



# KANSAS ASSOCIATION OF SCHOOL BOARDS

Serving Educational Leaders, Inspiring Student Success

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## Putting Students First

Recommendations, comments and resources for  
developing a new school finance formula from  
the Kansas Association of School Boards.

The following pages reflect two years of research and data collection by KASB that can help Kansas develop a new, stable funding formula for public education. This new formula should focus on offering a solution that meets the educational needs of Kansas students through Accountability, Adequacy, Equity, Efficiency and Excellence.

## A. Definition of constitutionally suitable school funding

Constitutionally suitable school funding should be defined as follows:

1. The Kansas Constitution states: “The legislature shall provide for intellectual, educational, vocational and scientific improvement by establishing and maintaining public schools, educational institutions and related activities which may be organized and changed in such manner as may be provided by law,” and “shall make suitable provision for finance of the educational interests of the state.”

Rationale: Kansas educational attainment (high school completion, college participation and completion of four year and advanced degrees) is at an all-time high. Yet the Kansas constitution’s call for “improvement” means educational levels must continue to increase.

2. The Kansas Supreme Court has established that suitable funding must be reasonably calculated to have all public education students meet or exceed the Rose capacities.

Rationale: The “Rose” capacities established by the Kansas Supreme Court as a test of adequate funding were first identified by the Kentucky Supreme Court in 1989. They have also been adopted by the Kansas Legislature in 2014 as state education goals. The seven Rose capacities are:

### **Communications/Basic Skills**

- Sufficient oral and written communication skills to enable students to function in a complex and rapidly changing civilization;

### **Civic and Social Engagement**

- Sufficient knowledge of economic, social, and political systems to enable the students to make informed choices;
- Sufficient understanding of governmental processes to enable the students to understand the issues that affect his or her community, state, and nation;

### **Physical and Mental Health**

- Sufficient self-knowledge and knowledge of his or her mental and physical wellness;
- Sufficient grounding in the arts to enable each student to appreciate his or her cultural and historical heritage;

**Postsecondary and Career Preparation**

- Sufficient training or preparation for advanced training in either academic or vocational fields so as to enable each child to choose and pursue life work intelligently; and
- Sufficient levels of academic or vocational skills to enable public school students to compete favorably with their counterparts in surrounding states, in academics or in the job market.

3. A definition of “suitable provision” must reflect the changing needs of the individual and society. It must provide the resources necessary to:
- a. meet state and federal law, state accreditation standards and other relevant regulations;
  - b. deliver programs and services required for students to meet state and federal performance standards; and
  - c. support the education of all students to become well-rounded citizens and successfully participate in the modern world, including such areas as health and safety, technical and vocational education, fine arts and student activities and other relevant public expectations.

Rationale: A key factor in cost of education is the lengthy list of state and federal laws and regulations defining what public schools must do as well as what they must not do. Examples include various teacher-training mandates and beneficial but expensive programs that address a variety of critical needs. This list grows almost every year, regardless of funding, and the cost of new requirements is rarely considered. These requirements define the “input” costs of public education.

Over the past several decades, emphasis has appropriately shifted to a focus on educational outcomes – although few “input” requirements have been removed. Improving the outcomes of any system almost always requires more resources. Equally important is defining exactly what performance standards schools should be expected to meet. This must be defined by the Legislature and the State Board of Education.

Over the past two years, the Kansas Board of Education and Commissioner have sought and received input from thousands of Kansans. A clear message is that student success is more than “basic” academics, test scores, and even more than high school graduation rates. It is enabling those who pass through the school system to be successful adults.

## B. Components of a school finance system

A school finance system should have the following components:

1. **Accountability.** The school finance formula must support the State Board of Education’s vision that an excellent school system must focus on helping each student succeed and setting accountable outcomes to measure that goal.

Rationale: The school finance system must be a compact between the three entities responsible for education under the Kansas Constitution: the State of Board Education for setting the vision, goals and accountability; the Legislature for providing the funding resources to meet those goals; and local school boards for implementing those goals with the resources provided. Each entity is accountable directly to the voters for its role.

- a. The formula must allow districts to meet or exceed the Rose capacities identified by the Kansas Supreme Court and adopted by the Kansas Legislature. To do so, it should also assist districts in improving district outcomes under the State Board of Education's Kansans Can vision: kindergarten readiness, higher graduation rates, more postsecondary participation, individual plans of study and social and emotional indicators.

Rationale: It is important to stress the Rose capacities are not static and cannot be applied to all students in the same way. For example, “Sufficient oral and written communication skills to enable students to function in a complex and rapidly changing civilization” had a different meaning 100 years ago when most students did not complete high school; a different meaning 50 years ago when most jobs required only high school diploma or less, and has a different meaning now when nearly all jobs in the future will require some type of postsecondary education.

Likewise, it will have a different meaning for some special needs students; for students who plan to enter the workforce or raise a family without additional training; and those who plan for careers requiring advanced degrees.

It may also have different meanings in different communities of Kansas, based on the special needs of students and goals and values of the community.

However, what the constitution requires – and common sense dictates – is not uniformity but improvement. To meet future economic needs, from employment to earnings, more Kansans will require completing educational credentials. Higher educational outcomes are also associated with better health, lower crime and less public dependency.

The State Board's Kansans Can outcomes provide accountability for the following:

- **Kindergarten readiness** – improving the percentage of students who start school ready to learn, especially among disadvantaged students who too often begin far behind their more advantaged peers and never catch up.
- **Higher graduation rates** – a high school diploma is a prerequisite for 90 percent of projected jobs and further education beyond high school is required for nearly 70 percent of projected jobs.
- **Postsecondary participation** – while schools cannot be entirely responsible for a student's long-term success after high school, they will be measured on the percentage of students either completing technical credentials or successfully beginning college programs immediately after high school.
- **Individual plan of study based on career interest** – a student-centered system will focus on the educational goals of the student and family, and how the school meets the needs of the individual.
- **Social/emotional growth measured locally** – local districts will be responsible for determining and measuring non-academic factors responsible for student success.

In addition to these outcomes, the State Department of Education provides standardized reports on state assessments at multiple grade levels in core subjects, ACT tests, dropout rates, attendance, and teacher quality.

Link: [http://ksreportcard.ksde.org/home.aspx?org\\_no=State&rptType=3](http://ksreportcard.ksde.org/home.aspx?org_no=State&rptType=3)

Note: only public school districts and accredited non-public schools are required to provide this information for public accountability.

**b. The formula must be monitored regularly to ensure the state is meeting its responsibility to provide adequate and equitable funding.**

Rationale: Just as annual education reports for the state, school districts and school buildings are required, there should be regular reporting on the state's commitment to education funding by multiple measures.

2. **Adequacy.** The school finance formula must provide each student an equal opportunity to be college and career ready and recognize the additional needs of students who require special services. Adequacy should include the following:

- a. A foundational amount per pupil, which should be significantly higher than previous base state aid per pupil to recognize the effect of inflation and mandatory costs that have been shifted to the local option budget.

Rationale: KASB research has identified the most successful states based on high school completion, college participation and four-year degrees by age 24, high school graduation for all students and subgroups, national tests scores for all students and subgroups, and college preparedness tests. The nine states that outperformed Kansas are called aspiration states. Among these nine states:

- Each state provides more total funding or revenue per pupil than Kansas.
- Each state uses a foundation system that provides a fixed amount per pupil, and all provide adjustments to that funding for certain students or programs.
- All but one state provided substantially higher foundational amounts than the previous Kansas base level under the School District Finance and Quality Performance Act.
- A majority of these states have a foundational amount equal to at least 50 percent of total funding, which in Kansas would now be over \$6,000.
- Our research has found that the aspirational states provide foundational funding and adjustments similar to the Kansas school funding formula that, when properly funded, passed Constitutional muster but was replaced by the current block grant.

Since the original 1992 law was passed, the share of total school districts funding from the foundational “base” and special education state aid has fallen from nearly 80 percent to under 50 percent. Most of the difference has been increased reliance on local option budgets, which requires more local property tax and more state equalization aid.

In addition, Kansas total funding has not kept up with inflation since 2008, and has increased at about one-third of the rate of these most successful states.

- b. Foundational funding should include additional funding for the full cost of all-day kindergarten students and expanded funding for preschool programs. It should also support additional staff if necessary to effectively implement individual career plans and meet the social and emotional needs of each student.

Rationale: Despite the widespread support of all-day kindergarten by experts, education leaders, parents and the Governor, these costs are not recognized in the school finance formula. Many districts fund these all-day K (as well as pre-K programs) with at-risk weighting dollars, providing such students a better start but diverting resources to support at-risk students in older grades.

In addition, when all-day kindergarten students and preschool students are not counted, the per pupil funding amount is inflated.

Staff for career counseling and addressing social and emotional needs is critical to the Kansans Can outcomes, and they will require districts to increase positions.

School leaders expressed strong levels of commitment to these positions, not only because of additional expectations for college and career readiness, but also for the growing social and emotion needs of Kansas students.

- c. The foundational amount should be adjusted annually based on changes in the Consumer Price Index. In addition, this increase should be supplemented if necessary based on employment costs and other costs imposed by state requirements.

Rationale: Because schools must deal with changes in operating costs each year, the foundational amount should be adjusted each year to match the CPI. Ordinarily, state revenues should grow by at least this amount.

Allowing base funding to increase at least as much as inflation would reduce pressure to increase local option funding (requiring state equalization aid) and weighting or adjustment factors to make up the difference.

From 1975-2008, total Kansas school funding increased by an average of almost two percent **more** than inflation annually. Since 2008, however, funding has failed to keep up with inflation and Kansas student outcomes have suffered.

- d. In the transition to a new formula, no district should lose funding on a per pupil basis. Thereafter, if any district loses budget authority under the school finance system, the reduction should be phased in through some mechanism.

Rationale: In a funding system based on student enrollment, districts with fewer students will have fewer costs and require less funding -- but it takes time to adjust staff and programs for fewer students. After several years of essentially flat funding, current per pupil levels should be the minimum for each district.

3. **Equity.** A new school finance formula must provide adequate and equitable funding as required by the Kansas Constitution. Such a formula would provide equalization to allow similar funding based on similar local effort.

- a. The foundational amount should be adjusted to address differences in district student populations, programs or other factors based on evidence that demonstrates an impact on the cost of each student reaching educational outcomes as defined by the State Board of Education. At a minimum, these should include:

- Full funding of the costs of special education services required by federal and state law.
- The impact of poverty and other student risk factors, including concentration of poverty.
- The additional costs of teaching English as a Second Language.
- The additional costs of student transportation.
- The additional costs of career and technical education programs.
- Additional costs based on density and district size.

Other adjustments may be necessary based on evidence of cost differences.



Rationale: Each aspiration state provides additional funding for special education, for low income students, English Language Learners and transportation costs. The value of these adjustments is generally similar or greater than the value of weightings under the previous Kansas law.

Some states do not provide adjustments for career and technical education, but those states generally provide CTE programs through postsecondary programs or other state systems.

Among aspiration states, more rural states generally adjust for size or isolation, or provide a significantly higher base amount than Kansas.

Adjustments for special education, low income and ELL costs are critical because of significant disparities in student achievement (graduation rates, test scores) in Kansas and other states. Kansas cannot make significant progress on student outcomes without funding that addresses the fact that at least 50 percent of Kansas students are in one or more of these categories.

Additional funding for CTE programs is critical because of the higher cost of providing more specialized programs particularly in less densely populated areas of the state.

Smaller districts tend to have higher operating costs because fixed costs are spread over fewer students, and more isolated areas of the state have less access to services and have more difficulty recruiting and retaining staff.

Other factors may be justified by additional research.

**b. Funding for the foundation level and adjustments should be fully funded by the state.**

Rationale: When the full cost of a suitable education is not provided, the burden is either shifted to local taxpayers or general education programs are cut.

**c. Capital costs should continue to be the responsibility of local districts through local bond issues and capital outlay levies, provided both receive state equalization aid that meets constitutional standards of equity.**

Rationale: Allowing local school boards and voters to determine building and equipment projects ensures that community needs are met.

State aid for capital projects ensures each district has access to similar capital projects with similar tax efforts, but also ensures all districts must contribute proportional local efforts to access state aid.

**d. An adequate foundation level should reduce the need for local funding, the cost of equalization and challenges of fluctuating local tax bases.**

Rationale: Much of the criticism of the previous formula centered on the complexity and number of weighting factors and the unpredictable cost of equalizing local option budgets due to shifting local valuation.

Setting a foundation amount that more closely reflects the actual costs of education could allow fewer and simpler weightings and less reliance on local funding, which would require less equalization.

**4. Efficiency. A new school finance formula must give local districts the responsibility to respond to unique community needs while encouraging efficiencies through cooperation among districts.**

**a. Locally elected boards should determine the most efficient way to spend resources to meet their specific student and community needs. The state should focus on results, not process.**

Rationale: KASB's State Education Report Card shows that Kansas ranks in the top ten in overall student achievement on 15 indicators while spending below the national average (ranking 29th of 50 in 2013, the most recent year available).

Kansas also provides less funding per pupil than the average of peer states (most like Kansas in student and adult population characteristics and urban/rural balance) yet has higher overall achievement.

In seeking why Kansas consistently outperforms other states on these measures, several things stand out: smaller organizational units (one of the lowest pupil/teacher ratios in the nation, relatively smaller schools and school districts, and higher numbers of total staff for enrollment size than most states).

The factors are common to the higher achieving aspiration states, and KASB has found these factors have a positive correlation with student success.

Also notable is the strong component of local control of public schools in the Kansas Constitution, and a system that requires education service providers to compete when serving local districts.

This data supports the idea that having school boards accountable to local voters produces greater overall efficiency and effectiveness than centralized state control.

- b. Both school districts and the state would have greater predictability by using the previous year’s enrollment or a three-year average for determining foundation aid, with the ability to appeal to the State Board of Education for funding for extraordinary costs.

Rationale: A major concern of the previous formula for the state was changes in cost after the Legislature approved funding for the upcoming year in May or June, but enrollment was not determined until the following September 20.

Using the previous year’s audited enrollment to determine funding for the current year would provide much more predictability for the state as well as school districts.

The option of using a three-year average would give districts with declining enrollment more time to plan for the most efficient ways to reduce costs.

Districts should have the ability to appeal to the State Board of Education in the case of extraordinary increases in enrollment or other factors that would impact the quality of education of funding if not adjusted.

- c. Districts should be able to carry reasonable operating funds reserves for cash flow, enrollment changes, revenue shortfalls or delays and savings for large projects without incurring debt. If new limits on balances are imposed, districts should be given time to spend down to that level.

Rationale: School districts have many of the same reasons to carry cash balances or reserves as other units of government and private organizations. In fact, school districts are more constrained in their ability to raise revenue due to stricter budget controls and fewer revenue sources.

It was the Legislature that first increased -- then eliminated -- the percentage of general funding budgets that could be carried over in the contingency reserve fund, to allow districts more ability to save, invest, pay for projects without debt and interest and prepare for potential delays or reduction in state aid (which have occurred regularly over the past 10 years).

Any new restrictions on carryover should take into account these factors and provide districts the ability to appeal limits for special circumstances.

Such restrictions should not be imposed retroactively. Districts should not be penalized by losing funding that was legally carried forward based on the fiduciary decisions of local school boards.

- d. The system should provide incentives for sharing high cost programs on a regional basis and for voluntary district cooperation and consolidation.

Rationale: Kansas school districts are already involved in multiple cooperative programs. They not only deliver high student outcomes at a lower cost than the national and peer average, they also spend less per pupil on most functions than the national average and peer states.

As school districts continue to seek ways to maximize student success, the state should provide incentives for local leaders to determine that further regional cost-sharing, cooperation and consolidation should occur. Such incentives would help address local concerns about the impact of these changes.

Previous incentives were eliminated by the block grant system.

5. **Excellence.** A new school finance formula must allow flexibility for districts to go beyond state requirements, foster innovation and promote improvement. Many communities want more freedom and flexibility to enhance their public schools.

- a. Local boards of education should be able to authorize additional funding beyond the foundation level, provided such authority includes equalization that meets constitutional standards of equity.

Rationale: A constitutionally adequate foundational amount per pupil should enable districts to provide student outcomes and programs as required by the state. However, many if not all districts would want to provide some support for additional outcomes and programs and purely local needs.

It appears all aspiration states provide some level local funding option beyond the foundation amount. A new funding formula should provide such an option; however, all districts should be able to access additional funding with a comparable or similar local contribution through equalization at levels accepted by the Kansas judicial system.

- b. The system should provide incentives for accomplishment of student outcomes or other policy goals, provided that foundational aid and equalization aid are fully funded and all districts have the ability to meet such outcomes.

Rationale: One of the most successful recent approaches to encouraging educational policy was career technical education incentives in SB 155 (2012). Similar efforts could be applied to the new State Board outcomes.

However, funding for incentives is not a substitute for constitutionally suitable foundation funding and equity in local funding. Unless districts have adequate resources, they will not be able to produce the desired outcomes regardless of effort.

## C. State Tax Policy

The state should strive to achieve from the major revenue sources -- sales, income and property taxes -- a balanced and equitable mix of revenues that are suitable to support public services, including funding for quality education. Taxes should be broadly based to ensure all Kansans share fairly in the cost of public services.

**Rationale:** Since the Great Recession of 2008, Kansas personal income growth has lagged far behind the historical average since 1975, as well as the U.S. average. Furthermore, the combination of income tax cuts and tax increases and adjustments has resulted in state general fund tax revenues growing at a slower rate than personal income. The state general fund is now at its lowest level compared to Kansas personal income since the 1970s.

However, the cost of public services at the state level has grown significantly over the past four decades. These include much higher expectations for public education (which is also funded at a much higher level by the state to reduce local property taxes), from special education to higher graduation rates, preparation for college and technical education. It is also true of other core functions of state government, such as higher education, health care and social services. All of these services are being strained by the lack of general state revenue.

A balanced tax policy could help compensate when certain sectors of the state's economy experience downturns or difficulty.

Finally, there is a clear concern over the imbalance in tax burden by Kansans of different income levels or tax status, especially given the low level of economic and income growth in recent years.

## D. Tax Credits, Voucher Systems and Choice Plans

KASB supports voluntary efforts to experiment with public school choice plans, such as charter and magnet schools, provided those plans are approved by the local school board. However, KASB opposes legislation that would use tuition tax credits, voucher systems or choice plans to aid private elementary or secondary schools which are not subject to the same legal requirements as public school districts.

**Rationale:** The Kansas constitution requires that public schools be "maintained, developed and operated by locally elected boards" and under "the general supervision" of the State Board of Education. Authorizing and establishing schools that are not under the governance of local school boards (accountable to local voters) and the general supervision of the State Board (accountable to voters in State Board districts) would violate the clear mandate of the people of Kansas.

The Kansas Constitution also states “No religious sect or sects shall control any part of the public educational funds,” which prohibits public funding for schools under the control of religious organizations.

Many proposals with the stated goal of allowing all students a “choice” of school fail for the following reasons. First, they allow schools to determine which students to enroll and retain, which means the school is making the choice, not the student or family. Second, the public funding provided may not cover the cost of attendance, transportation or other requirements. Third, there is no requirement that alternative schools will operate where all schools can attend them. Fourth, these programs may not require state accreditation, student testing, and financial or academic auditing so there is little or no accountability for student results or transparency for public funds.

There is also no clear evidence from two decades of programs in other states that students in “non-traditional” schools, including private schools supported by public programs such as vouchers or tax credits, or charter schools independent from local school boards, provide any better academic or financial results. At best, the evidence is inconclusive.

*For a timeline of the process of developing these recommendations, please see the following pages.*

## Steps in the development of KASB School Finance Recommendations

### **2015**

#### **August**

KASB develops method to compare states on student success outcomes and population characteristics to determine “aspiration” states that exceed Kansas in student attainment and achievement and “peer” states most like Kansas to allow appropriate comparisons and develop best practices.

KASB hosts “School Finance Summit” for school leaders, state education organizations, legislators and State Board of Education members to begin discussion of developing a new school finance formula.

#### **September/October**

KASB and United School Administrators hold six regional “Education Summits” for school board members and administrators on two topics: results of Kansas community and business focus groups on defining success Kansas students and identifying the most important school finance formula components.

#### **October**

State Board of Education releases “Kansans Can” Vision of Kansas leading the world in the success of each student; begins developing outcomes.

#### **November**

KASB Board of Directors endorses Kansans Can vision.

#### **December**

KASB presents “Report on State School Finance and Student Outcomes” to Legislative Special Committee on K-12 Student Success presenting comparative data on Kansas achievement and school funding, organization and staffing with other states.

### **2016**

#### **January**

State Board of Education adopts five outcomes for Kansans Can Vision.

#### **February to June**

KASB provides testimony on school finance bills to address Kansas Supreme Court’s equity ruling during regular and special session.

<https://kasbresearch.org/publications/#2504>

#### **April**

KASB and United School Administrators host meeting for school superintendents and business officials to discuss proposed “school finance framework.”

## **August**

KASB releases updated State Education Report Card with new aspiration states and new peer states based on updated data; shows performance ranking and trends in performance, funding, teacher salaries and more.

KASB Legislative Committee begins comprehensive review of all KASB school finance policies.

KASB and United School Administrators hold School Finance Conference for over 100 school board members and administrators, release information on school finance systems in aspiration states; collect feedback on new version of USA “framework.”

Governor, Commissioner of Education and State Board of Education Chair request public input on developing a new school finance formula.

## **September**

KASB presents five core principals of a school finance system: accountability, adequacy, equity, efficiency and equity; encourages all districts to respond to Governor Brownback’s call for input on developing a school finance formula.

## **September/October**

KASB and United School Administrators hold six regional Education Summits; hold discussion and collect recommendations from school leaders on how a new school finance system must support five outcomes of the Kansans Can vision, prepares summary report.

USA releases revised “framework.”

## **November**

KASB Board of Directors and Legislative Committee review proposed revision to school finance policies based on previous school finance positions, resolutions and studies; member input; USA “Framework.” Legislative Committee adopts recommended policies in this report.

## **December**

KASB Delegate Assembly will vote on final school finance and other policies for 2017 Legislative Session.