

Testimony on **SB 305**
before the
Senate Assessment and Taxation Committee

by

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Madam Chair, Members of the Committee:

Thank you for the opportunity to testify as a proponent of **SB 305**, which would establish a tax modernization committee.

In December, prior to the beginning of the 2007 session, the Kansas Association of School Boards adopted a resolution on school funding issues. One section of that resolution calls for a comprehensive review of state and local tax policy, which we hope will result in a more stable, adequate source of funding for schools and other public programs; an equitable distribution of the tax burden; and an economically responsive tax system.

Our members adopted this position out of a growing concern over recent trends in tax and funding policies, particularly in the area of school finance.

- Although the overall tax burden in Kansas as a percentage of personal income has remained stable, the share of governmental revenues from property taxes has increased while the share from income taxes has declined. In other words, funding has shifted from the source most economically responsive and tied to “ability to pay” to the source that is the most unpopular and least sensitive to “ability to pay.” Furthermore, the property tax burden itself has shifted toward residential property.
- Although education is clearly a state responsibility, the portion of school budgets directly funded by the state has declined, and the share which is raised locally has increased. Most local funding comes from the property tax. Unless there is full equalization of local effort in school finance, greater reliance on local revenues results in greater disparities in the tax burden.

- The declining portion of funding now provided by the state means that some districts continue to seek more ways to raise revenues locally, which in turn causes other districts to raise local revenues to maintain competitive salaries and programs. For many districts, the only choice is to raise property taxes on the elderly or short programs for children.
- Reductions in the statewide mill levy for schools have been offset by increases in the Local Option Budget, which means the highest-wealth districts have received a comparative tax reduction while lower wealth districts have had an increase.
- The shift to property and sales taxes to fund both schools and other public programs has made the tax system more regressive. Those who benefit the most from education at all levels – those with the highest skill commanding the highest wages and earning the most income – are paying less of their income. Those who benefit the least – low skill, low income and the elderly – are paying more.

Are any of these trends what we would seek if designing a tax system from scratch? We think not. Instead, we suggest they are the unintended consequences of a long series of decisions made in isolation. Unfortunately, they have also helped created a political climate in which virtually any tax reduction is considered positive regardless of its impact on revenues or equity, and any state-level tax increase brings threats of political retribution, regardless of its impact on local taxes, fairness or quality of services.

Left unchecked, these trends will not only erode the tax base; they will eventually erode the quality of public services, from education to transportation to public safety. While Kansas tends to rank in the middle to the top half of the nation in tax burden, it unquestionably ranks in the top half in many services, especially education, which is usually in the top 10 or 15 of the states. Most other high performing states educationally either spend more than Kansas are have fewer “special needs” students.

We believe that education at all levels, from pre-K to postsecondary, will more than any other factor under the state’s control determine its economic future, quality of life and health of our democratic institutions. As advocates of education, school leaders are realizing that how the state pays for education, and who pays for that price, must be part of our concern.

It seems clear that only a high-level, independent review of the entire system can lead to a comprehensive solution. **SB 305** offers the opportunity for that review, and we strongly support such an initiative.

Thank you for your consideration.