, and funding is simply "passed through" USD budgets. This cost will continue to increase as the state works to keep the system solvent.

6. State spending also increased because the Legislature voted to increase Local Option Budget (LOB) aid to hold down property taxes, changing the equalization point from the 75<sup>th</sup> percentile to the 81.2<sup>nd</sup> percentile. Cutting state aid will raise *local property taxes*. If the Legislature reduces funding, most districts will have to raise local taxes to avoid cuts in staff and programs, if they can.

### Local Funding

7. Local spending has increased largely because the Legislature voted to increase the maximum LOB from 25 percent to 31 percent - a 24 percent increase in spending authority. The Legislature also approved the cost of living weighting and declining enrollment weightings, which are funded entirely by local property taxes. Presumably, when the Legislature approved this *additional authority*, it was expected to be used for appropriate education purposes by local boards.

8. The House Education Budget Committee has recommended **HB 2739**, which would create two additional local funding options, the Budget Equity Fund and the Local Activities Budget. Both would likely result in *additional local expenditures*, but in a limited number of school districts.

9. Local spending has also increased because local voters in over a quarter of all school districts have approved *bond issues* in the past five years, including some of the state's largest districts. Voters are smart enough to understand what they are doing, when a majority supports this increased investment in local schools.

### Federal Funding

10. Federal spending has increased in part because of federal stimulus funding, but much of that was used to offset state funding. However, funding for *special education and Title I programs* for students under the No Child Left Behind Act also increased as the nation works to raise education levels in the face of economic needs and international competition.

### District Cash Balances

11. School districts have unrestricted *cash balances* on July 1 of each year for the same reason families have cash in the bank at the beginning of each month: to pay bills that come due before the next paycheck or other income, to cover expenses if expected income is late, and for emergencies.

12. On average, districts try to maintain cash balances to cover at least *one month's expenses*. Every single scheduled state aid payment so far this year has been late, sometimes by many weeks. Because of adequate reserve and planning, districts have been able to pay their employees and bills on time.