

MINUTES OF THE SENATE COMMITTEE ON EDUCATIONThe meeting was called to order by CHAIRMAN JOSEPH C. HARDER at
Chairperson1:30 ~~xxx~~/p.m. on MONDAY, FEBRUARY 28, 1983 in room 254-E of the Capitol.

All members were present except:

Senator Kerr (excused)

Committee staff present:

Mr. Ben Barrett, Legislative Research Department
Ms. Avis Swartzman, Legislative Revisor's Office
Mrs. Millie Randell, Secretary

Conferees appearing before the committee:

HB 2175 - School district finance; budget limitations, 1983-84 school year

Opponents:

Mr. Charles Johns, Director of Governmental Relations, Kansas-National
Education AssociationMr. John Koepke, Associate Executive Director, Kansas Association of
School Boards

Mr. John McDonough, citizen, Lenexa, Kansas

Other Conferees:

Dr. Lyle Boyles, Superintendent, Augusta

Dr. Jerry Schreiner, Executive Director, United School Administrators

Ms. Alicia Salisbury, Member, State Board of Education, Topeka

Following a call to order by Chairman Joseph C. Harder, Senator Angell moved, and Senator Allen seconded a motion to approve minutes of the Committee meetings of February 23 and February 24. The motion carried.

The Chairman announced that there were no proponents for HB 2175 listed on today's agenda and inquired if anyone in attendance wished to speak as a proponent. Since there was no response, the Chairman called upon the first opponent, Mr. Charles Johns of the Kansas-National Education Association. Mr. Johns' testimony is found in Attachment 1.

The Chairman recognized Mr. John Koepke of the Kansas Association of School Boards as the next conferee, and Mr. Koepke's testimony as an opponent of HB 2175 is found in Attachment 2. Mr. Koepke testified that the bill is not clearly definitive as to what procedure school boards would use to obtain additional budget authority. Mr. Koepke also said he believed a minimum budget limitation of 5-15% is necessary in order to preserve quality public education in Kansas, but that it would be a farce if all additional aid was to come from the property tax. Mr. Koepke added that, in addition to the property tax issue, many districts are already faced with tremendous tax increases because of the tax exemption for farm machinery.

Mr. John McDonough, a citizen from Lenexa, Kansas testified against HB 2175 by maintaining that public school parents should be required to pay the costs of educating their children on an ability-to-pay basis, maintaining the no-charge practice only for the truly needy. (Attachment 3)

In the testimony of Dr. Lyle Boyles, Superintendent of Augusta, Dr. Boyles asked the Committee to allow local option in determining budget authority, within the state-established limits, when a district is adversely affected by the existing linear transition factor. (Attachment 4)

Dr. Jerry Schreiner, United School Administrators, expressed several concerns in his testimony regarding HB 2175, and his testimony is found in Attachment 5.

The main subjects in the testimony of Ms. Alicia Salisbury, member of the State Board of Education, concerned budget limitations, earmarking of funds, and the property tax. Her testimony is found in Attachment 6. The Chairman adjourned the meeting at 2:40 p.m.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

SENATE EDUCATION COMMITTEE

TIME: 1:30 p.m. PLACE: 254-E DATE: Monday, February 28, 1983

GUEST LIST

<u>NAME</u>	<u>ADDRESS</u>	<u>ORGANIZATION</u>
Jung Ahrensinger	Topoka	U.S.A.
John W. Kozlowski	Topoka	KASB
Harold C. Pitts	Topoka	
Betty Albright	Haven	USD 312
David L. Roth	Haven	USD 312
Rob McNeely	Hwy 70	KLJ
George A. Brown	St Marys	USD 321
Michael D. Robert	Ronnette	Kaw Valley
Jim Yacally	Shannon Mission	USD 512
Bill Hicks	Wichita	USD 259
Charles W. John	Kenok	KNEA
Gladys Garver	Caldwell	Page
Bob Cleopha	Topoka	Gov Office
Sam Army	Topoka	Senate
M. Huan	"	Comp. Serv

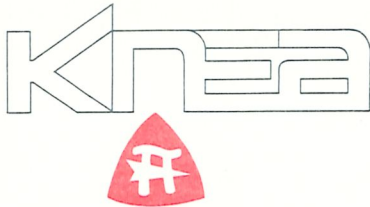
SENATE EDUCATION COMMITTEE

TIME: 1:30 p.m. PLACE: 254-E DATE: Monday, February 28, 1983

GUEST LIST

<u>NAME</u>	<u>ADDRESS</u>	<u>ORGANIZATION</u>
Paul Croniger	Topeka	WIBW
James H. Hays	Topeka	Dir. of the Budget
Boyle E. Boyles	Augusta	School Dist. - Supt.
Red A. Rany	Gardner	School Dist - Supt
Mark Clustand	Augusta	U.S.D # 402
Chris Jeter	Andale	Renwick - U.S.D #267
Kay Klaus	Topeka	Governor's Office
Joe L. Braz	Salmon	U.S.D. # 393
John McDonough	Leveta	
Genevieve Wooderson	Caldwell	
Charneil Hadd	Topeka	Gov's Office
L. Vincentgo	Topeka	NAEP
Nancy Lindberg	Topeka	K-NEA

TESTIMONY
TO
SENATE EDUCATION COMMITTEE
House Bill 2175
February 28, 1983



Mr. Chairman and Members of the Committee:

I am Charles W. Johns, representing the Kansas-National Education Association. Thank you for the opportunity to appear before you today and present our views on House Bill 2175, School Finance.

The Kansas-NEA meets on a continuing basis with other members of a coalition to discuss and review issues facing public education in Kansas. In the past we have agreed on approaches and solutions for many problems. We have also disagreed at times. As this relates to school finance at this time, we are only in agreement as to the need to provide adequate funding for Kansas schools.

Kansas-NEA believes a critical question must be answered as any bill is being considered. That question is whether or not there is agreement about the need to provide substantial salary increases to teachers.

If the answer is "no," much of this discussion is moot. I believe you will agree the answer is not "no," but is "yes."

If the answer is indeed "yes," it is imperative to address our concerns to how this can best be accomplished.

Kansas-NEA believes the original House Bill 2174, with 4-8 and 1½% budget authority, better addresses this problem in a positive manner than HB 2175 which has been brought forth and offered for consideration.

Several points of concern have developed regarding this bill and the various "problems" it may have or it may surface, in particular as they relate to the extra percentage of budget authority. We believe these concerns have been exaggerated.

The first of these is the local autonomy of local boards in controlling their own budgets. We believe this bill only allows a local school district to adopt a budget higher than it might otherwise adopt. This is not a new concept. Various adjustment factors are

2/28 (continued)
Attachment 1

allowed to districts to add to their budget authority. Boards will continue to have the authority and responsibility to adopt a budget which they believe will best meet the needs of their district.

The second concern we have heard raised regarding portions of such a bill are in regard to the dangerous precedent which will be set by such action.

We believe the idea of additional budget authority which is earmarked as to its purpose is not new. We believe the current ability districts have to obtain, through appeal, additional budget authority for new elementary guidance counselors, new or enhanced bilingual education programs and library personnel, is no less of an earmarking of the use of additional budget authority.

The third concern is with the admission that certain portions of the budgets have had differing demands placed on them as to the amount of necessary increase. That is, some components of the budget are rising more quickly in cost than other components.

The legislature has also addressed this in the past. We believe no district has had any aversion to adding to their budget authority for the escalating costs of Social Security or utilities. We believe allowing additional authority for districts' added costs of teachers' salaries is no less justified.

In addition, some concerns have been raised relating to how this added authority might be monitored.

It seems to us there are several good ways which might be developed to monitor the usage of such added budget authority, not the least of which might be to include the added authority on the Form 3-2230-150 which calculates the estimated legal maximum budget for school districts. The added authority could be handled much like the utilities adjustment allowed on the same form. The audit of the school district could be used to give a further check on the district.

Noted educator Ernest Boyer speaking at Yale University a year ago stated, "The teaching profession is caught in a vicious cycle, spiraling downward, rewards are few, morale is low. The best teachers are bailing out and the supply of good recruits is drying up." This has just recently been confirmed in Kansas by an Emporia State University study. Boyer goes on to say, "Today's crisis is greater than the one confronted 25 years ago yet the response today is to reduce support for education."

In conclusion, we support the four-year plan to increase the average salary of Kansas teachers as well as revitalize the teacher preparation standards. We believe this Committee will indeed make its commitment to address the issue of making progress in raising teachers' salaries known to the legislature. We believe education is the key to this nation's future economy and security, and this is no time to skimp on schools.

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS



5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

Testimony on H.B. 2175
Before the Senate Education Committee

by

John W. Koepke, Associate Executive Director
Kansas Association of School Boards

February 28, 1983

Mr. Chairman and members of the Committee, we appreciate the opportunity to once again express the views of our 300 member district boards of education on a topic of vital interest to public education. We are appreciative that once again this year, an effort is being made to deal with the subject of school finance early in the session, so that school boards and teachers might have the opportunity to know the parameters within which their bargaining sessions must operate.

With that issue in mind, we must confess that we find the school finance bill under consideration this year to be disappointing with respect to the budget limits being contemplated. We have been meeting regularly with the other interest groups in public education this winter, and we are unanimous in our belief that a minimum budget limitation of 5-15% is necessary in order to preserve the quality of public education in Kansas. To accomplish that goal would, of course, not require the passage of any school finance bill this year, since those are the budget limits written into the permanent statute.

We must also register our strong objection to the concept of earmarking school district funds which is written into H.B. 2175. We fully support the goal of increasing teachers salaries in order to attract and hold the best

possible personnel into the teaching profession in Kansas. School board members have recognized this need for many years. In the past three years, for example, school district budgets in Kansas have increased by 29%. At the same time, teacher compensation has increased by 33%. Kansas school board members have been concerned about this issue and have been doing something about it.

We do not think this concern will be addressed by the concept of earmarking. Once the earmarking precedent is set, then there will inevitably be a string of earmarking proposals written into statute and the ability of local boards of education to address local educational concerns will be hamstrung. As important as the issue of teachers salaries may be, we believe that it is still best to place the determination of budget priorities in the hands of local boards of education.

Finally, Mr. Chairman and members of the committee, we are not unmindful of the fiscal problems facing the state of Kansas and the poor status of many sectors of the Kansas economy. We have endeavoured to keep these factors in mind as we developed our legislative program. We are also aware of the efforts which have been made in the past several years to address educational funding concerns. We seek no preferential treatment for elementary and secondary education. We do, however, feel that the education of our children must remain the foremost consideration in governmental expenditures at the state level.

We must maintain a populace educated to the level that they are an incentive for business to remain and relocate in Kansas. To cripple our educational efforts now through reduced funding would be counter productive to our efforts to rebuild the Kansas economy. Therefore, we feel that the requests that we have made in the area of budget limits are within the realm of reason and represent our best judgment of what is necessary if we are to preserve what we believe is our present excellent quality of education in Kansas.

Here in summary, is my suggestion, which I want to get into the official public record

PUBLIC SCHOOL PARENTS SHOULD BE REQUIRED TO PAY THE COSTS OF EDUCATING THEIR CHILDREN ON AN ABILITY TO PAY BASIS --- MAINTAINING THE NO CHARGE PRACTICE ONLY FOR THE TRULY NEEDY.

I. Because --

- A. When government spends public monies massively to benefit the non-needy, to benefit those who can help themselves without heavy subsidies, it (government), thereby, wastes monies needed by others, preemptively robbing the truly needy, financially crippling vital public services and their employees and cheating the taxpayers to benefit special interests.
- B. These non-needy public school families, further, make no contribution to the costs of educating other public school children, and they pay only \$40,000 of the \$208,000 pro rata cost to send their two children through public school and college.
- Two kids in public school at \$3,000 per year for 12 years = \$72,000; and, with interest on the "loan" doubling the cost to \$144,000 over the 40 years of tax paying life for these pampered parents. During those 40 years, the family will pay only \$80,000 in school taxes, while receiving the \$144,000 in benefit in just 12 years.
 - If the two kids go on to public college, their benefits will add another \$64,000, making the total cost \$208,000 (while the family tax payments come to only \$80,000 -- only 38%).

- C. Taxes for schools, especially property taxes, unfairly burden taxpayers generally in order to favor special interests.

II. Solution --

- A. Apply users' charges to public school families, associated with state taxation. Treat pro rata public school costs to the tax payers as income to the family, and scaled according to ability to pay via state income tax returns, the higher the income, the greater the tax impact.

High income families, under such a tax-for-benefits-plan, would still be receiving educational benefits at a dirt cheap cost, though not entirely free.

Low-income families would still receive free, or practically free education.

- B. This solution would free up monies from affluent cost causers, enabling aid for the truly needy, government services and employees, and relief for overburdened taxpayers.
 - Estimates indicated potential savings of \$300 million annually from Kansas, \$600 million for Missouri and \$30 billion nationwide.

December 17, 1982

THE IMPACT OF STATE AND LOCAL TAXES ON ECONOMIC GROWTH: 1963-1980

by Robert J. Genetski and Lynn Ludlow

In 1978, the Economic Research Office of the Harris Bank presented the first comprehensive analysis of the impact of state and local taxes on state economic performance.¹ The study concluded that over the period 1970 to 1977 a strong, inverse relationship existed between changes in state tax burdens and state economic performance. More specifically, it found that those states which decreased their tax burdens, relative to the national average, tended to experience above average economic growth while those states which increased their tax burdens, relative to the national average, tended to suffer below average economic growth.

Due to the increased importance of the issue of state taxation and the comments originating from the 1978 study, a second study has been conducted by this research office. It was undertaken to update the previous study and to incorporate suggested statistical improvements. The findings of this study support and expand upon the earlier conclusions;

- 1) An inverse relationship exists between changes in state relative tax burdens and state relative economic growth. Those states with decreasing relative tax burdens tend to experience subsequent above average economic growth. Those states with increasing relative tax burdens tend to experience subsequent below average growth.
- 2) The relationship between taxes and income growth has existed over different time periods and changing economic conditions since 1968.
- 3) The relationship is stronger for states that have a distribution of income sources (such as farming, manufacturing, mining, etc.) similar to the national average. The economic growth of states which have a distribution of income sources dissimilar to the national average may be significantly influenced by factors other than changes in tax burdens.

¹Robert J. Genetski and Young D. Chin, "The Impact of State and Local Taxes on Economic Growth," Harris Trust and Savings Bank, November 3, 1978.

This report is a final version of research completed in July, 1981.

The Study

The second study, like the first, is designed to determine the extent to which state and local taxes impact state economic performance. Two methods were used to analyze the impact of taxation: 1) an analysis of the relationship between the level of state tax burdens and relative state economic growth and 2) an analysis of the relationship between changes in state tax burdens and relative state economic growth. The results of both of these inquiries are discussed later in this paper.

Measuring State Tax Burdens

This study defines a particular state's tax burden as its total state and local tax receipts as a percentage of its personal income.² Ideally an analysis of tax burdens might isolate changes in specific tax rates imposed by states and localities and analyze their individual impact on economic growth. However such an approach is impractical for two reasons: 1) historical information on specific state taxes are often unavailable or unreliable and 2) there are countless different tax rates imposed and these differ widely in their degree of enforcement from state to state and locality to locality. For these reasons actual state and local tax receipts relative to personal income were found to be the most practical means of measuring tax burdens.

It is likely that different types of taxes such as sales, property, or income taxes, have different potential economic impacts. It may be fruitful to explore, within the framework of a similar study, the individual impacts of such taxes on state economic activity. However, for the purpose of limiting the scope of this study, state and local taxes are treated in the aggregate.

The tax burden for a particular state in a particular year is given by the following equation:

$$\text{state tax burden}_{i,t} = \frac{R_{i,t}}{Y_{i,t}}$$

Where $R_{i,t}$ represents total state and local tax receipts for the i^{th} state in year t , and $Y_{i,t}$ represents total state personal income in the i^{th} state in year t .

²Tax receipts are a measure of the total state and local general revenue from "own" sources. Data for the fiscal years 1963 to 1977 were obtained from Tax Foundation, Inc., Facts and Figures on Government Finance (Washington, D.C.), table 120, various years. Data for the fiscal years 1978 and 1979 were obtained from the U.S. Department of Commerce, Bureau of Census, Governmental Finances (Washington, D.C.: U.S. Government Printing Office), table 5, various years.

The state personal income data source was the U.S. Department of Commerce, Bureau of Economic Analysis.

Since the focus of the study is the comparison of each state's tax burden to all other states, the variable is usually presented as relative to a national average (Where this is not the case it will be so indicated). The relative tax burden for a particular state in a particular year is given by the following equation:

$$\text{state relative tax burden}_{i_t} = \frac{R_{i_t}}{Y_{i_t}} \div \frac{R_{u_s_t}}{Y_{u_s_t}}$$

Here $R_{u_s_t}$ represents total state and local tax receipts for all states in year t and $Y_{u_s_t}$ represents total personal income for all states in year t ³.

Measuring Relative State Income

State personal income is used as a proxy for state economic growth since these data represent the most comprehensive figures available on state economic performance. As with the tax burden measure, state income is presented as relative to a national average for purpose of comparison. The relative income level for a particular state in a particular year is given by the following equation:

$$\text{state relative income level}_{i_t} = \frac{Y_{i_t}}{Y_{u_s_t}}$$

An actual example may be helpful in illustrating this calculation. In fiscal⁴ 1979 the state of New York collected \$29.5 billion in state and local taxes while the U.S. total state and local tax receipts were \$266.5 billion. New York's personal income level was \$153.2 billion and the U.S. total personal income was \$1,818.2 billion. Therefore, New York's relative tax burden and income in 1979 were as follows:

$$\begin{aligned} \text{New York relative tax burden 1979} &= \frac{29.5}{153.2} \div \frac{266.5}{1,818.2} = 1.31 \\ \text{New York relative income in 1979} &= \frac{153.2}{1,818.2} = .08 \end{aligned}$$

³Preliminary analysis conducted both in 1978 and in the current study found that during the 1970's Alaska experienced extraordinary economic growth as a result of the construction of the Alaskan pipeline. Alaska has been omitted from the study as an individual state and has been excluded from the U.S. total tax and income figures. For a further explanation see the 1978 report.

⁴State and local fiscal years are measured from July 1 through June 30.

Interpreting these numbers: New York's tax burden was 31 percent higher than the national average and the state income comprised 8 percent of the U.S. total income in 1979. While the relative tax burden concept is useful when comparing New York to other states, the relative income figure is not. It is necessary to look at the growth in a state's personal income over time to determine a state's relative economic performance.

Measuring Changes in Relative Income

To determine the change in a particular state's relative income over a specific period of time a log linear growth series is used. The procedure is as follows:

- 1) The particular state's relative income is determined (as in the example above) for each year of the specified period.
- 2) The natural logarithm is taken of each relative income measure.
- 3) These natural logarithms are regressed against time.

The resulting beta coefficient of the regression is the continuously compounded relative income growth rate for the particular state over the particular time period. This procedure was then repeated for each of the remaining states.

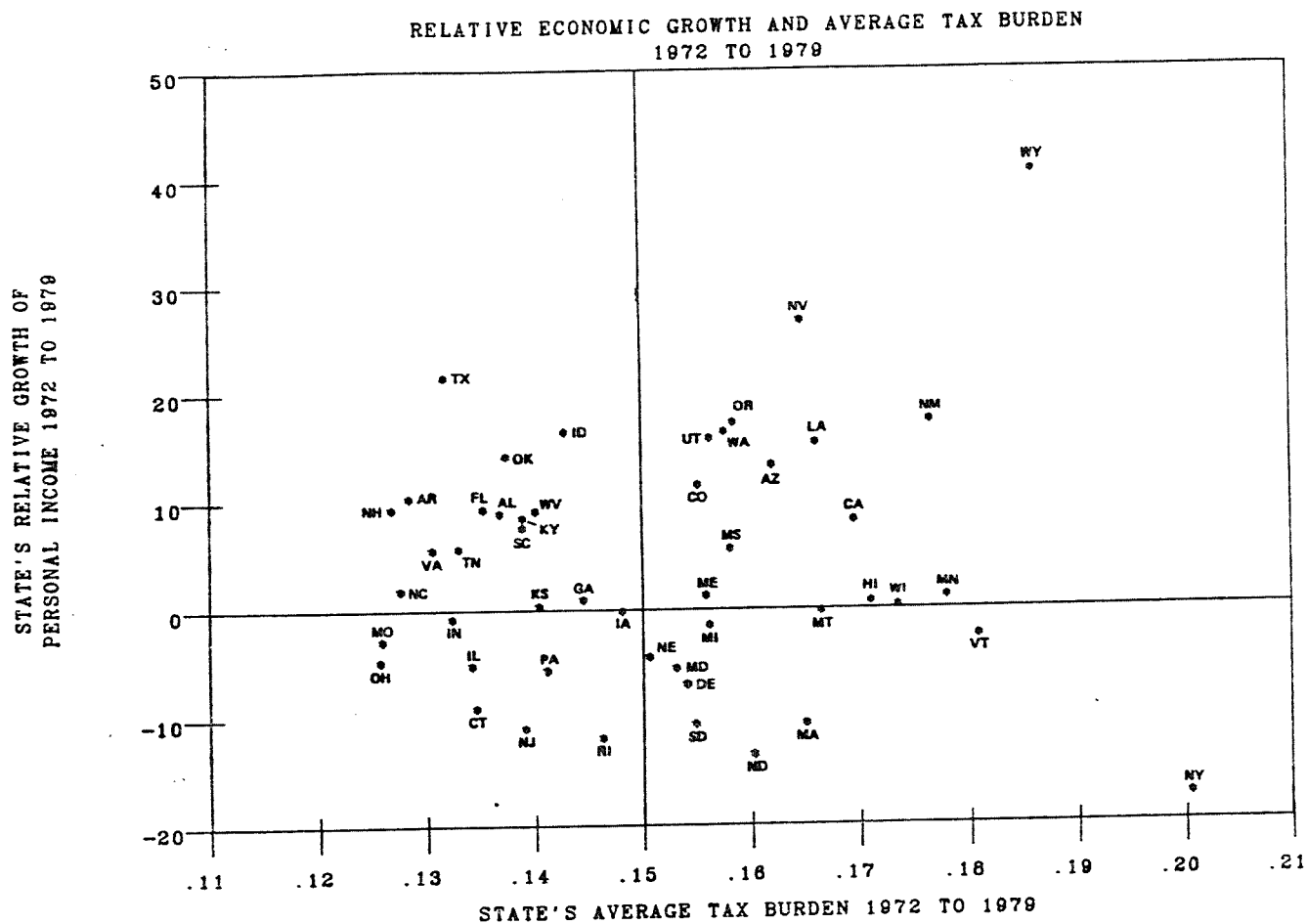
Analysis of State Tax Burden and State Income Growth

On a year to year basis dramatic fluctuations can often occur in many states' economic performances. During recession years, states which have highly cyclical industries tend to experience relatively weak income growth. During economic boom periods, these states may experience tremendous growth. Since short-term factors tend to dominate these year to year fluctuations in state income, it is important to analyze income growth over a longer period. After testing various time spans, it was found that a seven year period minimizes short-term influences without dampening meaningful movements in relative income growth. Relative tax burdens are also measured over seven year periods.

In Chart I, the change in relative income levels and the average level of tax burdens (state tax receipts divided by state personal income) are plotted for each state over the period 1972-1979. The vertical axis shows relative income growth with the zero mark representing the national average growth over this period. Therefore a state which lies in the positive region experienced income growth above the national average, and a state which falls in the negative region experienced income growth below the national average. Average tax burdens are measured on the horizontal axis. The average state and local tax burden for the nation as a whole was 15 percent and is shown here by the vertical line at .15. Those states which fall to the left of this line had a lower than average tax burden during the years 1972 to 1979. Those states that fall to the right experienced tax burdens greater than the national average.

As can be seen from Chart I, there is no systematic relationship between a state's average tax burden and its concurrent relative economic growth. The next step is to analyze the relationship between changes in relative tax burdens and state relative economic growth.

CHART I



Measuring Changes in Relative Tax Burdens

Changes in relative tax burdens are measured in the same way as changes in relative income. The beta coefficients of the log linear regression equations yield continuously compounded tax burden growth rates for each state over the seven year period.

The Lags and Periods Tested

In addition to experimenting with different period lengths, various lag times between taxes and income were also tested. There was no systematic relationship apparent when income changes were allowed to precede changes in relative tax burdens. This suggests that changes in relative tax burdens were not occurring in response to income or population shifts. Also, there was no apparent relationship between changes in the two variables when the data were analyzed contemporaneously. The relationship improved as the seven year period for which changes in the tax burden were measured was allowed to precede the seven year period of income changes. The best relationships were observed for three to six year lags with the most consistent results occurring with a four year lag⁵.

⁵ A concern was raised in response to the 1978 study that a predetermined relationship might exist between the tax burden and income measures since the tax

Eleven consecutive seven year periods were analyzed, beginning in income period 1963-1970 and ending in income period 1973-1980. Since the 1968-1975 period, the inverse pattern between changes in relative tax burdens and subsequent economic growth has existed. However, prior to the income period 1968-1975, the relationship is not apparent. State, local, and national tax levels may not have been sufficiently high, in comparison to state income levels, to greatly effect economic growth in these earlier periods. For example, recent estimates of the scope of government show that total government programs comprised less than 30% of gross national product prior to the late 1960s and almost 40% in the late 1970's⁶.

Analysis of Changes in State Tax Burdens and State Income Growth

The following seven charts show the relationship between changes in state tax burdens and relative state economic growth from income period 1967-1974 to income period 1973-1980. Presenting the graphs in sequence illustrates how the relationship has evolved over time. There was virtually no relationship apparent in the 1967-1974 income period, but a strong relationship had developed by the 1969-1976 period. However, in the most recent time periods several states have moved completely out of the established pattern.

burden measure is, in part, composed of the inverse of the income measure. To test for the possibility that an inverse relationship between tax burdens and income changes might be attributable to the construction of the specific variables, the tax data were held constant. If the specific construction of the variables themselves would lead to a natural inverse pattern between the two variables, this should have appeared without the benefit of the tax data. However, no relationship could be observed once the impact of tax changes was eliminated. Hence, we conclude that any relationship which develops should be attributable to the tax data. Again, the equations are as follows:

$$\text{state relative tax burden}_{i_t} = \frac{R_{i_t}}{Y_{i_t}} \div \frac{R_{u_t}}{Y_{u_t}}$$

$$\text{state relative income level}_{i_t} = \frac{Y_{i_t}}{Y_{u_t}}$$

⁶Robert Genetski, "Business and Money: Review and Outlook 1982," Harris Trust and Savings Bank, December 2, 1981, p. 6.

CHART II

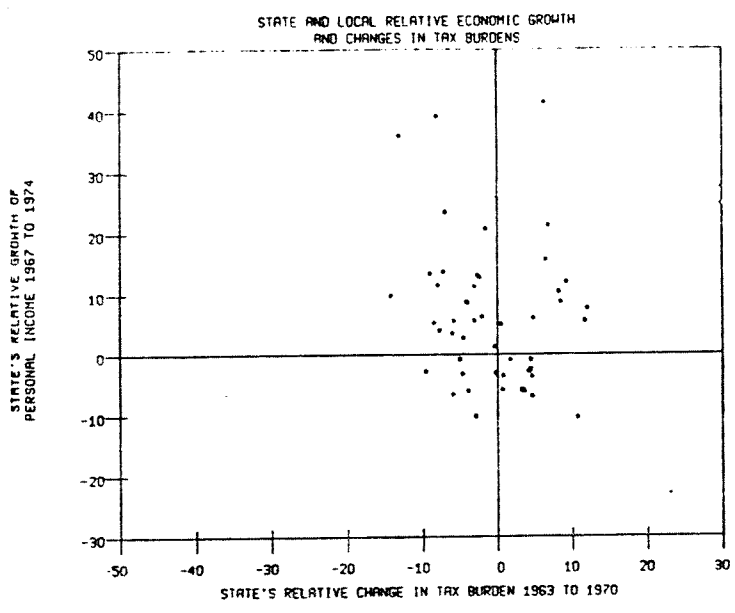


CHART III

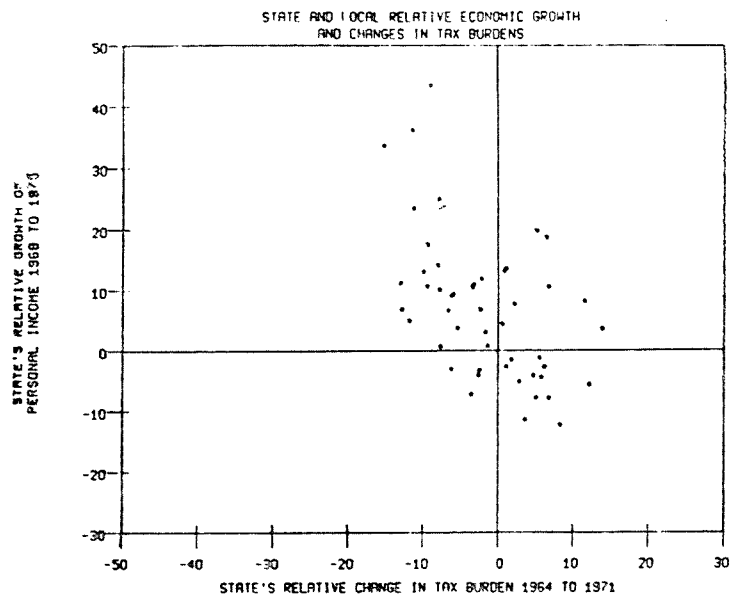


CHART IV

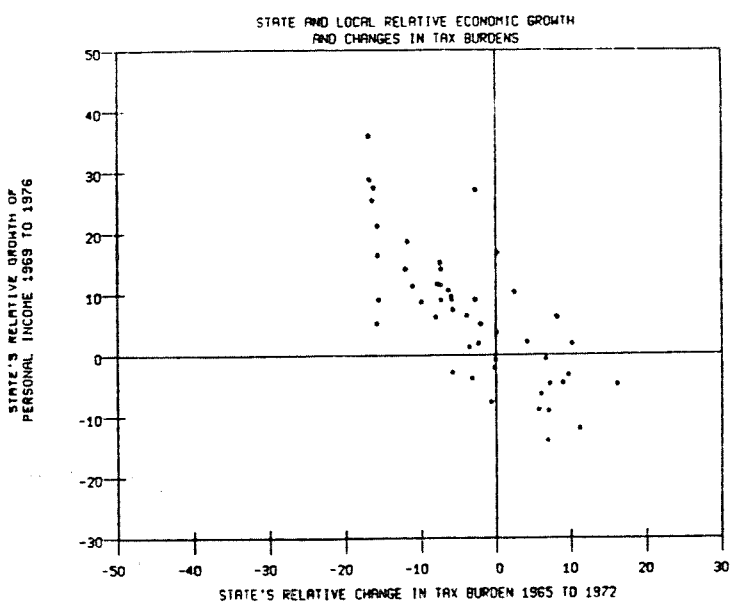


CHART V

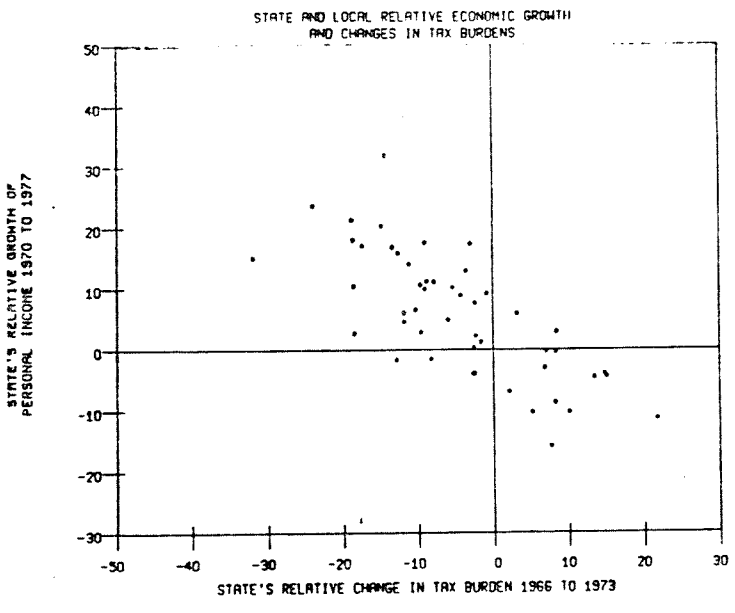


CHART VI

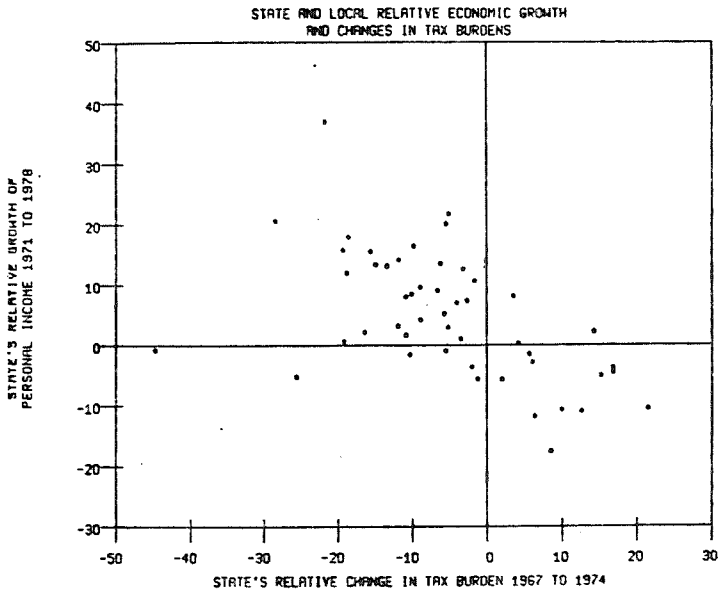


CHART VII

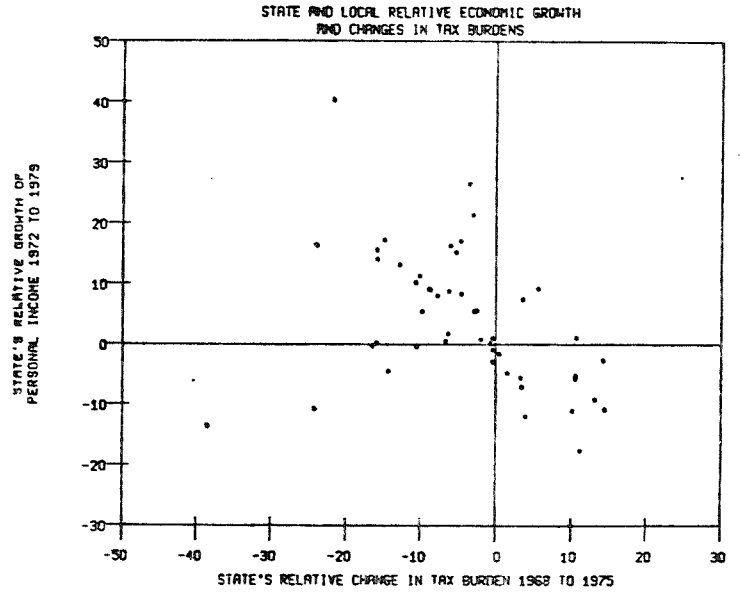
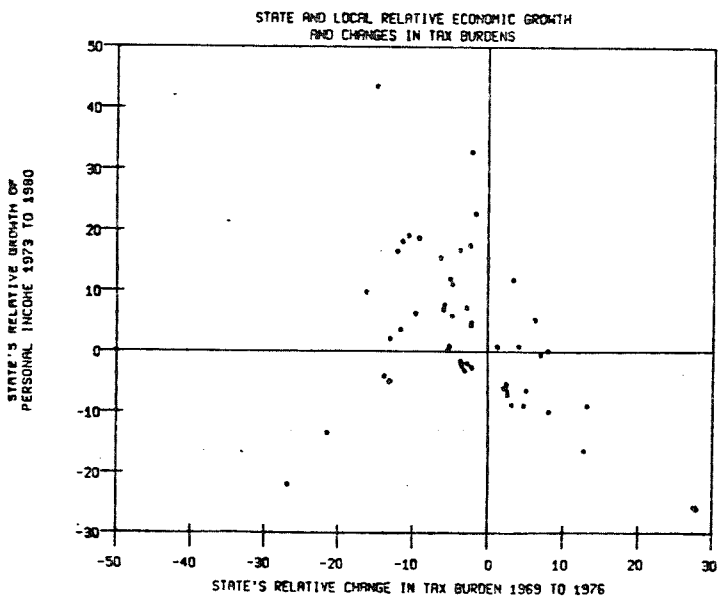


CHART VIII



Movements of Specific States

Viewing the most recent six charts in detail allows us to follow the movements of specific states in consecutive time periods. The charts show that states which have a mix of income sources similar to the national average, and that change their relative tax burdens, experience predictable directional movements in relative income changes. Florida and California are examples of such states and will be referred to as illustrations. States which have a mix of income sources dissimilar to the national average can be strongly impacted by economic factors other than changing tax burdens and at times move out of the relationship. North and South Dakota and Wyoming are examples of such states.

The charts are divided into four quadrants separated by lines originating at the zero marks on both axes. These lines represent the national average change in each variable. The relative positions of the states are identified by the quadrants in which they are found. The various quadrants represent the following characteristics:

-upper left quadrant: above average income growth and below average tax burden growth.

-upper right quadrant: above average income growth and above average tax burden growth.

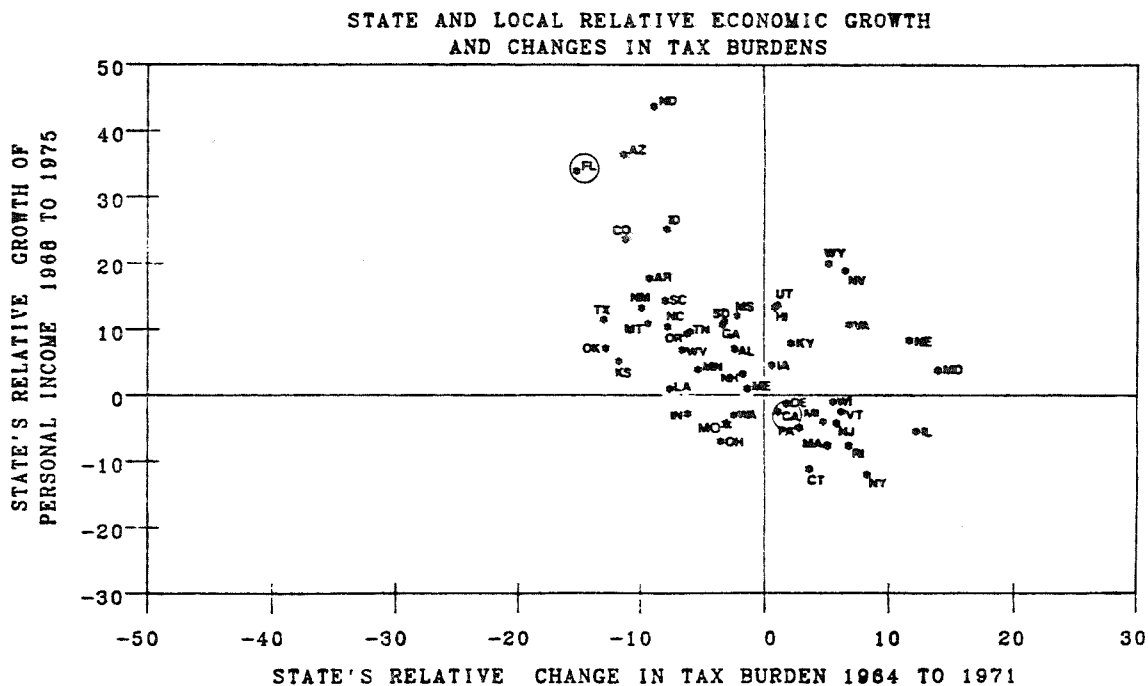
-lower right quadrant: below average income growth and above average tax burden growth.

-lower left quadrant: below average income and below average tax burden growth.

Chart IX shows the relationship between changes in relative income levels between the years 1968 and 1975 (vertical axis) and changes in relative tax burden levels between 1964 and 1971 (horizontal axis). The majority of states fall in the upper-left and lower-right quadrants indicating the inverse relationship between the two variables. States whose tax burdens rise above the national average experience subsequent below average income growth.

In this period, California and Florida begin to experience changes in their relative tax burdens. In subsequent years Florida's tax burden moves to the right (representing a relative increase in its tax burden) while California's tax burden shifts to the left (representing a relative decrease in its tax burden). The continuing change in their growth patterns can be observed in the following time periods.

CHART IX

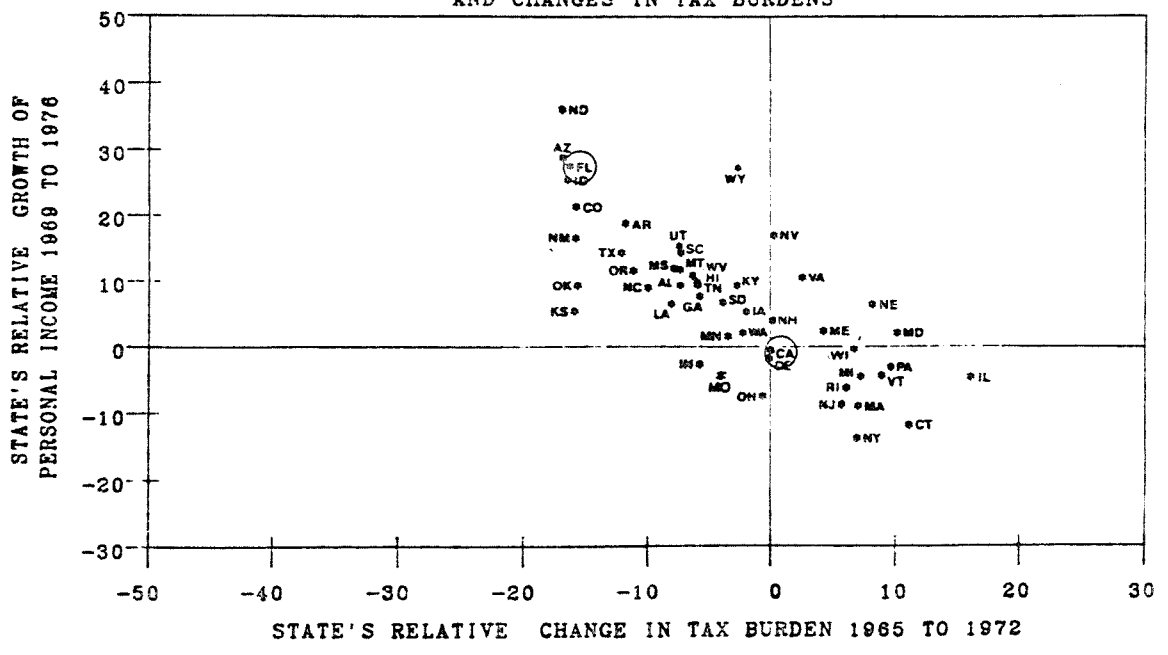


SOURCE: U.S. DEPARTMENT OF COMMERCE; HARRIS BANK

Chart XI represents the picture two years later, with changes in tax burdens over the period 1966-1973 and income growth for 1970-1977. Here Florida has begun to move down on the relative income scale as a result of its prior tax increases. In contrast, California has moved slightly above the national average economic growth following a reduction in its relative tax burden.

CHART X

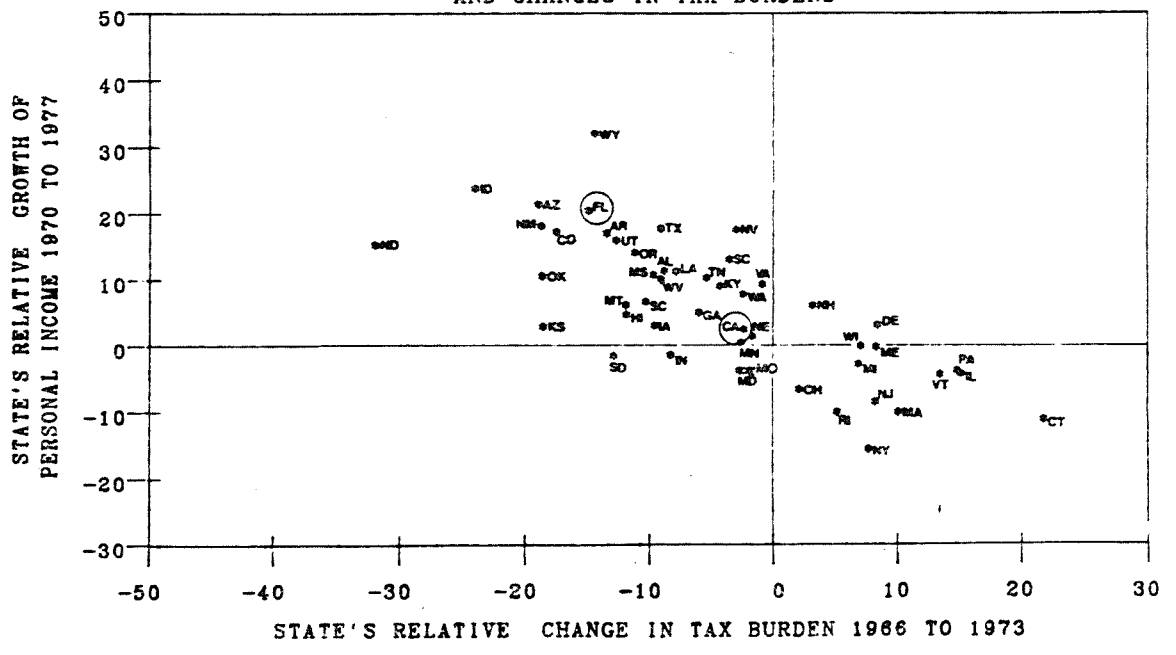
STATE AND LOCAL RELATIVE ECONOMIC GROWTH AND CHANGES IN TAX BURDENS



SOURCE: U.S. DEPARTMENT OF COMMERCE; HARRIS BANK

CHART XI

STATE AND LOCAL RELATIVE ECONOMIC GROWTH AND CHANGES IN TAX BURDENS



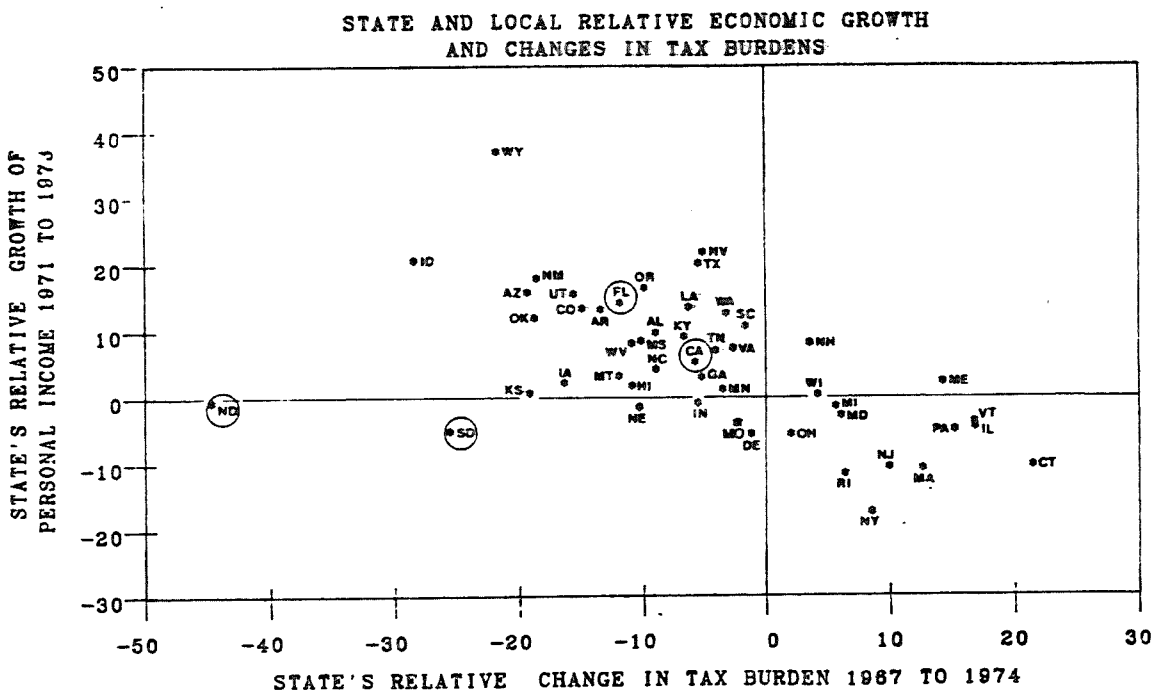
SOURCE: U.S. DEPARTMENT OF COMMERCE; HARRIS BANK

In Chart XII, representing income period 1971-1978, California continues to experience a decline in its relative tax burden and enjoys subsequent above average income growth. At the same time, Florida is moving in the opposite direction, experiencing higher tax burdens and relatively slower growth.

The Dakotas begin to move out of the relationship at this point and continue to do so in subsequent periods. Unlike California and Florida, these two states have mixes of income sources highly dissimilar to the national average. Seventeen percent of the personal income in North Dakota and 20 percent of the personal income in South Dakota result from agriculture compared to a U.S. average of only 3 percent. States such as these, in which income is disproportionately influenced by one or two industries, are subject to short-term volatile movements in income regardless of tax policies.

In the case of North and South Dakota, wheat prices exploded from 1972 to 1974, rising by 155 percent, partly as a result of the Russian Wheat Deal. Prices plummeted back to their original level from 1975 to 1977. In the 1971 to 1978 income period, both the rise and fall in income are included resulting in near-national average growth.

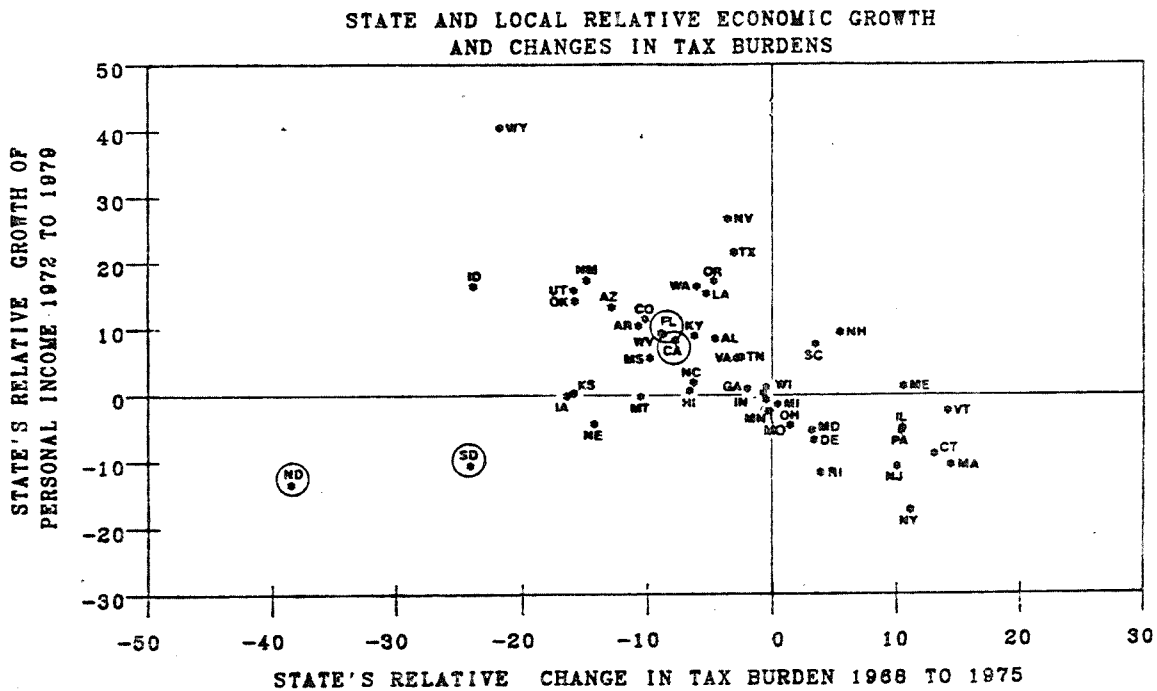
CHART XII



SOURCE: U.S. DEPARTMENT OF COMMERCE; HARRIS BANK

Chart XIII represents income period 1972-1979 and tax burden period 1968-1975. California has almost surpassed Florida on the income scale as its relative tax burden continues to decline.

CHART XIII



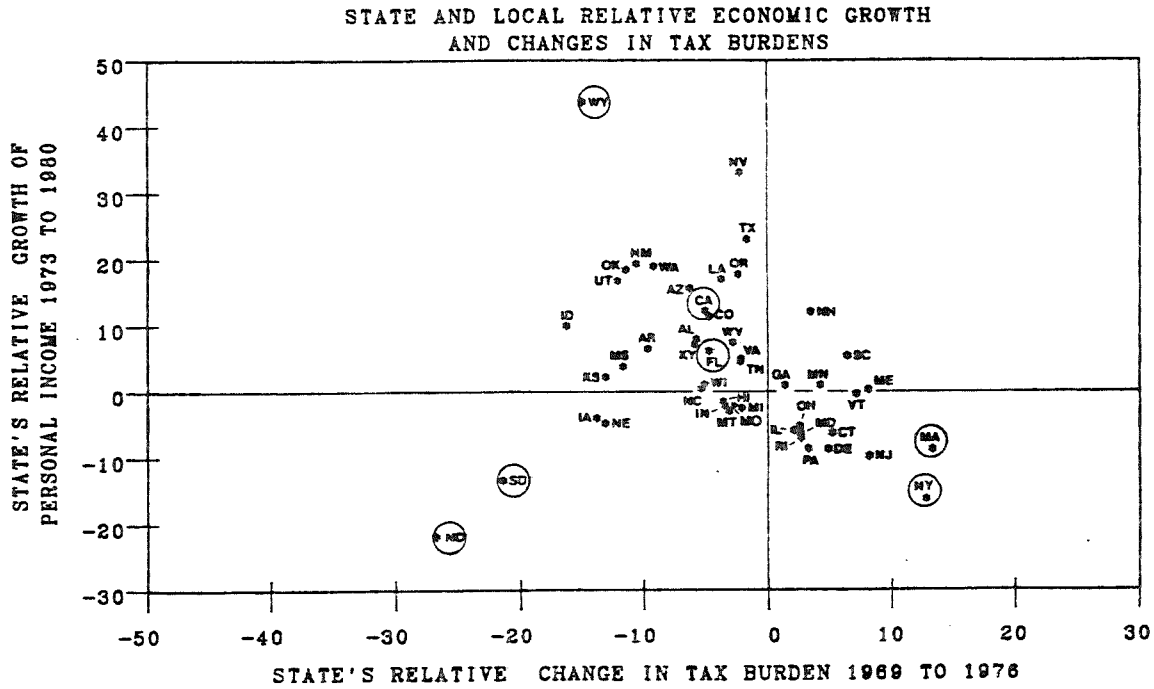
SOURCE: U.S. DEPARTMENT OF COMMERCE; HARRIS BANK

Finally, Chart XIV shows income changes through 1973-1980. Over the five consecutive 7-year periods, income growth in Florida slowed from 34 percent above average to 7 percent above the national average.

The Dakotas, particularly North Dakota, continue to show significantly below average growth in personal income. This is because the 1973-1980 income period includes the tremendous drop in the income levels of the Dakotas from 1975 to 1977. In recent years, these two states have been experiencing economic growth similar to the periods prior to the Russian Wheat Deal.

Wyoming has far exceeded any other state in income growth for the past several periods (excluding Alaska). Although the Dakotas show income growth far below the other states, Wyoming and the Dakotas are outliers for the same basic reason—they have a mix of income sources dissimilar to the national average. The economy in Wyoming is very dependent on mining, with 23 percent of its income resulting from this industry. This is compared to a U.S. average of only 2 percent. Wyoming has experienced tremendous economic growth as a result of its energy-related mining activities.

CHART XIV



SOURCE: U.S. DEPARTMENT OF COMMERCE; HARRIS BANK

Tax burden figures over the most recent five year period indicate that the relationship between changes in relative tax burdens and changes in relative income should be strengthening in the coming years. Looking again at the last chart, outliers such as the Dakotas are likely to show more rapid relative growth as the exceptional income years of 1973-74 are discarded. In addition, these states have been increasing their relative tax burdens over the past five years. This should move them in line with the majority of states in the next time frame.

Conclusions

The results of this tax study indicate that a particular state which increases its tax burden relative to others creates disincentives for businesses and workers. Given an initial adjustment period, financial and human resources will tend to migrate across state lines to areas with more favorable tax policies. The movement of resources becomes apparent in the relative income growth or decline of states.

Interpretations must be guarded in the case of states with disproportionate mixes of income sources. These state economies can be very sensitive to factors other than changing levels of taxation.

Many states recognize the importance of maintaining competitive tax laws. This is evidenced by the fact that over the past five years the national average state and local tax burden has actually been declining. As a result, even states which decide to make no change in their tax policies often, by default, increase their relative tax burdens and thereby run the risk of a loss of relative income in future years.

RE: Linear Transition Factor In School Finance Formula
For Third Enrollment Category (400-1699)

Effective with the current school year, a factor known as linear transition was added to the existing factors that provide for the calculation of the amount of budget authority for school districts. The factor was applied in the third enrollment category (400 to 1699). The factor was added with the understanding that its final effect would be fully phased in over a three year period. In theory, this factor applied to 14 districts this year. In fact, all 14 districts did not suffer any penalty since 7 of them are not currently using all of the budget authority available to them. However, Augusta, Gardner, Valley Center, Renwick and Andover, (Columbus and Erie to a lesser degree) are penalized in the current year and will suffer continued penalties in the 2nd and 3rd years.

We understand that state-wide school finance problems are complex. The opportunity to meet every district's need is seldom, if ever, available in one solution. However, we believe that we have an acceptable request in asking you to establish an option in regard to the linear transition factor. The option would allow school districts in the 400 to 1699 enrollment category (third category) to use either the median for the category or the median on the linear transition, whichever is larger, in determining their budget limit per pupil. This provision will remedy the existing problem and will benefit the school districts that are now affected by the linear transition factor. Further, it will not hurt any other school district in this or any other enrollment category.

Oftentimes when requests for change are made in the existing provisions for schools the cost is a significant amount of money. This is not the case in our request. The actual fiscal effect of this item can be easily figured by personnel in the State Department of Education, through the utilization of computer data. Please be assured that these dollars do not represent any significant impact in regard to the state-wide school budget. What few dollars that are involved can, however, be the difference on the local level between commencing to seriously effect the quality of existing educational programs as opposed to maintaining strong quality programs currently in operation.

In summary, we are really asking for the opportunity to utilize a local option in determining budget authority, within the state established limits, when a district is adversely affected by the existing linear transition factor.

Senate Education Committee

Room 254-East

Time 1:30 P.M. - Monday, February 28, 1983



UNITED SCHOOL ADMINISTRATORS OF KANSAS

1906 EAST 29TH

TOPEKA, KANSAS 66605

913-267-1471

JERRY O. SCHREINER
EXECUTIVE DIRECTOR

M.D. "MAC" MCKENNEY
ASSOCIATE EXECUTIVE DIRECTOR

TO: Senate Education Committee
FROM: Jerry O. Schreiner, Executive Director
DATE: February 28, 1983
SUBJECT: HB 2175 - School Finance

Mr. Chairman, members of the committee--I appreciate the opportunity to appear before you today to state the positions of the United School Administrators on school finance.

The United School Administrators' position on the state's responsibility for financing the public schools is a 50% minimum of general fund budgets. We, therefore, support the Governor's recommendation to provide approximately 48% support for general fund budgets as a step toward achieving this goal.

By providing general aid and income tax rebates of \$493 million, a minimum budget limit of 5% as provided in permanent law could be maintained. Due to the 4% reduction in state aid this fiscal year and the anticipated loss of tax revenue due to the removal of farm machinery, equipment, and business aircraft from the tax base next

fiscal year, many school districts will be faced with intolerable property tax increases. USA is concerned about this shift in taxes. Thus, we respectfully request that you give consideration to funding unified school district general fund budgets at the \$493 million level.

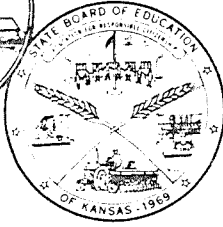
Administrators strongly oppose the earmarking of general fund budget monies for any specific purpose. Earmarking prevents the local district from determining how best to use available resources in meeting the needs of its students.

Current data indicates a serious teacher shortage in such areas as math, science, vocational education, modern foreign language, and high technology. We believe that this is due, at least in part, to relatively low salaries. School administrators and other educational groups are united in efforts to improve salaries in order to attract and retain quality staff and compete more favorably with the private sector.

Kansas State Board of Education

Kansas State Education Building

120 East 10th Street Topeka, Kansas 66612



Kay M. Groneman
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Robert J. Clemons
District 9

Dale Louis Carey
District 3

Gordon Schultz
District 10

February 28, 1983

TO: Senate Education Committee
FROM: State Board of Education
SUBJECT: School Finance -- Fiscal Year 1984 (H.B. 2175)

My name is Alicia Salisbury, a member of the State Board of Education from Topeka.

BUDGET LIMITATIONS

On February 8, 1983, the State Board of Education passed a motion which recommends a minimum general fund budget per pupil limitation of five percent (5%). We realize the state is in a serious financial crisis, but we also realize that the quality of our educational program depends to some extent on the amount of money made available for instruction. The number of students entering the teaching field in recent years has declined because of low salaries. It is very important that budget limitations be as high as possible in order to pay teachers, thus attracting high quality teachers and retaining them in the profession.

Local boards of education, the Legislature, and the Governor have made a concerted effort in recent years to improve teacher salaries and to comply with mandated programs. In many school districts the teacher salaries

2/28
Attachment 6

have increased a greater percentage than the general fund budget, but Kansas still ranks below the national median for paying teachers. We, therefore, recommend that the budget limitations be a minimum of five percent (5%) for the 1983-84 school year.

EARMARKING OF FUNDS

One of the proposals as submitted to this committee has been the earmarking of specific general fund dollars for the improvement of teacher salaries. We highly support the improvement of teacher salaries, but believe that the locally elected boards of education should maintain the authority in allocating their general fund resources. There are other employees of the school districts who play an important role in the educational system. Employees--such as bus drivers, food service workers, custodians, maintenance personnel, etc.--also have to be considered in the local boards' determination of priorities.

PROPERTY TAX

It is recommended that School District Equalization Aid be increased to a level that would eliminate any substantial increase in the property tax during the 1983-84 school year. Many people think the property taxpayers have about reached their limit. Due to the loss of state aid under the allotment system and the removal of farm machinery from the tax rolls, it is important that state aid be increased to assist the property taxpayer.