Kansas Public Education: The Foundation for Economic Growth
PUBLIC EDUCATION:
AN ECONOMIC INVESTMENT

Kansans have long recognized that education is key to economic growth. In 1874, the Territorial Legislature took the first steps to increase school attendance by passing a compulsory school attendance law. The rationale: “education was key to the state’s growth and development, since a literate and skilled citizenry could help build business and industry.”¹

Over 150 years later, as state lawmakers seek to “make the Sunflower State the best place in America to raise a family and grow a business,”² the link between education, workforce, and economic growth endures. Then as now, investment in public education directly correlates to Kansas’ stake in the national and global economy.

Unfortunately, Kansas struggles to keep pace with the investments necessary to ensure K-12 education remains relevant and responsive to workforce demands. Following a recent series of tax policy changes, the state continues to lose ground as job growth lags and revenue continues to trend downward.

Kansas faces big challenges. We are dealing with recurring budget crises. We are not making strategic and long-term decisions. We are not talking about the investments necessary to fund K-12 education remains relevant and responsive to workforce demands. Following a recent series of tax policy changes, the state continues to lose ground as job growth lags and revenue continues to trend downward.

For Kansas to remain competitive, policymakers and the governor must recommit to supporting K-12 public education, a critical part of the workforce development pipeline, with the resources necessary to create the next big economic surge.

“...I strongly believe we must do more to invest in the beginning of the workforce development pipeline,” Mike Petters, President and CEO of Huntington Ingalls Industries.

KEY FINDINGS

• Kansas high school graduates earn far more than their peers who do not graduate: The Class of 2014 will earn an extra $4 billion in salary and wages over their lifetime compared with non-graduates – just by receiving a Kansas high school diploma.

  • High school graduates save the state money: The social costs saved by graduating students add up quickly. Estimates show the Class of 2014 may save the state a total of over $2.5 billion.³ For example, Kansas saves an estimated:
    • $985 million on crime control costs
    • $111 million on social safety net programs
    • $1.5 billion on public health costs

• Business and community leaders expect high school graduates to possess technical and non-academic skills: Kansans strongly support efforts to prepare high school students with non-academic skills, like a strong work ethic, employability, and persistence.⁴ The top 10 projected fastest growing jobs in the state will require employees with a strong background in non-academic skills – like perseverance and a collaborative mindset – and at least a high school education, with most needing some level of post-secondary education.⁵ In conversations facilitated by the Kansas Center for Economic Growth (KCEG), business, community, and school leaders expressed concerns that current state investments in education will likely not keep pace with expectations for workforce preparedness.

• Workforce demands in Kansas require greater investments in career and technical training programs: The legislature established the Career Technical Education (CTE) Incentive plan to “prepare students for a future of economic prosperity, prepare a qualified and talented workforce for business, and promote a robust economy for Kansas.”⁶ Since 2012, enrollment in CTE programs increased by 65,000 students. Due to Kansas’ poor fiscal health, however, reimbursement to schools for training in high-demand careers (e.g. welders, electricians, and nursing assistants) fell by more than 50 percent of what the legislature promised.

• With education funding lingering below 2008 funding levels and a record number of students to serve, Kansas schools cannot respond to workforce demands in a timely fashion: Despite an increase of almost 19,000 more students, total state aid remains almost $350 million below its peak in 2009, when adjusted for cost increases such as inflation. Furthermore, the number of certified teachers in Kansas public schools fell by over 620.

Educating Kansas kids broadly impacts our state economy and, with the damaging consequences from tax changes made in 2012, 2013, and 2015, KCEG recommends the repeal of efforts to eliminate or reduce
the state income tax. Additional revenue from the repeal would fund Kansas public schools. Furthermore, KCEG recommends replacing the current block grant funding system with a school finance formula that comprehensively helps prepare students for their future careers.

“A well-educated student with a good paying job isn’t just important in this community, but for the entire state. We do a good job preparing students regardless of whether we get new jobs here...because our students can make a difference anywhere in Kansas.”

K-12 Administrator,
North Central Kansas

K-12 EDUCATION IN KANSAS IS AN ECONOMIC DRIVER
Most of the discussion on growing the Kansas economy focuses on tax policy – specifically, cutting or eliminating business and income taxes. At the same time, discussion about K-12 funding focuses almost exclusively on the “cost” to the state instead of “investment” in one of Kansas’ most powerful economic development tools.

Educating Kansas students pays significant dividends for the Kansas economy. High-quality, adaptive public education means more opportunities for students entering post-secondary education or the workforce. Students who continue their education will likely experience higher earnings and job advancement over the course of their careers.

A high school degree increases an average Kansan’s annual median earnings by almost $5,400. The difference in earnings increases with more education, too, as those with a two-year college degree earn $10,000 more annually than those who did not graduate high school. This adds up – both for the individual and for the state’s economy.

In order to envision what this figure looks like in total, look at a snapshot of the Class of 2014. One year after completing high school, many graduates put their employability and technical skills to use. Some train for a technical skill or certificate while others attend a four-year university. These Kansas high school graduates will broadly impact the Kansas economy during their working lives. For example, the Class of 2014 will earn over $4 billion more during their careers just by holding a high school degree, even if they don’t receive any additional education or technical skills training. This figure only reflects one year of graduates from Kansas schools, so investment in K-12 education yields this huge economic benefit each and every year.

The higher earnings of high school graduates increases their spending power, translating into more economic prosperity throughout Kansas.

RETURN ON INVESTMENT
Educating Kansas kids saves taxpayers down the line and
offers a direct economic benefit for the state economy at large. In addition to a higher earning potential, high school graduates tend to find more opportunities for employment, maintain better health, and avoid the criminal justice system. These savings provide a return-on-investment that benefits graduates of Kansas’ K-12 education system and society at large.

“The largest cost savings from the Class of 2014 come in three categories: crime control, social assistance, and public health. In these areas, Kansas sees significant savings over the lifetime of each graduate.”

Community Member, Southeast Kansas

Simply put, the “dollars and cents” side of the education equation reveals a wise investment that pays off. Each dollar invested in public schools reaps a $2.62 return, and results in big savings for taxpayers and government alike. Investing in Kansas schools and students is a tried-and-true method for building a strong economy.

BUSINESSES’ VIEW: WHAT’S BEST FOR THE KANSAS ECONOMY

So what is the measure of a successful K-12 education system? Among the most common answers: graduating good citizens who are workforce ready and earn an income that sustains them. They need the skills – whether it’s employability, technical abilities, or critical thinking – to enter the economy after graduation and adapt as the economy changes and grows over their lifetime. In the summer and fall of 2015, KSDE held conversations in more than 20 communities across the state, gathering feedback from almost 2,000 community and business leaders. KSDE posed a basic question: What qualities, characteristics, and skills does a 24-year-old Kansan need to be successful? They reached a clear consensus: 70 percent of community leaders and 81 percent of business and industry leaders believed students need non-academic skills – like the ability to persevere, communicate, and collaborate with others – to achieve success.

“Spending on education makes more sense than paying for welfare programs and government assistance. But that return won’t be felt for years. What do we do in the meantime?”

Community Member, Southeast Kansas

CONNECTING KANSAS’ K-12 EDUCATION SYSTEM TO THE STATE ECONOMY

KCEG’s conversations with business, school, and community leaders affirm the belief that schools can prepare students for their role in the Kansas economy. Education has an important role to play in promoting a vibrant and dynamic Kansas economy.

Crime Control
The state will save an estimated $985 million as high school graduates have lower rates of criminal activity than non-graduates.

Social Safety Net
Since Kansas graduates will have higher incomes, they are less likely to be in need of food or housing assistance, which will save the state $111 million.

Public Health
Health care options that are supported by public dollars, such as Medicaid and Medicare, are utilized much less by high school graduates than by non-graduates. This amounts to a savings of $1.5 billion by the Class of 2014.


“Do I think spending money on schools is better for our economy than dumping more money into jails and welfare? That’s a pretty easy answer: Yes.”

-Community member from organization based in Kansas City, KS

“Spending on education makes more sense than paying for welfare programs and government assistance. But that return won’t be felt for years. What do we do in the meantime?”

Community Member, Southeast Kansas

“It’s not enough to prepare students [for the workforce], but we also have to work with businesses to ensure there are jobs for our students and that they pay decent wages. That’s when the investment in K-12 pays off...when graduates have meaningful employment, when they can raise a family, buy a home, and spend money in the local and state economy. That’s the circle.”

-School Administrator, North Central Kansas
A recurring theme emerged: the state’s public schools attract talented workers to Kansas who want their kids to receive a strong education. This effect is enhanced when that hope is fulfilled. Those graduating students find a job in Kansas and, eventually, send their own children to one of Kansas’ world-class public schools.

“What we know...is that quality public schools are a big part of the decision-making process when a worker [and his/her family] is considering relocating.”

-Businessperson, Johnson County

While instilling non-academic skills in Kansas students remains a high priority, students still need the credentials to enter the labor force successfully. Many Kansas jobs will require a diploma, credential, or other post-secondary degree in the near future. In fact, between 2012 and 2022, the Kansas Department of Labor projects almost 35,000 job openings in Kansas per year will require at least a high school diploma or equivalent. The average number of high school graduates per year since 2007, however, falls at only about 33,700. This leaves 1,300 jobs unfilled because too few students graduate.

“Education, jobs, and the economy of our state are inextricably linked. I don’t know how anyone could say otherwise.”

-Community Member, Northeast Kansas

The Kansas economy heavily relies on jobs requiring a high school degree or at least some college. The state ranks 10th nationally in the proportion of jobs requiring a high school degree, and third in the proportion of jobs requiring at least some college. Of the top 10 fastest growing occupations in our state, eight require some education beyond high school. As these numbers suggest and other studies confirm, a gap looms on the horizon between job requirements and the education of the Kansas workforce. A Georgetown Public Policy Institute study indicates that by 2020, 71 percent of Kansas jobs will require some education beyond high school – six percentage points higher than the national average. One of the exacerbating factors for this estimated labor shortage may be the out-migration of people from Kansas as current tax policy threatens our quality schools, roads, and communities. Indeed, in the first full year of the tax cuts, 4,200 more people left Kansas than moved to Kansas.

This emerging shortfall highlights the need to expand opportunities for Kansas students to plan and prepare for their careers. Policymakers must invest in initiatives that benefit students’ educational experience and outcomes by shrinking class sizes, adding more teachers, and teaching the necessary skills or trades that will help them – and Kansas – succeed in the future.

Business and education leaders spoke clearly about the needs of the Kansas workforce; both technical skills and non-academic skills will help students succeed in work and life. The question that remains is whether policymakers make the needed investments right now. Unfortunately, current tax policy in Kansas makes it ever-more difficult to give schools the resources they need to train tomorrow’s workforce. The tax changes of 2012-15 left no room in the state’s budget to invest in education as needed, given Kansas’ constant state of fiscal crisis since these changes took effect.

“We may not be growing at the same rate [as other parts of the state], but our community takes pride in the fact that students come back to work and raise their children here.”

-Businessperson, Southwestern Kansas

**MISSED OPPORTUNITY: INVESTING IN THE KANSAS WORKFORCE**

Drastic cuts in state income tax reduced revenue quickly and hindered the state’s ability to invest in K-12 education. This makes it exceedingly difficult to provide schools with necessary resources, especially as enrollment continues to increase, fixed costs increase, and the services schools provide expand.

In a 2014 survey of Kansas public school superintendents, KCEG documented how insufficient state investment in K-12 public education affected schools. Results showed that average class sizes increased, funding per pupil decreased, and extracurricular activities, athletics, art, and music programs had been reduced or eliminated. Stagnant state
revenue, in conjunction with the elimination of the school finance formula in favor a block grant funding system, severely limits districts’ ability to reverse these trends.

When accounting for cost increases over time, the amount of state aid for Kansas schools still falls $350 million below its peak in 2009. During this time, however, headcount enrollment increased by nearly 20,000 students. Districts face additional stress due to the fact that fewer certified teachers work in Kansas now than before the recession. Kansas State Department of Education data shows 620 fewer certified teachers worked in Kansas in 2014-15 than in 2008-2009. This fact alone demonstrates that Kansas public schools must provide the same quality education with stagnant funding, less classroom support, and more students.

As an example of the direct impact of insufficient state support for public schools, consider the Career Technical Education (CTE) program in Kansas. Lawmakers unanimously supported a bill in 2012 to help pay the costs for high school students to enroll in career and technical education courses. Simultaneously, they enacted ill-advised tax policy that prevented them from fulfilling that promise. The CTE program proved popular with Kansas high schoolers looking to jumpstart their careers; approximately 65,000 students enrolled over the last three years. Funding for high-demand jobs in the program, however, has now diminished by more than 50 percent of what the legislature originally promised. Because of lawmakers’ tax policy decisions, the original commitment to school districts of a $1,000 per student incentive for high-need occupations in the CTE program now falls at only $450.

“Businesses are clamoring for students enrolled in our agriculture technician program. The challenge is not whether industry needs our students, but whether we can continue to invest the dollars in growing the program.”

-School Administrator, Southwestern Kansas

At the local level, Kansas public schools made significant changes to cope with years of funding that failed to meet the needs of their students. Here is a sampling of what districts had to do in 2015 just to balance their budgets:

- Chetopa-St. Paul (USD 505) moved to a four-day school week, causing working parents to pay for unexpected child care costs.
- Six school districts ended their 2014-15 school year early because of low funding provided by the state in the form of block grants.
- Andover (USD 385) enacted a combination of budget cuts and student fee increases, doubling the cost for some kids to ride the bus to school.
- Kansas City, Kansas (USD 500), reduced all school and department budgets by 10 percent, cut $350,000 from textbook purchases, and eliminated $900,000 in funding for alternative services, such as the KVC Academy program.
- Tonganoxie (USD 464) eliminated a popular middle school music teacher’s position, cut paraprofessionals and ninth-grade sports, and increased fees for kindergarten and technology.
- Winfield (USD 465) cut the graduation completion program – one of the most important avenues for people who didn’t finish high school to earn a diploma.

Unfortunately, this list merely scratches the surface. Schools across Kansas implemented these sort of cuts and fee increases specifically because state funding failed to meet their districts’ needs. Despite challenges, Kansas schools still aim to keep standards high. The vast majority of Kansas public school spending goes directly to instruction and necessary support services. Even business leaders agree that supporting students and creating a quality learning atmosphere requires unavoidable operational costs.
POLICY RECOMMENDATIONS
A good education is the foundation on which citizens can build and improve their lives. To that end, KCEG offers several key policy recommendations to facilitate broad, shared prosperity as the Kansas economy grows by supporting the state's schools.

1. Repeal the unaffordable income tax changes to generate revenue and invest in schools. Income tax changes went into full effect in 2013, but they failed to produce the economic boost promised. Instead, significant drops in revenue jeopardize the fiscal health of the entire state, including public education. Early warnings of a perpetual budget crisis came to fruition, with Kansas missing tax revenue estimates for 11 of the past 12 months. Even with lowered consensus revenue estimates, lawmakers must address yet another unstable budget for Fiscal Year 2016 and 2017. If Kansas repeals efforts to eliminate the state income tax, additional revenue can shore up Kansas’ finances and re-stabilize public schools. The CTE program could fulfill its potential to provide opportunity to more students. Classroom sizes could decrease. More teachers could be hired. The proven return on this investment will generate far more economic prosperity in one year than Kansans ever received from a reduced state income tax.

2. Replace block grant funding with a school funding formula built for success. During the 2015 legislative session, lawmakers scrapped the underfunded formula used to allocate dollars for public schools in favor of block grants for the next two years. In that two-year interim period, the legislature must re-write the school funding formula. The block grants received fair criticism (especially considering the tenuous nature of the budget) because lawmakers failed to consider what it actually costs to educate and prepare students for jobs. The block grants do, however, present an opportunity to write a formula better suited to funding Kansas schools at the level needed. The following elements are necessary to consider as lawmakers craft a new school finance formula:

a. Focus on non-academic skills and progress toward acclimatizing students to the workforce. This includes providing students with more opportunities for internships, technical and/or career training, and working with businesses to prepare students for entering the job market. Equity among Kansas school districts plays a key role in preparing students for college or a career. Addressing statewide equity issues will balance the varying needs of districts and students across Kansas.

b. Work with students to build a career path. If students receive more exposure to a variety of careers, they can begin working towards employment goals earlier, making them job-ready and productive employees sooner.

c. Focus on student outcomes both during and after their time in public schools. A school finance formula focused on student success on a range of measures will help schools deliver what the labor force needs. Furthermore, awareness of student outcomes beyond their time in public schools will allow districts to focus their efforts today on what makes a successful employee in the future.
When lawmakers invest a dollar in a Kansas high school graduate, that investment more than doubles by the time the graduate finishes his or her career. Boosting this investment offers huge economic potential for the state. But Kansans’ unaffordable tax policies make this otherwise obvious choice incredibly difficult, if not impossible. It is time to repeal the tax changes for the sake of our kids, our future workforce, and our economy.

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2. See Governor Sam Brownback, Roadmap for Kansas. Available online: http://www.brownback.org/
6. See Kansas Department of Labor, number of unique students in grades 8 through 12 enrolled in at least one CTE course in a Kansas public high school, years included 2012-13 through 2014-2015. Available online: http://www.ksde.org/Agency/FiscalandAdministrativeServices/SchoolFinance/ReportsandPublications.aspx#Personnel