



Testimony to House K-12 Budget Committee

HB 2410: The Kansas School Equity and Enhancement Act

March 24, 2017

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Chairman Campbell and Members of the Committee:

Thank you for the opportunity to provide neutral testimony on HB 2410. We appreciate the effort the committee has undertaken on the daunting task of creating a new K-12 finance law. We feel the bill has both strengths and weaknesses that could be improved upon to create a school finance system that focuses on students, is “reasonably calculated” to achieve outcomes, and spends taxpayer money efficiently.

In the March 2017 *Gannon* decision, the Supreme Court recognized that too many Kansas students are being left behind. The Court has directed the Legislature to craft a new finance law that is designed to address, in large part, this need. And the remedy isn’t simply more money. The new law must be calculated to ensure all Kansas students have the opportunity to have a successful educational outcome. KPI recognizes that HB 2410 is a good starting point and, by strengthening and adding certain provisions, can meet that Court decree.

Reasonably Calculated to Achieve Outcomes

It is our understanding that the base funding numbers in HB 2410 were arrived at via a method utilizing student achievement outcome metrics from successful schools from across the state. Assuming this is true we laud you for that effort. The Kansas Supreme Court has said adequacy of funding “...is met when the public education financing system provided by the legislature for grades K-12—through structure and implementation—is reasonably calculated to have all Kansas public education students meet or exceed...”ⁱ the *Rose* standards. While this effort is a good first step we would encourage the Committee to assure the metrics used are “written into” the bill in some fashion. Not only would this help Kansans understand the process by which the legislature arrived at these numbers it would ensure appropriate metrics are used over time. It would almost certainly help in demonstrating to the Kansas Supreme Court the process by which you arrived at – or reasonably calculated – the numbers upon which the finance system in HB 2410 is based.

Outcomes and Achievement Gaps

Kansas Policy Institute strongly believes that a new school funding formula must hold school districts accountable for improving outcomes, meaning that there would be an automatic consequence for not improving. A large majority of Kansans share our belief, as evidenced by a recent market research study conducted by SurveyUSA on our behalf. Statewide, 69 percent of Kansans agree that districts should be held accountable for improving outcomes at the building level and only 21 percent disagree, and this sentiment exists across all geographic and ideological lines.ⁱⁱ

Q6: A new school funding formula should include rewards for better performance and hold districts accountable for improving outcomes, with accountability meaning there is a consequence for not improving outcomes and with improvement measured at the building level.

501 Registered Voters	All	Region				Ideology		
Credibility Interval: ± 4.5 pct points		Western Kansas	Wichita Area	Kansas City Area	Eastern Kansas	Conserv	Mod.	Liberal
Strongly agree	29%	36%	28%	24%	32%	34%	30%	19%
Somewhat agree	40%	42%	37%	44%	37%	44%	38%	34%
Somewhat disagree	12%	10%	14%	11%	13%	7%	14%	21%
Strongly disagree	9%	11%	6%	10%	8%	6%	11%	14%
Not Sure	10%	1%	15%	11%	10%	9%	7%	13%
Total agree	69%	78%	65%	68%	69%	78%	68%	53%
Total disagree	21%	21%	20%	21%	21%	13%	25%	35%

Source: SurveyUSA, data collected Feb. 3 to Feb. 8, 2017

Kansas school districts have never been held accountable in this manner and outcomes remain stubbornly low for many students. Legislators and Kansans have been given a false impression of high outcomes; some even claim that Kansas is among the top ten in the nation but it's simply not true. Indeed, Education Week's 2017 Quality Counts report gives Kansas a "D" for student achievement.ⁱⁱⁱ

Not a single national ranking on NAEP or the ACT are in the top ten. NAEP proficiency rankings range from the mid-teens to the mid-thirties and the ACT rankings are in the low twenties.

Kansas National Rank		2015 NAEP Proficiency			
Student Group	4th Grade Reading	8th Grade Reading	4th Grade Math	8th Grade Math	
Low Income	#36	#21	#16	#25	
Not Low Income	#15	#22	#17	#25	

Source: National Assessment of Educational Progress

Percent Proficient		2015 NAEP			
Student Group	4th Grade Reading	8th Grade Reading	4th Grade Math	8th Grade Math	
KS Low Income	20%	22%	27%	19%	
U.S. Low Income	21%	20%	24%	18%	
KS Not Low Income	54%	47%	58%	46%	
U.S. Not Low Income	52%	47%	58%	48%	

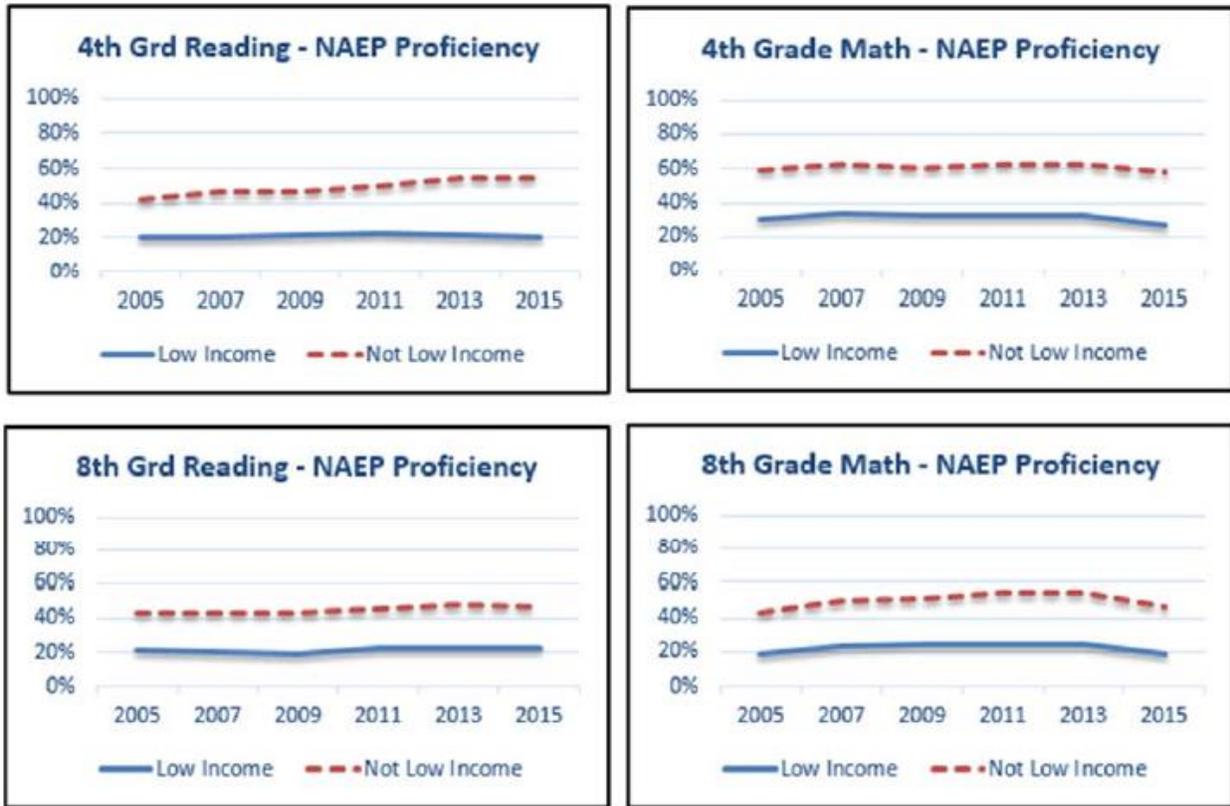
Source: National Assessment of Educational Progress

KS National Rank		2016 ACT	
Student Group	Score	Score Rank	% College Ready*
White	22.8	#20	36%
Hispanic	19.2	#21	15%
African American	17.6	#23	8%

**English, Reading, Math & Science Source: ACT*

Even 'good' national ranks are deceiving. Kansas is #16 in 4th Grade Math (low income) but only 27% are Proficient.

Kansas does match or exceed some of the national proficiency rankings, but that's like celebrating having a luxury suite on the Titanic. How can we be happy, for example, that low income 8th grade students are beating the national average in Math when only 19 percent of them are proficient? Proficiency levels have remained stubbornly low over the last ten years and the achievement gaps for low income students have even gotten worse.



Of Kansas students taking the 2016 ACT test, only 36 percent of White students were considered college-ready in English, Reading, Math and Science. Minority students fared far worse; just 15 percent of Hispanic students and a paltry 8 percent of African-Americans met that standard.

The time it would take to close achievement gaps for low income students and minorities used to be measured in decades; now it must be measured in centuries.

National Assessment of Educational Progress - scale scores					
Grade Level / Subject	2005	2015	Average Annual Change	Target: Not Low Income 2015	Years to Catch up
4th grade Reading - low income	208	208	0	238	Never
4th grade Math - low income	235	231	-0.4	253	Never
8th grade Reading - low income	254	256	0.2	277	105
8th grade Math - low income	270	272	0.2	295	115

National Assessment of Educational Progress - Percent Proficient					
Grade Level / Subject	2005	2015	Average Annual Change	Target: Not Low Income 2015	Years to Catch up
4th grade Reading - low income	20%	20%	0.0%	54%	Never
4th grade Math - low income	30%	27%	-0.3%	58%	Never
8th grade Reading - low income	21%	22%	0.1%	47%	250
8th grade Math - low income	19%	19%	0.0%	46%	Never

Source: U.S. Department of Education, National Center for Education Statistics

ACT Scores					
Student Group	2005	2016	Average Annual Change	Target: White 2016	Years to Catch up
Hispanic	19.1	19.2	0.01	22.8	396
African American	17.4	17.6	0.02	22.8	286

Source: ACT; breakouts by income level not published

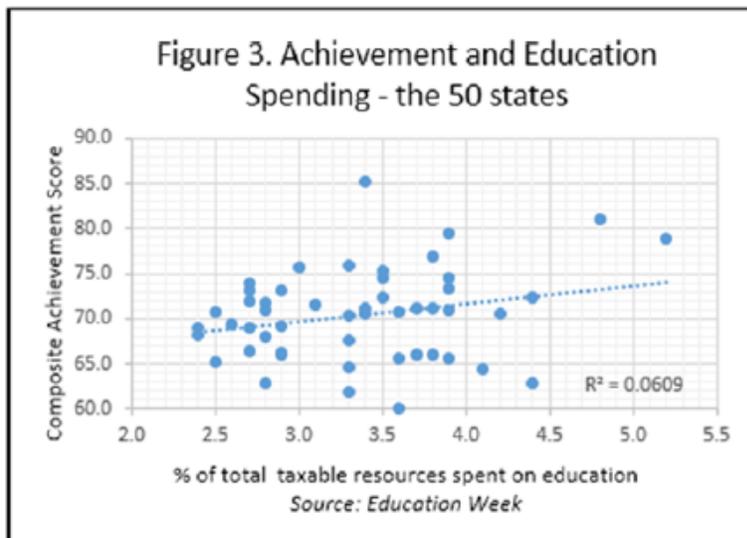
The 2016 State Assessment also reflects startlingly low preparedness for college and career. The adjacent table shows the percentages of 10th Grade students considered to be on track to be college and career ready in English Language Arts (ELA) and Math. Only 18 percent of low income 10th graders are on track in ELA and just 11 percent in Math; among their affluent peers, just 42 percent are on track in ELA and only 34 percent in Math. The geographic sampling of some of the larger districts in Kansas show similarly distressing results. Even in Blue Valley, often thought of as having the highest scores in Kansas, only about a quarter of low income students and barely more than half of the more affluent are on track.

10th Grade - On Track to be College & Career Ready				
School District	ELA		Math	
	Low Income	Not Low Income	Low Income	Not Low Income
State Average	18%	42%	11%	34%
Blue Valley	28%	55%	28%	55%
Kansas City	9%	16%	7%	10%
Wichita	14%	40%	9%	28%
Topeka	12%	29%	10%	18%
Shawnee Mission	22%	54%	15%	45%
Olathe	20%	52%	16%	48%
Dodge City	11%	27%	9%	21%
Hays	36%	51%	25%	44%
Emporia	22%	39%	14%	28%
Hutchinson	14%	35%	9%	19%

2016 State Assessment; ELA = English Language Arts

Some people believe there is a correlation between spending more money and getting better outcomes but even the majority of researchers who hold that opinion admit that it's how money is spent that makes a difference rather than simply spending more. In Kansas, scores remained stubbornly low and relatively unchanged even though funding increased from \$4.3 billion in 2005 to \$6.0 billion in 2016; that increase was roughly twice the rate of inflation.

Last fall, as the *Gannon* court was preparing for oral arguments, I addressed the lack of correlation...let alone causation...in a September 2016 Policy Brief "Supreme Court Should Dismiss *Gannon* for Lack of



Rose Measurement and False Spending Premise." I wrote, "The 20th annual edition of Quality Counts, a nationwide report card produced by Education Week magazine, provided education funding and performance data as part of their analysis. A statistical analysis from the scatterplot in Figure 3...shows the correlation between spending and results falls short of even being considered statistically weak." He further explains, "The R2 value is a measure of the strength of the relationship between the two variables – achievement and spending. An R2 of

0.06, as in this case, is considered statistically 'weak' (anything less than an R2 of 0.09 is considered a weak relationship) and when the one outlier in the scatterplot (Vermont) is removed, the R2 is 0.02."^{iv}

This comparison of NAEP scores and per-pupil spending clearly shows the lack of correlation. Florida outperforms Kansas on four of the eight NAEP scores and has the better composite score of all eight measurements, yet spends almost \$2,200 per-student less. Texas spends about \$1,300 less and wins three of the eight comparisons. Some states do spend more than Kansas and also have better outcomes, but that is not evidence that spending more causes outcomes to be better, any more than the adjacent example would prove that spending less causes outcomes to be better.

Kansas Spends More, Achieves Less on NAEP			
Category	Kansas	Texas	Florida
4th Grade Reading Score 2015			
Low Income students	208.0	208.3	220.2
Not Low Income students	238.2	234.8	238.5
8th Grade Reading Score 2015			
Low Income students	255.6	251.8	256.6
Not Low Income students	277.5	272.2	274.5
4th Grade Math Score 2015			
Low Income students	230.9	235.1	235.2
Not Low Income students	253.1	259.9	254.3
8th Grade Math Score 2015			
Low Income students	271.8	273.7	265.5
Not Low Income students	294.8	296.0	291.7
Composite - all scores	2029.9	2031.7	2036.5
2014 Per-Pupil (headcount)	\$ 12,002	\$ 10,695	\$ 9,794

Source: Census, NAEP

Accountability factors that need strengthening in HB 2410

Accountability for Student Outcomes

Although HB 2410 addresses accountability, by and large it lacks enforcement teeth.

- Accreditation: the new Kansas Education Systems Accreditation (KESA) approach will be in statute under the provisions of HB 2410. Regardless of the fanfare that has come with rolling out KESA, a much closer look reveals that it has many shortcomings:
 - School districts will be accredited, not buildings. This allows poor performing schools to persist while getting “cover” from the district as a whole. Don’t forget – students go to schools, not districts.
 - It’s a five-year process that is just beginning. All schools will be considered accredited for the next five years.
 - Outcomes (data) are not even considered in KESA until year five.
 - They have yet to define how outcomes are used to determine accreditation.
- Assessments, as defined in Sec. 43 may not meet the new federal education act the Every Student Succeeds Act (ESSA) standards.
- At-risk. A cornerstone of the Supreme Court’s latest *Gannon* ruling is that an unacceptable percentage of students are not proficient in basic skills. A disproportionate share of those students are low-income. As has been discussed before this committee before, at-risk funding increased seven-fold to nearly \$400 million annually after *Montoy*. Dollars that were supposed to be used to narrow those achievement gaps have been used for many purposes not targeted directly toward at-risk students. As the Legislature works through the arduous process of putting together a new K-12 education funding system, opportunities abound. One of those is the opportunity to overhaul one of the largest components of the old formula – the At-risk program. A conceptual change is needed that will allow both the funding and serving those students deemed “at risk” to be more effective and more efficient.

The previous approach was ineffective, inefficient and confusing.

- It was confusing because the term “at risk” had two very different meanings: one in defining how funds were generated and the other for academic performance.
- It was inefficient because funding was based on the United States Department of Agriculture’s school lunch program which, as I will describe later, is not the best proxy for getting more funding to students who are academically challenged.
- It was ineffective because despite the large increases in funding, income-based achievement gaps continue to be significant and stagnant.

Funding At-risk

Funding based on the USDA’s school lunch program should be changed to using the U.S. Census Bureau’s poverty estimates as a basis for funding. In fact, we suggest the term “poverty funding” replace “at risk” for funding purposes. No proxy for determining poverty or at-risk is perfect but there are many advantages in using U.S. Census data, making it both a more effective and efficient way to get funding to where it is intended – helping truly at-risk students.

- Advantages:
 - Estimates are made down to the school district level and grouped down to kids of school age (5-17).
 - Estimates are made every two years.
 - Its simplicity – no paperwork, no auditing necessary, no under or over funding.
 - Predictable – funding is not open-ended: school districts will know how much they will get and the legislature will know how much the program will cost.
 - The money would get to where students in poverty are.
 - Goes without saying but it’s a much better indicator of the number of Kansas kids living in poverty than free/reduced lunch statistics.
 - Poverty estimates are used the U.S. Department of Education in allocating Title I dollars – of which Kansas gets in the neighborhood of \$100 million each year.
 - Funding will no longer be dependent on the whims of a program run by the U.S. Department of Agriculture.
 - USDA has expanded those eligible for free lunch through the Community Eligibility Provision (CEP), a program that can expand free lunches to non-low-income students.
 - USDA could also tighten regulations to reduce the number of students eligible for free lunch.
- Disadvantages:
 - Estimates are just that – estimates. The biggest concern is that they are less reliable the farther they are removed from the decennial census.
 - There will be “winners” and “losers” among the school districts.

Providing academic services

Not only should the method of poverty-based funding change, but achievement gap data is an indicator that the money needs to be targeted exclusively to those students defined as “academically challenged.”

- As unnecessary as it sounds, oversight is needed to ensure poverty money is spent exclusively on those who are academically challenged.

- Along with that, there should be a narrower definition of “academically challenged,” one that assures poverty dollars will be spent where it is needed.
- KSDE needs to be more transparent on how the money is spent and the outcomes produced. Let’s not lose focus on the purpose: it is to improve outcomes of those who are identified as academically challenged. It took a Kansas Open Records Act (KORA) request for KPI to get the at-risk reports from the districts to KSDE.
- HB 2410 does nothing to change all that. Waiting until 2021 to have LPA do a performance audit is unacceptable. Districts should be required to report annually to both the Legislature and the State Board of Education on the impact of the at-risk program, not merely how they spent the money.
- A performance audit to determine districts’ progress in reducing achievement gaps, while a good idea, is not necessary. Several metrics are already available that provide that data. Any performance audit should focus on why achievement gaps are not being reduced. The achievement gaps should be a perpetual focus, not one that is part of a performance audit every several years.

While the bill mentions accountability we feel these provisions are not strong enough to ensure the achievement gaps discussed above are being closed. With this mind we would hope that the legislature would look at the following ideas to hold schools accountable for the outcomes of their children.

- There should be financial incentives for schools who meet defined outcome goals. State assessment scores or reaching improvement targets in some other determined student-based outcome measure are examples of possible incentives. Further, these incentives should be as targeted as possible when directing the money to the schools (i.e., incentive money should be directed specifically to improve teacher pay, be allocated upon successful completion of an Advanced Placement exam).
- Kansas Policy Institute strongly believes that the new school funding formula must hold school districts accountable for improving outcomes, meaning that there would be an automatic consequence for chronically low-performing schools. First, those schools should be identified through an A-F building grading system, similar to those used in other states. Students stuck in “D” or “F” schools should be eligible for an education savings account (ESA), which would allow them to choose another school, as is done currently in five states. Obviously, this means the ESA option must also be in the new law. We also feel that mandates of accreditation of the existing tax credit scholarship do little to help strengthen educational opportunities. In fact, they may even set the existing program back. In short, all public schools in the state are currently accredited despite the staggering, and stagnating, achievement gaps discussed above. Accreditation is no guarantee of better educational opportunities.

Accountability for the Efficient Use of Taxpayer Money

The new law should address efficiency in the way taxpayer dollars are spent on education. Under SDFQPA, not only were there no assurances districts need be efficient in their spending practices, they acknowledged being inefficient. At a time when the state is struggling to make ends meet, there is no room for such blatant inefficiency. Schools must simultaneously do their best to provide education and be effective stewards of public money.

HB 2410, like old formula, has no requirement that taxpayer dollars are efficiently used. That’s in stark contrast to public opinion. The SurveyUSA market study mentioned earlier also found that 84 percent of

Kansans want the new formula to include some requirement for spending money efficiently, a very strong sentiment that crosses all geographic and ideological boundaries.

School districts often say they are operating as efficiently as they can, and while they may well believe that, the data shows a completely different story. School officials testified in

Q5: A new school funding formula should include some requirement for spending money efficiently, with efficient defined as getting the same or better quality service or product at the best possible price.

501 Registered Voters	All	Region				Ideology		
		Western Kansas	Wichita Area	Kansas City Area	Eastern Kansas	Conserv	Mod.	Liberal
Credibility Interval: ± 4.5 pct points								
Strongly agree	45%	52%	40%	47%	43%	51%	41%	44%
Somewhat agree	39%	35%	44%	36%	40%	35%	46%	32%
Somewhat disagree	7%	2%	5%	7%	9%	6%	6%	11%
Strongly disagree	2%	5%	0%	3%	2%	2%	2%	4%
Not Sure	7%	7%	10%	7%	7%	6%	5%	9%
Agree	84%	87%	84%	83%	83%	86%	87%	76%
Disagree	9%	7%	5%	10%	11%	8%	8%	15%

Source: SurveyUSA, data collected Feb. 3 to Feb. 8, 2017

opposition to previous funding proposals to create savings from a statewide procurement system, saying they prefer to spend more than necessary to support their local community. Noble intentions aside, doing so wastes money and consciously diverts funds from Instruction.

Many school districts have excessive operating cash reserves set aside. At the maximum 15 percent of operating funds recommended in the Alvarez & Marsal efficiency study, state aid could have been reduced by \$196.5 million this year – most of which represents aid provided in prior years but not spent. With 286 school districts in Kansas, there are nearly that many separate systems for accounting, payroll, HR, purchasing, transportation, IT, food service and other functions. These are just a few large examples of how money is diverted from Instruction and ultimately results in excess taxation of citizens and/or crowding out funding for other services.

In summary, we would like to reaffirm our recognition of the balancing act necessary to create a new school finance law. As you wind through this process, please keep in mind that it must be more than SDFQPA 2.0. The old law was strictly inputs based, with no consideration for outcomes and would not suffice the Court mandate. Again, it is our understanding that the base funding provisions of this bill were derived from an attempt to “reasonably calculate” necessary funding but this is not clear within the text of the bill.

While some conferees on this bill have already offered support of the structure only to ask the question of “how much” does this bill bring to schools, they have missed another admonition from the Supreme Court. Please keep in mind that the Supreme Court also declared that “total spending is not the touchstone for adequacy.”

ⁱ Gannon v. State of Kansas, Kansas Supreme Court March 2014, page 76.

ⁱⁱ Complete survey results, the survey instrument and methodology are available at <http://www.surveymusa.com/client/PollReport.aspx?g=8950f239-20cc-416d-9aec-23803815c668>

ⁱⁱⁱ <http://www.edweek.org/ew/qc/2017/state-highlights/2017/01/04/kansas-state-highlights-reportpage.html>

^{iv} Kansas Policy Institute, “Supreme Court Should Dismiss Gannon for Lack of Rose Measurement and False Spending Premise” at <https://kansaspolicy.org/gannon-policy-brief/>