



Oral Testimony in Opposition before the
House Committee on Taxation

on

SB 22 – Kansas itemized deductions, election, providing for deferred foreign income, global intangible low-taxed income, business interest, capital contributions and FDIC premiums income tax modifications.

by

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Kansas Association of School Boards

February 20, 2019

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to comment on [SB 22](#). KASB members have not adopted a position on the specific components of this bill, or other tax policies. We do have a position that states “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 for public education.”

KASB testified as neutral on this bill in the Senate but expressed serious concerns about its impact on state programs. Those concerns have only grown.

We would agree with a representative of the Tax Foundation who told the Senate Assessment and Taxation Committee that tax policy must be a balance between the goal of keeping taxes low and the need to provide appropriate levels of public services.

Business and taxpayer advocates will, of course, present arguments for how reducing taxes paid benefits the state. KASB’s role is to present the arguments on how taxes paid for education funding benefits the state. The Legislature must strike the balance.

Kansas remains under a Supreme Court ruling that K-12 funding is constitutionally inadequate. By the Legislature’s own calculation, in 2017 school district general fund support had fallen \$760 million below the constitutionally approved 2009 level when adjusted for inflation. Equally critical, Kansas per pupil funding has been dropping compared to the national average, the most successful states in student outcomes, and those neighboring and regional states with higher outcomes.

The Kansas Supreme Court largely accepted the plan passed by the 2018 Legislature to restore constitutionally suitable funding – using the Legislature’s own methodology – but said it needed to be adjusted for inflation during the phase-in period. The State Board of Education proposed such an adjustment and the Governor has recommended it. We hope this final step will settle the Gannon lawsuit and restore school funding to constitutional levels.

Our concern is that **SB 22** – and any other proposals to reduce state revenues without offsetting revenue increases – is that will make it much harder to provide constitutionally suitable funding for K-12 education, as well other priority programs. This is especially true if the Legislature opposes the KPERS re-amortization plan. The clock is ticking on the Supreme Court’s deadline.

Because a major argument for SB 22 is competitiveness with other states, we want to share the following information.

The Tax Foundation says Kansas is “in the middle” on most tax measures, neither particularly higher or low. Kansas has historically also been “in the middle” on education funding yet has ranked well above average on most measure of educational outcomes.

However, since 2008, Kansas has slipped from 24th in total per pupil funding from all sources to 30th in 2016. In 2016, on a per pupil basis, total Kansas school district revenue was over \$800 million below both the U.S average and the average regional and neighboring states like Iowa, Nebraska, Minnesota, Missouri and North Dakota, that have the highest educational outcomes. The regional states still below Kansas in funding – Colorado, Oklahoma and South Dakota – have lower educational outcomes on most measures. Unfortunately, as Kansas funding fell behind inflation and other states during the 2010’s, other many other states improved educational outcomes more than Kansas.

Not only did Kansas education funding fall behind inflation and other states, total K-12 expenditures as a percent of total Kansas personal income also fell to the lowest level in in two decades, which means Kansans are investing a lower share of their income on K-12 funding as educational needs continue to rise.

Low taxes will not help Kansas economically if Kansans lack the educational levels required for high skill, high wage jobs. “Low tax states” may have higher population growth, but they may also have lower per capita income and higher poverty if they can’t produce higher educational outcomes.

For example, we looked at the 10 states with the lowest state and local tax burden. As the chart below shows, these states are

Geography	Households; Estimate; Median income 2017 (dollars)	2017 Per Capita Income BEA	MEDIAN EARNINGS IN THE PAST 12 MONTHS (IN INFLATION-ADJUSTED DOLLARS) - 25 years and over with earnings	Percent below poverty level; Estimate; Population for whom poverty status is determined 2017	Percent below poverty level; Estimate; AGE - Under 18 years 2017	Percent; Estimate; high school graduate or higher	Percent; Estimate; bachelor's degree or higher
Alabama	\$48,123	\$39,976	\$35,578	16.9	24.6	86.5	25.5
Alaska	\$73,181	\$56,042	\$45,018	11.1	14.9	91.7	28.8
Florida	\$52,594	\$46,858	\$33,638	14	20.3	88.4	29.7
Georgia	\$56,183	\$43,270	\$37,173	14.9	21	87	30.9
Kansas	\$56,422	\$47,603	\$38,513	11.9	14.8	91	33.7
Missouri	\$53,578	\$43,661	\$36,565	13.4	18.6	89.7	29.1
New Hampshire	\$73,381	\$57,574	\$45,390	7.7	10.3	93.1	36.9
Oklahoma	\$50,051	\$43,449	\$35,198	15.8	21.5	88.1	25.5
South Dakota	\$56,521	\$48,281	\$35,955	13	16.6	91.7	28.1
Tennessee	\$51,340	\$44,266	\$35,588	15	21.2	87.8	27.3
Virginia	\$71,535	\$54,244	\$44,823	10.6	14	89.7	38.7

We found that: six of these ten states have lower household income than Kansas, six have lower per capital income, seven have lower average earnings; seven have higher adult poverty and eight have higher childhood poverty. Are those states really better off than Kansas?

In addition, six have lower high school completion by adults and eight have lower completion of four-year degrees – at a time when educational attainment is a strong predictor of income and poverty status.

We did the same thing regarding for the 10 best “business climate” states, as identified by the Tax Foundation.

Geography	Households; Estimate; Median income 2017 (dollars)	2017 Per Capita Income BEA	MEDIAN EARNINGS IN THE PAST 12 MONTHS (IN 2017 INFLATION-ADJUSTED DOLLARS) - 25 years and over with earnings	Percent below poverty level; Estimate; Population for whom poverty status is determined 2017	Percent below poverty level; Estimate; AGE - Under 18 years 2017	Percent; Estimate; Percent high school graduate or higher	Percent; Estimate; Percent bachelor's degree or higher
Alaska	\$73,181	\$56,042	\$45,018	11.1	14.9	91.7	28.8
Florida	\$52,594	\$46,858	\$33,638	14	20.3	88.4	29.7
Indiana	\$54,181	\$44,165	\$37,460	13.5	18.4	88.6	26.8
Kansas	\$56,422	\$47,603	\$38,513	11.9	14.8	91	33.7
Montana	\$53,386	\$43,907	\$33,210	12.5	14.7	93	32.3
Nevada	\$58,003	\$44,626	\$36,423	13	18.5	86.8	24.9
New Hampshire	\$73,381	\$57,574	\$45,390	7.7	10.3	93.1	36.9
Oregon	\$60,212	\$46,361	\$37,424	13.2	16.5	91	33.7
South Dakota	\$56,521	\$48,281	\$35,955	13	16.6	91.7	28.1
Utah	\$68,358	\$42,043	\$38,828	9.7	10.7	92.1	34.6
Wyoming	\$60,434	\$56,724	\$39,090	11.3	13.3	92.9	27.6

While six of these states had higher household income than Kansas, six had lower per capita income and six had lower average earnings; five had higher overall poverty and six had higher child-age poverty. Three had lower high school completion than Kansas, and six had lower four-year college degree completion.

The point is, low-tax or business-friendly tax policy alone does not guarantee economic prosperity. In fact, KASB found a much stronger correlation between both income and poverty and education levels. We also find a strong correlation between per pupil education funding and state per capita income.

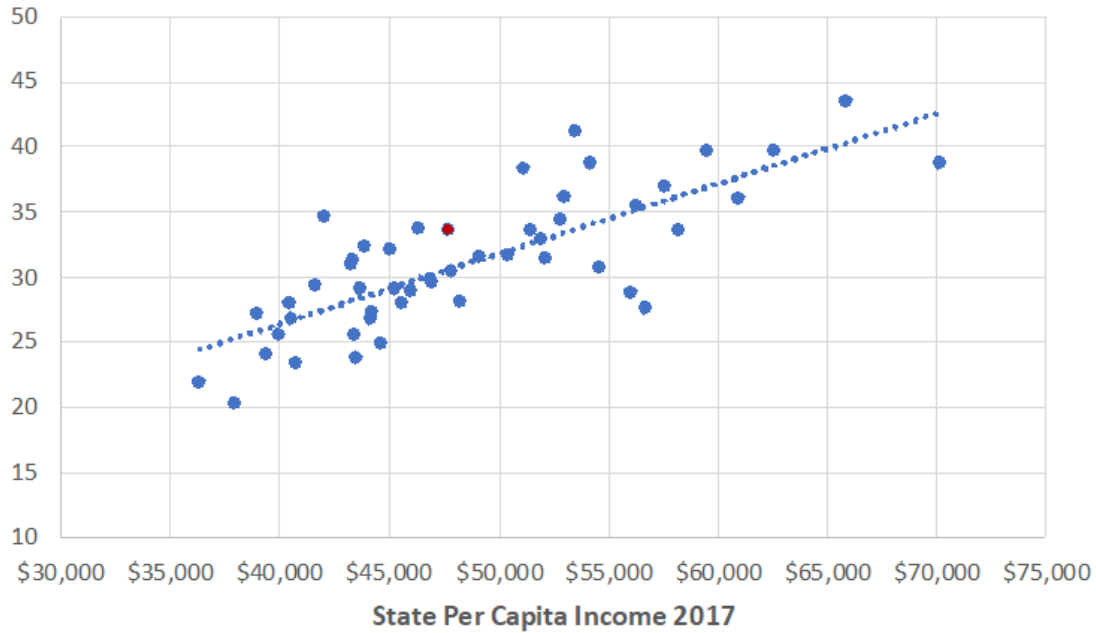
Of course, businesses and individuals will look at tax levels in deciding where to locate. But logic suggests they will also look at other factors, including educational levels of the workforce, quality of schools, and more. Quite simply, low taxes don't help you if you lack the skills to be employed, and low taxes will not draw businesses if Kansas if the workforce can't meet the skills required in an increasingly knowledge-based economy.

Kansas is falling behind other states in education funding, and therefore investment in its own people. Before adopting a major reduction in revenue, KASB urges the Legislature to adopt the inflation adjustment to the school finance plan it has already approved for 2019 through 2023, and other important state programs.

Thank you.

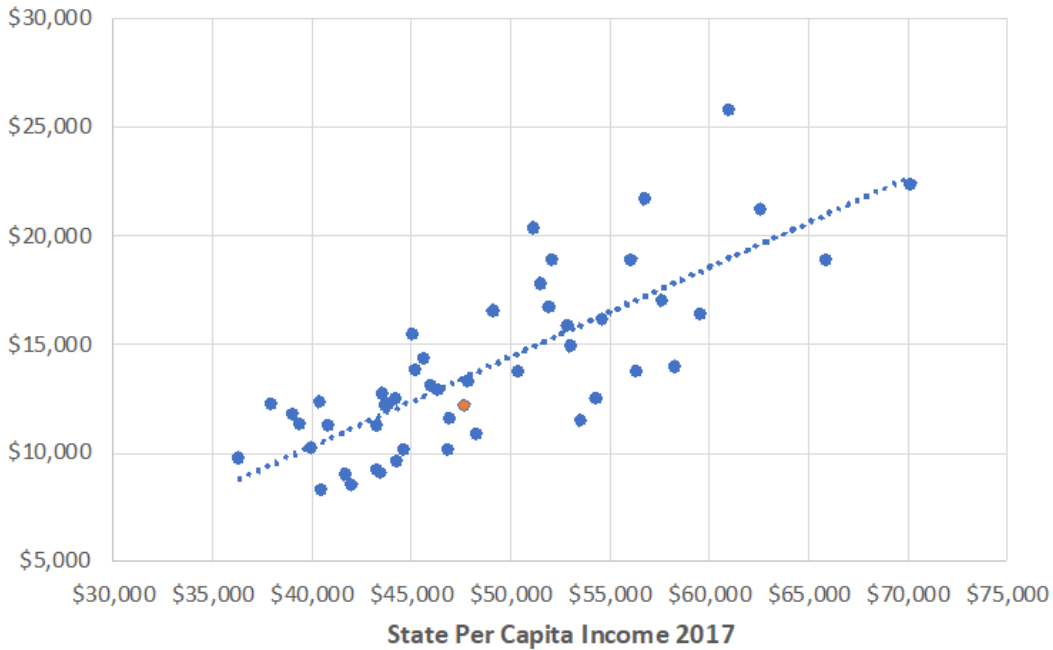
State Educational Attainment and Income

2017 State per Capita income and percent of population over 24 with a four-year college degree or higher



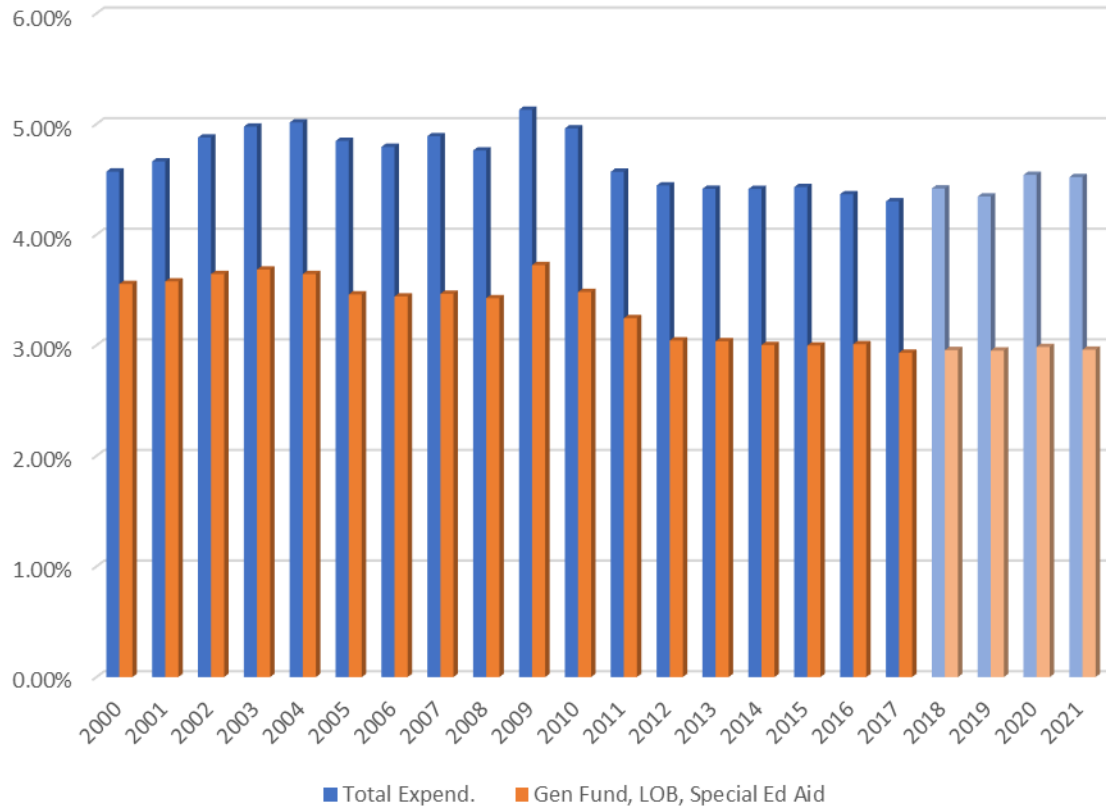
State Personal Income and K-12 Funding

2017 Per Capita Personal Income and 2016 Total Funding per K-12 Pupil



School Expenditures as Percent of Kansas Personal Income

2018 to 2021 estimated based on November 2018 consensus revenue estimates for KS Personal Income and KASB projections based on Governor's budget.



	Rank of Average Ranks (Weighted)	18-24-Year-Olds Education			Adjusted Cohort Graduation Rate, 2015			National Assessment of Education % at Basic					ACT & SAT Adjusted		Funding		Kansas Peer States					
		High School Graduate and Higher	Some College or Higher	Bachelor's Degree or Higher	All Students	Economically Disadvantaged Students	Limited English Proficiency Students	Students with Disabilities	All Students	NSLP Eligible (Low Income)	NSLP Ineligible (Not Low Income)	All Students	NSLP Eligible (Low Income)	NSLP Ineligible (Not Low Income)	ACT Pct Meeting All Benchmarks	SAT Mean Score-Combined	Total Revenue Per Pupil	Total Revenue Per Pupil Rank	Overall	Student	Adult	Distribution
Kansas	9	87.5	58.8	10.3	85.7	77.5	77.4	77.5	76.4	64.1	86.7	38.2	22.9	51.3	22	6	\$ 12,245	30				
All States	25.5	87.0	55.2	10.3	84.0	76.6	64.5	64.8	73.1	61.4	85.0	36.0	22.2	49.9	25.4	25.5	\$ 13,894	25.5				
Top 9 States	4.5	90.0	60.5	13.7	88.6	78.9	68.9	71.1	78.2	64.3	87.3	40.7	24.5	53.5	12.1	10.6	\$ 17,826	11.1				
Adjacent to Kansas	22.0	86.9	55.3	9.6	84.7	77.0	60.6	69.8	74.1	62.9	86.2	36.7	22.3	50.5	16.0	20.8	\$ 11,577	34.5				
Overall Peers	23.8	87.1	56.7	10.1	82.9	73.6	64.7	64.4	73.7	61.3	85.8	36.3	22.5	50.8	23.1	18.3	\$ 13,083	26.3				
Student Peers	20.1	87.6	56.9	11.7	84.2	75.7	64.3	67.0	73.5	60.9	85.7	35.5	22.3	51.4	18.9	19.1	\$ 15,227	19.2				
Adult Peers	24.2	87.1	56.5	10.7	84.0	74.8	65.1	64.3	73.8	60.8	85.4	36.5	22.1	50.8	21.9	21.9	\$ 13,837	23.5				
Distribution Peers	25.7	86.9	56.1	9.7	82.9	73.0	66.0	65.7	73.8	62.0	85.3	36.2	22.4	48.9	24.4	21.0	\$ 12,200	31.1				
Massachusetts	1	89.1	62	17.6	87.5	78.4	64.1	71.8	80.5	69.0	89.1	43.5	27.9	60.2	1	5	\$ 18,826	8	X			
New Jersey	2	88.6	60	16.3	90.1	82.7	74.7	78.8	81.1	65.4	89.6	47.3	25.4	59.6	14	31	\$ 21,189	4				
New Hampshire	3	89.6	57.9	15.5	88.2	76.4	72.0	73.0	78.1	65.6	87.4	36.6	25.3	53.1	4	7	\$ 16,976	10				
Iowa	4	88.8	61.5	10.8	91.3	83.9	81.0	70.0	77.5	61.6	86.9	40.3	22.5	50.3	23	3	\$ 13,080	24	X	X	X	
Connecticut	5	90.6	61	15.5	87.4	76.7	67.0	65.2	76.3	59.1	86.7	40.7	20.9	52.5	3	8	\$ 22,364	2		X		
Vermont	6	90.6	59	11.6	87.7	80	68.0	72.0	77.4	65.2	85.7	40.6	25.8	52.4	20	12	\$ 20,342	5				
Nebraska	7	89.6	60.9	10.1	89.3	82.2	55.0	70.0	78.0	65.4	88.5	39.9	25.4	54.7	15	10	\$ 13,690	22	X	X	X	X
North Dakota	8	93.0	61.7	12.2	87.5	71	69.0	68.0	76.6	63.0	84.5	36.9	22.7	45.4	17	9	\$ 16,140	14				
Kansas	9	87.5	58.8	10.3	85.7	77.5	77.4	77.5	76.4	64.1	86.7	38.2	22.9	51.3	22	6	\$ 12,245	30				
Wisconsin	10	89.3	57.6	11.5	88.2	77.4	66.0	68.5	72.8	58.6	85.6	32.1	20.8	49.9	8	2	\$ 13,204	23	X	X	X	X
Minnesota	11	88.1	60.9	13.4	82.2	68.2	63.2	60.8	78.5	62.2	89.0	39.3	23.8	56.4	2	1	\$ 14,838	17	X	X		X
Missouri	12	86.6	55.8	9.8	89	82.1	68.0	77.5	71.2	62.1	85.5	30.8	21.7	49.5	12	4	\$ 12,121	33	X	X		X
Virginia	13	89.3	58.7	12.9	86.7	78.1	45.4	53.9	79.9	64.6	87.4	44.3	22.9	55.0	18	13	\$ 12,448	28				
Maine	14	88.4	56.3	10.9	87	78	78.0	72.0	71.8	62.8	84.2	30.1	24.3	48.7	35	20	\$ 15,392	16				
Tennessee	15	88.4	52.8	9.9	88.5	85.5	76.0	71.8	72.2	60.1	80.6	35.7	19.9	44.4	27	16	\$ 9,566	45				
Illinois	16	88.0	59.1	13.8	85.5	76.7	71.9	70.5	72.8	59.0	84.5	37.0	20.3	50.6	5	48	\$ 15,841	15		X	X	
Rhode Island	17	88.9	59	13.6	82.8	74.8	74.0	59.0	73.1	57.4	85.7	38.9	19.7	51.7	25	22	\$ 17,760	9			X	
Kentucky	18	86.6	53	8.7	88.6	85.6	68.0	71.9	73.2	62.7	85.5	37.4	24.1	50.0	21	11	\$ 11,283	37				X
Pennsylvania	19	87.9	54.3	12.2	86.1	78	62.7	74.1	75.1	62.8	87.7	38.4	24.0	56.0	26	26	\$ 18,851	6	X		X	
Maryland	20	88.3	58.9	14.2	87.6	79.2	48.0	66.9	73.0	56.6	84.2	39.4	19.5	53.1	24	29	\$ 16,385	13				
Montana	21	88.9	53.4	8.4	85.6	76.4	59.0	78.0	76.4	67.1	85.6	36.2	26.3	48.1	16	24	\$ 12,243	31				
Indiana	22	84.1	53.4	9.8	86.8	85	71.0	72.0	77.6	68.7	88.0	39.3	27.9	54.7	34	27	\$ 12,477	27				
Utah	23	87.8	57.2	6.6	85.2	75.6	66.0	70.2	75.0	63.1	85.6	36.9	25.6	50.3	12	15	\$ 8,525	49			X	
New York	24	88.3	62.1	16.3	80.4	72.8	37.8	52.6	69.4	60.3	82.7	29.0	22.7	47.3	9	36	\$ 25,730	1				
Colorado	25	87.3	55.2	11.6	78.9	67.8	61.4	57.2	76.0	61.3	86.8	40.3	21.5	53.9	7	19	\$ 11,427	36				
West Virginia	26	87.5	52.6	8.1	89.8	85.5	93.0	77.0	71.0	65.4	81.7	37.5	26.2	44.6	46	49	\$ 12,204	32				
California	27	88.3	58.4	10	83	79	72.0	66.0	66.7	55.3	83.2	30.9	17.5	51.1	37	44	\$ 13,923	19				
Michigan	28	86.6	57.4	9.8	79.7	67.1	72.1	55.4	72.7	55.3	83.2	41.6	18.1	45.9	11	18	\$ 13,118	20	X		X	
South Dakota	29	85.8	56.8	9.8	83.9	67	57.0	60.0	74.6	62.9	86.0	33.8	23.1	48.0	6	21	\$ 10,835	40	X		X	
North Carolina	30	86.0	54.2	10.3	85.9	80.6	57.0	68.9	72.8	61.4	83.8	37.1	22.7	50.6	28	37	\$ 9,198	46				
Arkansas	31	84.4	51.3	7.6	87	83.8	86.0	84.3	67.8	59.2	82.9	29.5	20.9	45.0	30	28	\$ 11,236	38		X		
Texas	32	84.9	52.6	8.9	89.1	86	73.7	77.9	71.3	61.6	84.0	32.7	20.9	49.5	49	47	\$ 11,498	35				
Ohio	33	86.3	52.5	10.1	83.5	72	50.0	69.6	75.9	60.9	89.1	38.0	22.1	55.8	10	41	\$ 14,348	18				
Hawaii	34	92.7	51.5	9.8	82.7	77.9	69.0	59.0	70.9	58.8	79.7	34.2	20.3	42.1	38	32	\$ 16,652	11				
Wyoming	35	84.1	51.7	6.7	80	69.1	70.0	65.0	80.4	70.5	87.3	42.7	28.8	50.8	19	17	\$ 21,606	3				
Washington	36	84.8	54.4	12	79.7	70.2	57.8	58.7	75.0	62.4	86.1	39.7	23.4	54.4	41	25	\$ 13,703	21	X	X	X	X
South Carolina	37	86.4	53.5	9	82.6	87.7	76.0	52.1	67.8	56.5	82.7	32.2	18.6	46.2	36	42	\$ 12,309	29				X
Delaware	38	83.2	48.5	9.5	85.5	76	73.0	67.0	70.6	59.8	77.0	33.2	20.5	41.1	29	23	\$ 16,502	12			X	
Idaho	39	88.0	51.9	6.1	79.7	71.9	73.0	60.0	74.2	65.9	85.4	34.0	25.8	48.6	39	30	\$ 8,244	50	X			X
Alabama	40	86.3	54.2	7.1	87.1	80.9	64.0	54.1	64.6	54.2	83.5	27.8	18.2	45.3	30	40	\$ 10,205	41				
Mississippi	41	84.8	54.3	5.4	82.3	78.8	65.0	34.7	68.8	58.8	87.3	36.1	18.3	51.1	42	14	\$ 9,756	44				
Florida	42	84.5	54	9	80.7	74.4	62.0	61.6	71.0	68.9	87.5	32.3	27.2	54.0	43	35	\$ 10,126	43				
Oregon	43	87.3	56.5	10	74.8	68.1	53.0	55.5	69.9	61.0	86.0	29.7	23.3	52.0	44	34	\$ 12,838	25	X	X	X	X
Oklahoma	44	84.0	49.2	6.7	81.6	75.9	58.0	74.4	71.1	62.7	84.0	35.9	20.7	43.8	30	50	\$ 9,070	47				X
Georgia	45	83.8	51	9.2	79.4	75.3	56.5	56.6	72.1	61.1	88.0	33.7	21.1	55.0	40	38	\$ 11,233	39			X	
Arizona	46	84.5	51.5	7.7	79.5	76.7	32.0	69.0	69.8	59.1	84.3	32.1	19.9	47.5	48	39	\$ 8,985	48				
Louisiana	47	82.5	47.1	7.4	78.6	72.9	43.0	46.6	64.0	53.9	82.1	29.1	16.6	42.7	30	33	\$ 12,696	26				
New Mexico	48	82.9	52.9	6.2	71	66.9	67.4	61.9	65.5	55.6	80.1	35.6	17.9	43.6	50	46						