

Testimony on **SB 444** and **SB 446**
before the
Senate Committee on Assessment and Taxation

by

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January 24, 2008

Madam Chair, Members of the Committee:

Both of the bills scheduled for hearings today deal with tax exemptions – **SB 444** with property tax exemptions and **SB 446** with sales tax exemptions. Neither KASB nor KNEA has taken a position on the specific merits of these proposals. Quite likely, there is a rationale to support both of these bills. Every tax exemption that passes has a group of supporters behind it. Our concern is with the cumulative impact of both of these exemptions. We have previously expressed our concerns about the impact of continuing to reduce the tax base through exemptions. Over the interim, research on this issue has only raised our concerns.

This summer, we decided to investigate further both the cost and benefits of public education. We used information from the Kansas State Department of Education to compare school district operating budgets (general funding, local option budgets, and major categorical programs like special education, transportation, etc.) to Kansas personal income since 1973. We believe this is the best way to measure the “tax burden” of supporting public education on a statewide basis.

As the chart on page two shows, what we found is school district operating budgets now are almost exactly where they were 35 years ago, and are almost exactly at the 35 year average – 3.6 percent of KPI. The hundreds of million of dollars provided as a result of the Supreme Court school finance decision didn’t result in a major increase in spending relative to taxpayer income – it simply restored the ratio to its long-term average. Moreover, since 1992 that spending level has been maintained primarily as a result of continued increases in the local option budget.

As a result, it is clear the cost of public education should not be imposing a higher burden on Kansas taxpayers. But this information doesn’t tell the whole story. As the Legislature has dramatically increased the number of tax exemptions over the past 35 years, some taxpayers have seen reductions in their tax bill, including what they pay for public schools. But, that means other taxpayers have had to pick up the difference. For every constituent who complains to you his taxes have gone up, someone else has enjoyed a reduction.

Over the same 35 years, the “outcomes” of our public education system have improved dramatically. Educational attainment has increased every decade. New opportunities have been opened for minorities and the disabled. Higher education has been rewarded by higher incomes. Clearly, the entire state has benefited from our education system. It is also clear those who have been most directly affected by the education system through completing high school and attaining additional educational credentials have received the greatest economic rewards. But this creates several issues.

First, when the Legislature provides a tax exemption, the taxpayer who receives it is allowed to receive the benefits of public services while contributing less to their cost, while someone else is paying more. The question is: Is the cost of public services fairly distributed among the beneficiaries?

Second, when the cost of public services like education rises at approximately the same rate as personal income, the only way to make up for revenue lost through exemptions is raise rates on the remaining tax base. The question is: how do we sustain the level of public services as the cost of exemptions continues to rise if legislators believe raising rates is political suicide.

We submit the single greatest factor in individual, state and national economic vitality in the 21st century is educational attainment. Continuing to improve our educational performance will require a continued public investment. As a result, we believe the current direction of Kansas tax policy is unsustainable. As we have done in the past, we urge the Legislature to pursue a comprehensive review and revision to our state and local tax policy.

Thank you for your consideration.

School District Operating Budgets as Percent of Kansas Personal Income

