

KANSAS ACTION FOR CHILDREN

April Holman, Director of Policy and Research
Kansas Action for Children
Education Budget
House Education Budget Committee
February 29, 2012

Chair Gordon and Members of the Committee:

Thank you for the opportunity to testify on the budget for the Department of Education and our concerns regarding the proposed spending from the Children's Initiatives Fund (CIF).

Kansas Action for Children is a not-for-profit child advocacy organization founded in 1979. For more than 30 years, KAC has worked with lawmakers on policy solutions that improve the lives of Kansas children and their families.

History of the Kansas Endowment for Youth Fund/Children's Initiatives Fund

The KEY Fund and CIF were created as a result of nationwide tobacco litigation in the late 1990s and the ensuing settlement that promised to provide \$1.6 billion to Kansas over a 25 year period. Legislation passed in 1999 determined that the KEY Fund and CIF dollars would be used to support children's programs. The Kansas Children's Cabinet is charged with overseeing the CIF and making recommendations for CIF spending.

Funding the CIF

Under the system created by this legislation, tobacco dollars received by the state go directly to the KEY Fund. The KEY Fund serves as an endowment for the long-term benefit of funding children's programs. Each year, a transfer is made to the CIF to support children's programs. On several occasions since the inception of the KEY Fund and CIF, tobacco dollars have been transferred to the State General Fund. In fact, in the 12 years since the KEY Fund and CIF were established, more than \$136 million has been diverted to the State General Fund. If those dollars had been allowed to remain in the endowment and earn interest, an estimated \$216 million would exist in the KEY Fund today.

The complex nature of the tobacco settlement payment schedule has left state officials uncertain of the amount of tobacco payments each year. However, the combined average annual tobacco receipts and interest earnings since 1999 is \$56.3 million.

In November 2011, the Kansas Children's Cabinet made its funding recommendations to the governor based on an estimated payment of \$56 million. However, the governor's budget this year assumes only \$40 million in funding -- a \$16 million cut. There is no precedent for this estimate. Never in the entire history of the Children's Initiatives Fund have tobacco revenues come in at \$40 million.

Why is the CIF so important?

Early intervention is the key to improving outcomes for children. In fact, scientists now know that 90 percent of a child's brain architecture is established before the age of 5. By providing quality early childhood education and health services, which are critical to strong child development, we will reduce the need for more costly remediation in the education and criminal justice systems in the future. Investing in early childhood programs gives the state the most value for its dollar. In fact, according to an economist at the Federal Reserve Bank, every dollar invested in quality early care and education saves taxpayers up to \$7 in future costs for reduced grade retention, crime and other public assistance.

Our request for CIF Funding

We respectfully request the restoration of funding for those CIF programs administered by the Department of Education to the level recommended by the Children's Cabinet, which was based on the estimate of \$56 million in tobacco receipts. Specifically, we ask that the programs be funded as follows:

Parents as Teachers: \$7,237,635

Pre-K Program: \$4,799,812