

P-12 Education and the State Budget

KyPolicy
RESEARCH THAT WORKS FOR KENTUCKY

January 29, 2024

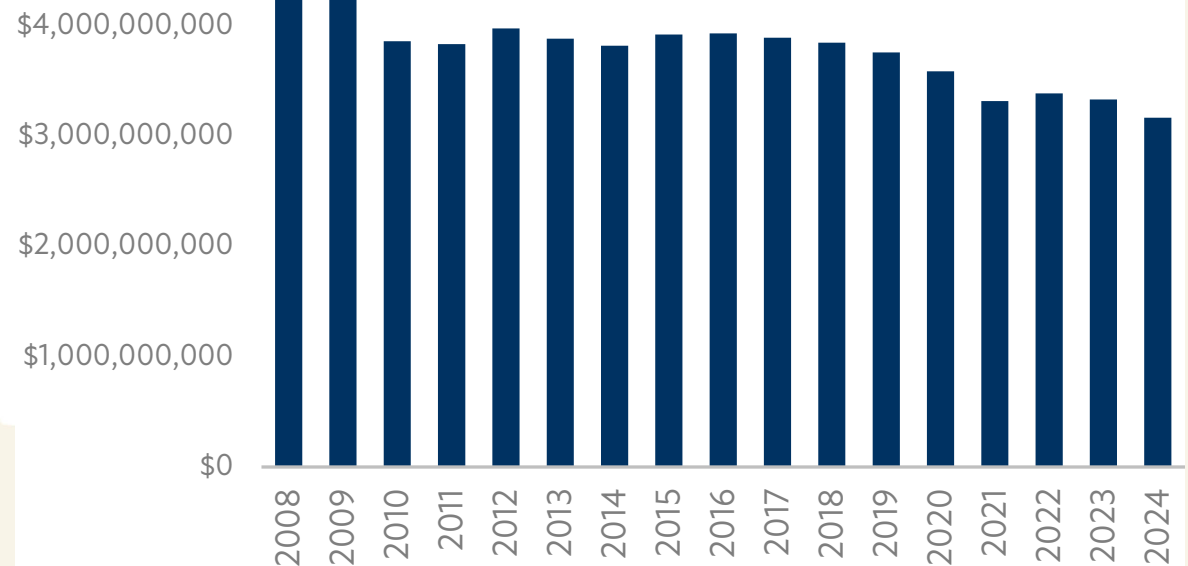


Kentucky Has Seen Slide in State Funding for Schools

Cumulative decline of 26% since 2008 in total SEEK funding adjusting for inflation

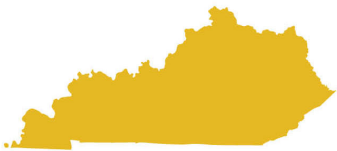
Total Real SEEK Funding Has Been Eroding

Historical and proposed total inflation-adjusted SEEK funding 2008-2026



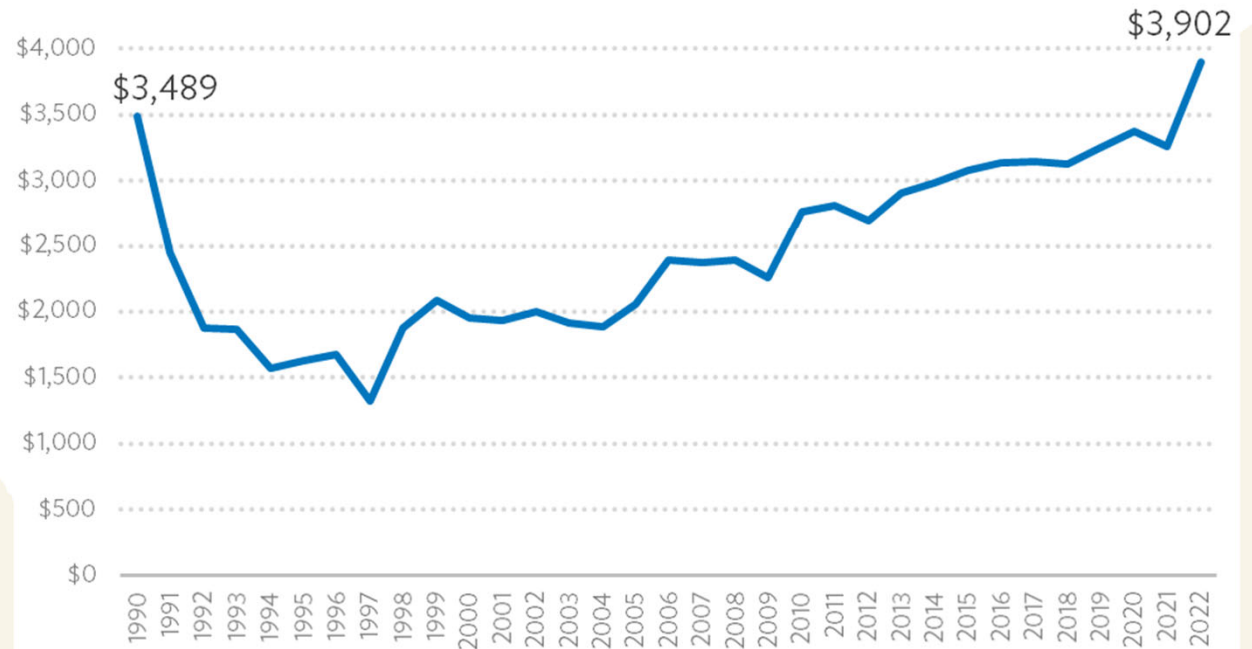
Source: KyPolicy analysis of actual and revised budgets and the CPI-U.

District Funding Gap Has Surpassed Pre-KERA Levels



The Funding Gap Between Kentucky's Poorest and Wealthiest School Districts Now Exceeds the Pre-KERA Gap

Gap between top and bottom school district quintiles in per-pupil, state and local revenue
(inflation-adjusted 2022 dollars)



Source: Kentucky Office of Education Accountability (1990 - 2010); KyPolicy analysis of Kentucky Department of Education and CPI-U data from the Bureau of Labor Statistics.

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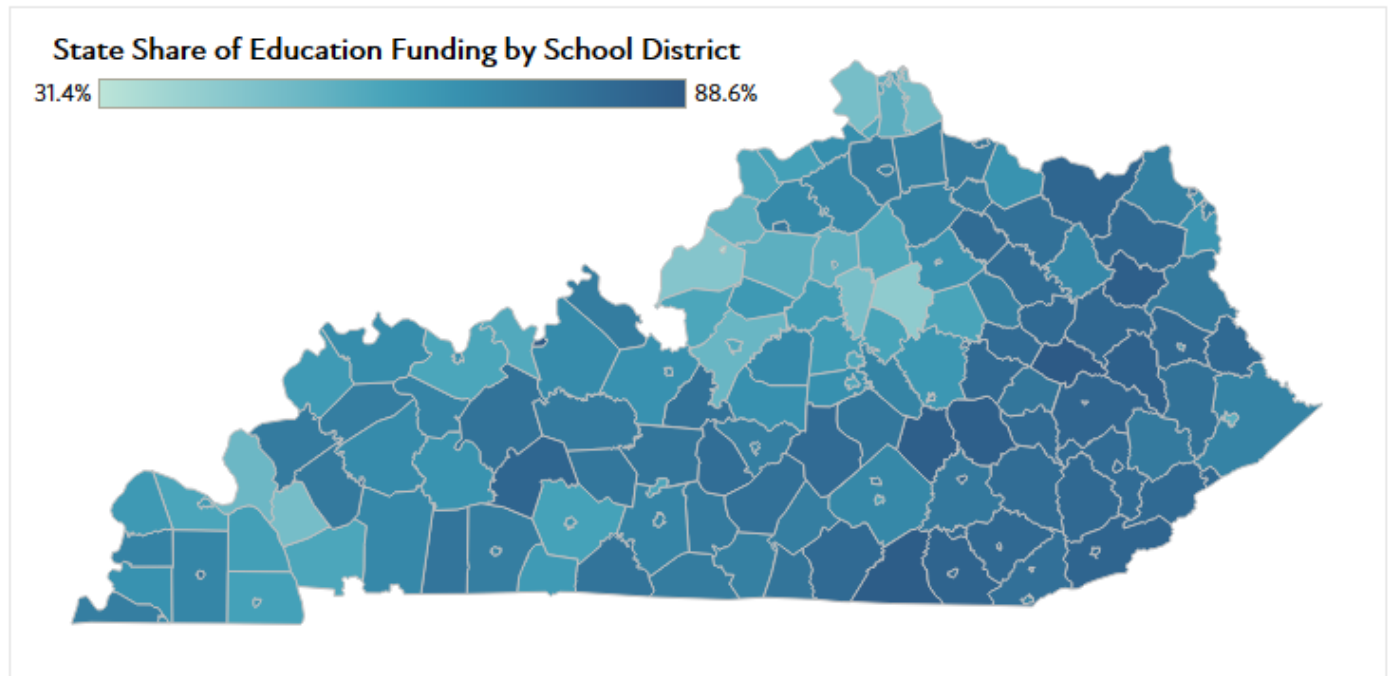
All Districts Harmed from Cuts, Some More than Others

Share of school funding that
comes from state tax dollars
in Fayette County: 42%
Jefferson County: 45%

In Wolfe County School
District: 88%

Income Tax Cuts Will Harm Public Education in Rural Districts More Reliant on State Funding

Share of total state and local public school district revenue from the state in 2020



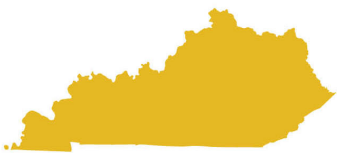
Source: KyPolicy analysis of data from the Kentucky Department of Education.

Teacher Salaries Have Not Kept Pace Over Time

14.2% inflation-adjusted decline since 2008

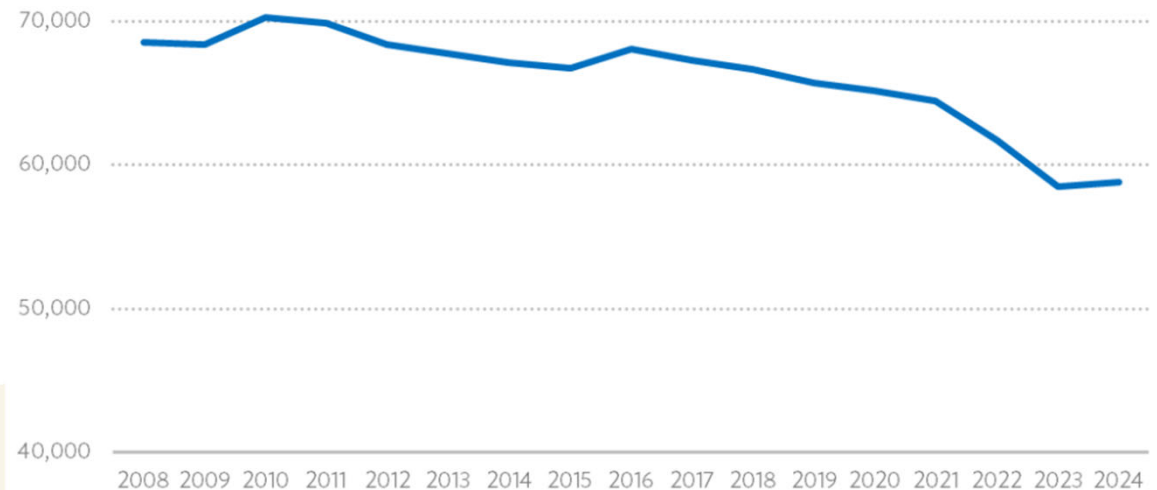
That's a drop of \$9,736

From 0.6% cut in Fayette to 33.4% in Russellville Ind.



Teacher Pay Is 14% Lower Than in 2008

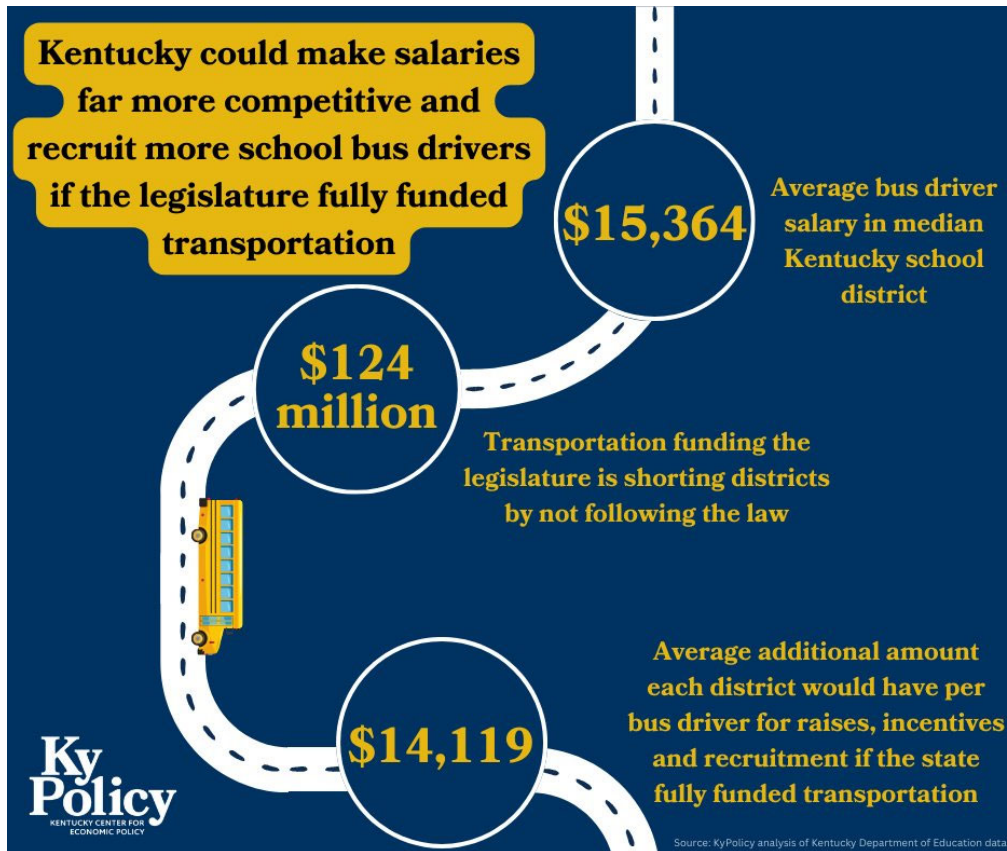
Inflation-adjusted average teacher pay based on September CPI-U data 2008-2024 school years



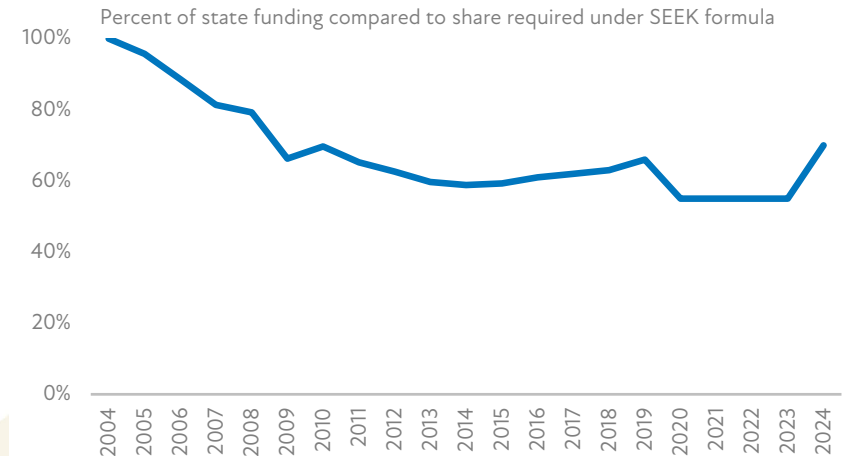
Source: KyPolicy analysis of data from the Kentucky Department of Education and the Bureau of Labor Statistics.

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School Transportation Not Fully Funded Since 2005



State Underfunding School Transportation by \$124 Million



Source: Kentucky Department of Education and FCCR.

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Decline in Classified Employees, Who Are Leaving for Better Pay

Since 2019, decline of

- 1,225 or 13% of bus drivers
- 7% of custodians and other operational staff
- 4% of food service staff

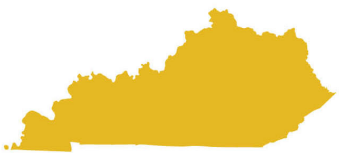
Average Salaries Of Classified Staff, Fiscal Year 2022 And 2022 Wages Of Classified Staff Who Left School Districts in 2021

Job	2022 Average Salaries Of Classified Staff By Job Classification	2022 Wages of Classified Staff Who Left In 2021	Difference	Percent Difference
Transportation	\$17,174	\$36,944	\$19,769	115%
Food Service	14,577	28,559	13,982	96
Secretarial/Clerical	28,051	36,665	8,614	31
Operations	26,287	34,076	7,790	30

Coming Loss of Pandemic Dollars Is a New Challenge

- 3,860 school positions funded with ESSER
- 2,133 are for existing positions (55%)
- Of other 1,757 new positions created with funds, only 349 expected to be retained

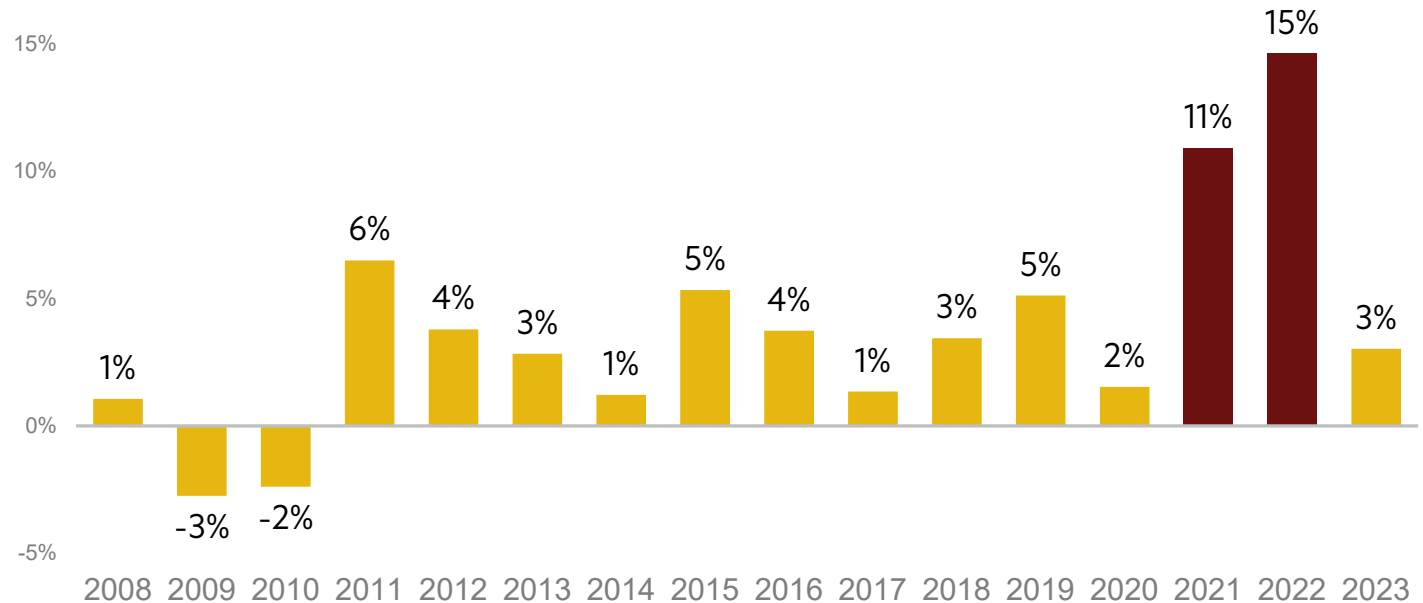
Source: Office of Education Accountability



Tax Receipts Rose Recently Due to Stimulus, Record Low Unemployment, Temporary Inflation

Strong Recent Revenue Growth

General Fund percent growth from prior year

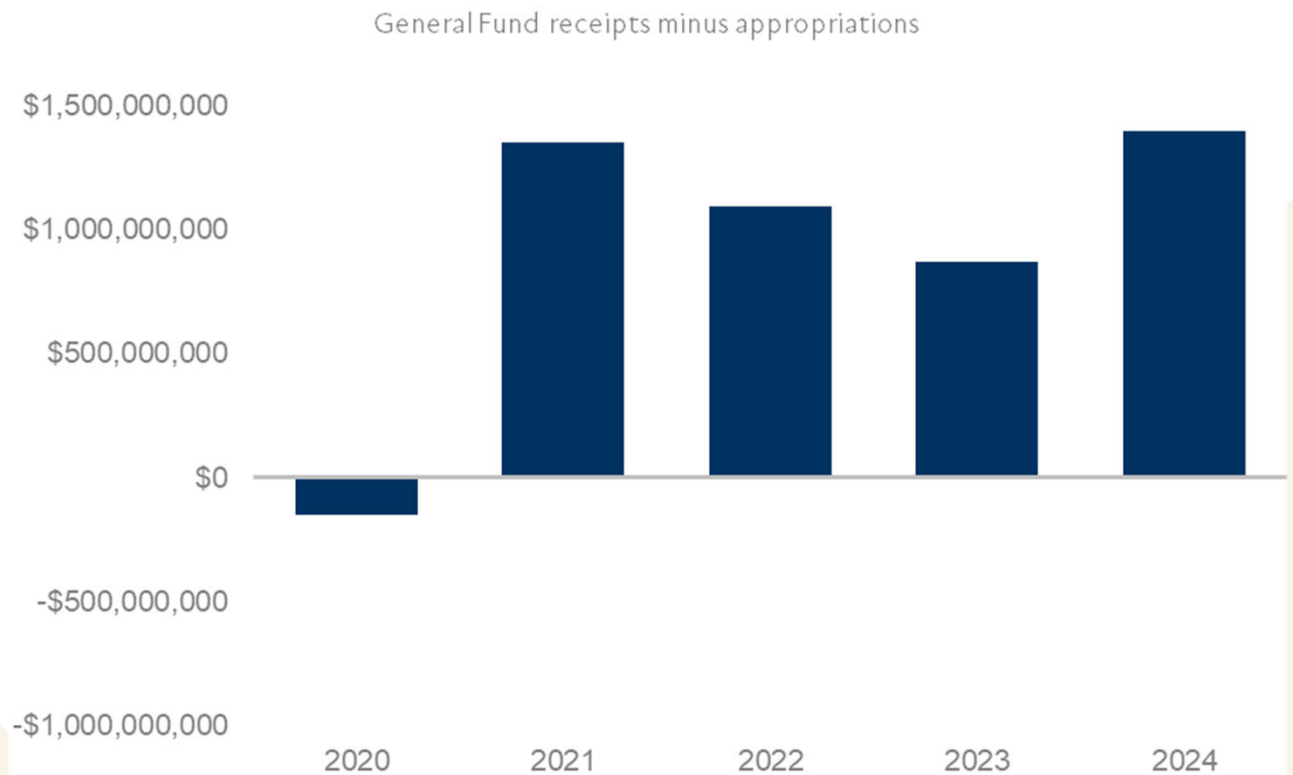


Source: KyPolicy analysis of Office of the State Budget Director data.

**But
Legislature
Largely Has
Not
Appropriated
Those
Increased
Funds**



General Assembly Now Appropriating Far Less Than Revenues



Source: KyPolicy analysis of Office of the State Budget Director data. Relies on actual appropriations for 2016-2019 and revised appropriations for years thereafter. Uses actual receipts for all years to 2023 and the December 2023 forecast for 2024.

Instead They Are Being Stockpiled



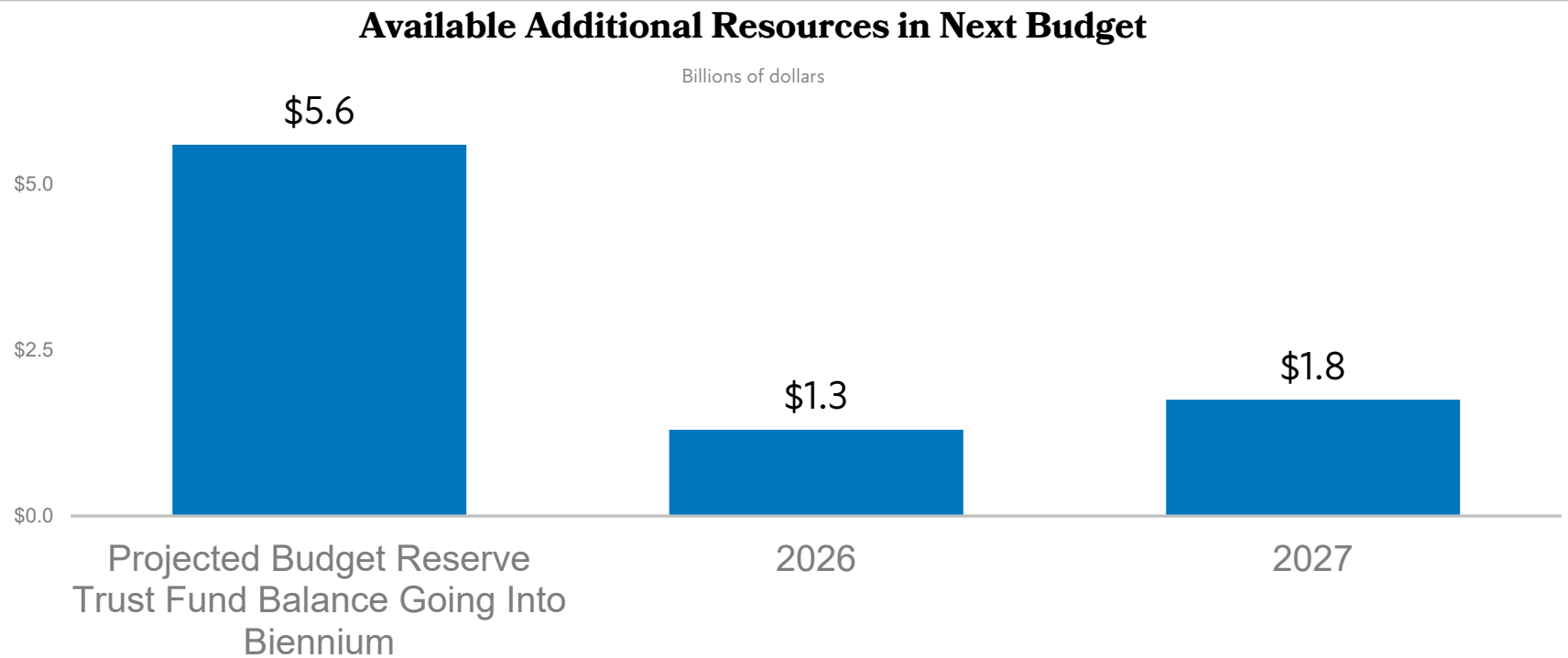
Kentucky Is Putting Excessive Monies Away in Reserve

Budget Reserve Trust Fund balance as a percentage of annual General Fund revenues and in billions



Source: KyPolicy analysis of Office of the State Budget Director (OSBD) data. 2026 and 2027 are projections based on the legislature passing a flat continuation budget aimed at meeting tax cut triggers.

Substantial Recurring *and* One-Time Money Is Available to Meet Pressing Needs



Source: KyPolicy analysis of Office of the State Budget Director data.

House Budget Does Not Deliver Enough SEEK Dollars for Adequate Raises

No dedicated raise for educators, as opposed to governor's 11%,
“increases SEEK instead”

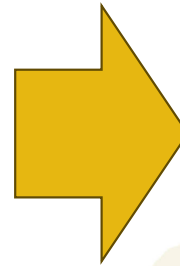


KASA survey: 54% of superintendents estimate raise <2% as a result



House budget: Per pupil guarantee
+4% in 2025
+2% in 2026

But. . .



Inflation projected at
+3.2% in 2025
+3.2% in 2026

Also. . .



Attendance is down (-3.6% in 2026 compared to 2022)

Thus total SEEK base dollars lower than last budget

Other Education Funding Items

Other Areas Still Underfunded

- Increased but still not fully funded school transportation
 - 80% in '25, 90% in '26
- Funding is flat for preschool (Gov had universal), extended school services, mental health providers (Gov had added \$6.2 million social/emotional)
- No funding for professional development (Gov: \$13 million), textbooks (Gov: \$17 million)

Some Areas with Additional Dollars

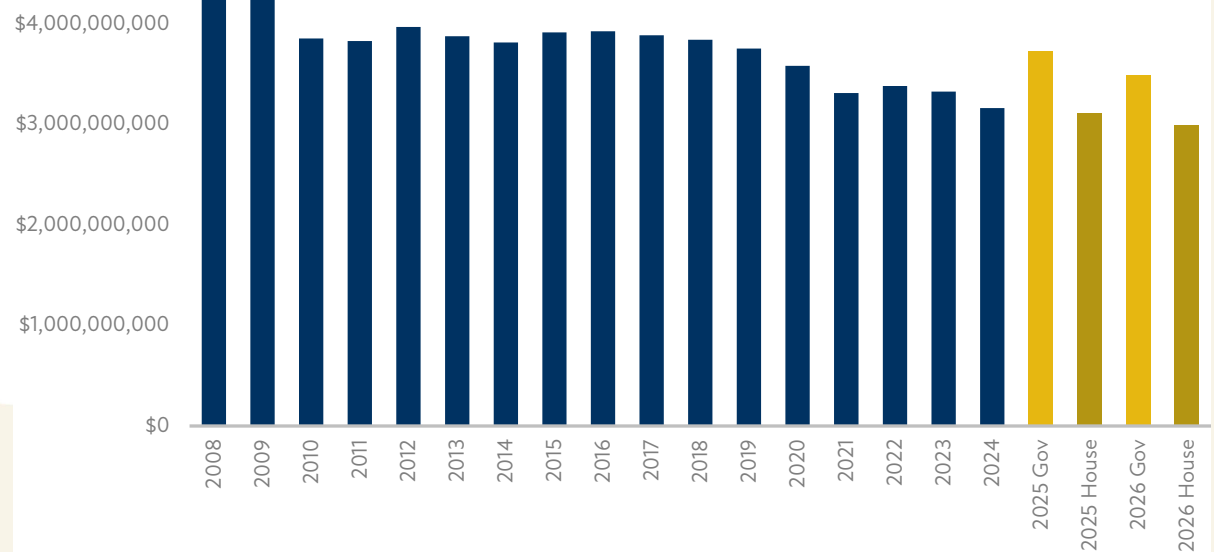
- \$4 million/year for more FRYSCs (though half of governor's request)
- \$4.8 million for teacher student loan forgiveness pilot (Gov had \$26.3 million)
- \$500 million more for TRS unfunded liability
- \$16.5 million for school resource officers

House Budget Does Not Deliver Enough for Proper Reinvestment in Education

- Total SEEK funding falls from 26% to 30% below 2008
- Total P-12 education funding is 14% less in House budget than Governor's, \$1.6 billion over the biennium

Total SEEK Funding Continues Real Decline in House Budget

Historical and proposed total inflation-adjusted SEEK funding 2008-2026



Source: KyPolicy analysis of actual, House and Governor's budgets and the CPI-U.

Troubling additional provisions

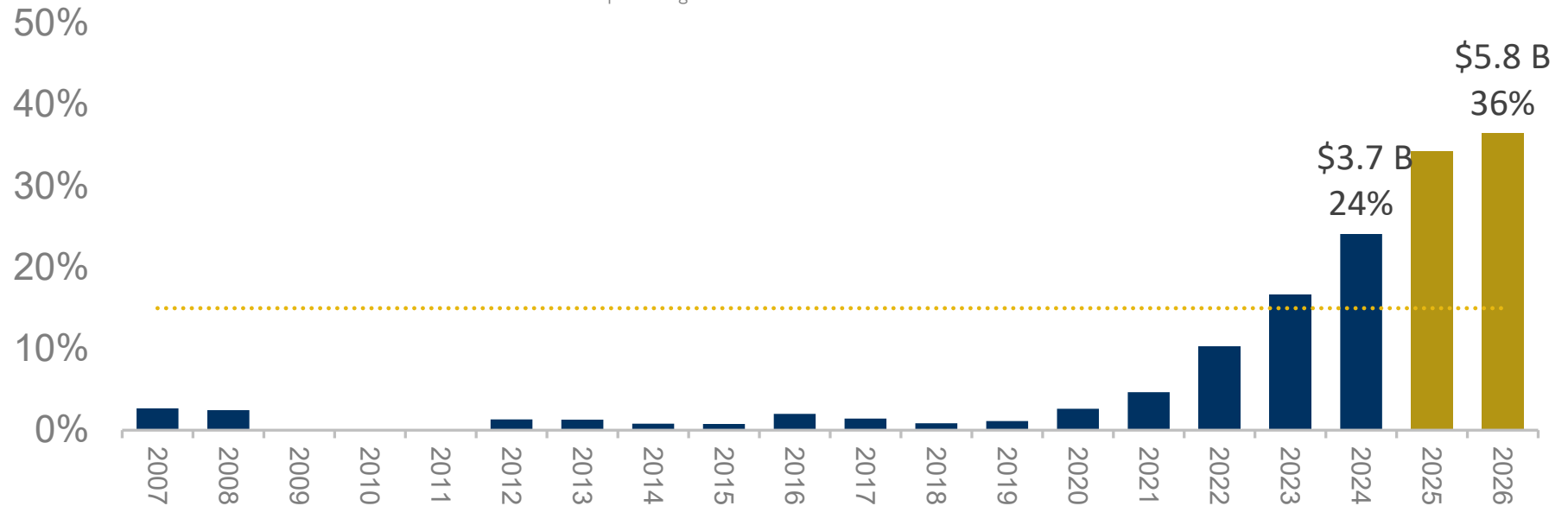
- \$750,000 audit of JCPS
- Requirement to “prominently display” test scores on every page of website in “at least 16 point type”

“The failure of a local board of education. . . to make adequate progress in the recruitment and retention of classroom teachers and classified employees may lead to the closure of individual schools, the takeover of an individual board of education, or the potential consolidation of boards of education. . . .”

House Adds to Already Excessive Reserves

Kentucky Is Building an Excessive Rainy Day Fund Balance

Fund balance as a percentage of annual General Fund revenues and in billions



Source: KyPolicy analysis of Office of the State Budget Director (OSBD) data. 2026 and 2027 are projections based on the legislature passing a continuation budget.

Budget Three-Step?

Enact
Unnecessarily
Austere Budgets



Stockpile
Reserves



Pass Tax Cuts
for the Wealthy

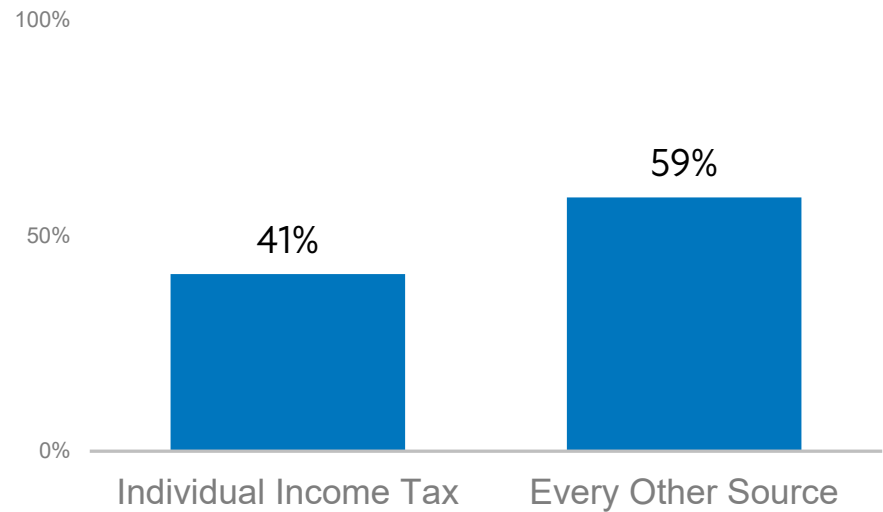


The “March to Zero” on the Income Tax



Individual Income Tax Pays for Nearly Half of State Services

General Fund sources



Source: Office of the State Budget Director.

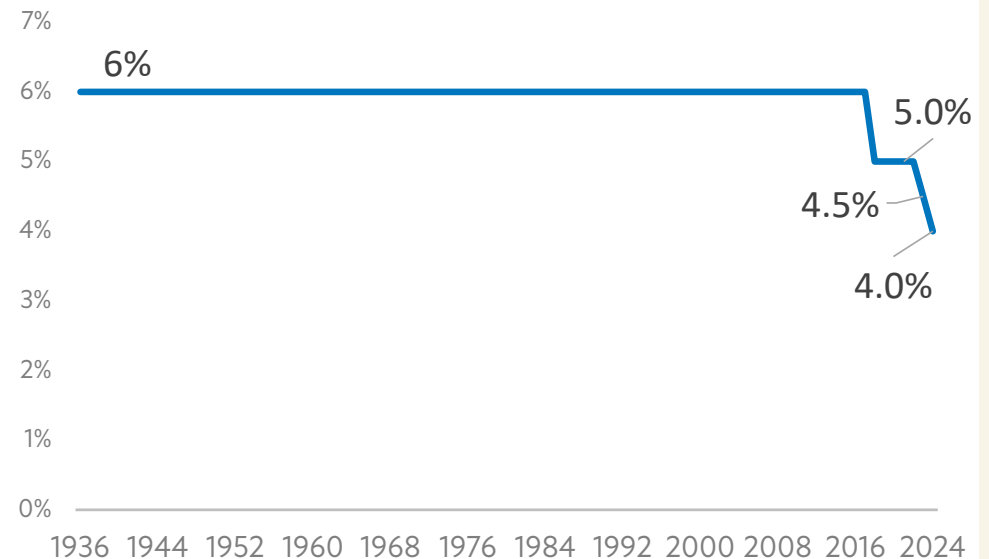
Permanent Tax Cuts Based on Temporary Conditions

- Cuts state's 5% income tax by up to 0.5% each year
- Trigger based on 1-year snapshot:
 - How much is in reserve fund
 - How much revenues exceed spending
- First cut to 4.5% automatically went into effect in 2023
- Conditions met for cut from 4.5% to 4% in Jan '24
- Trigger not hit for another cut in '25



Income Tax Rate Is Dropping

Top income tax rate

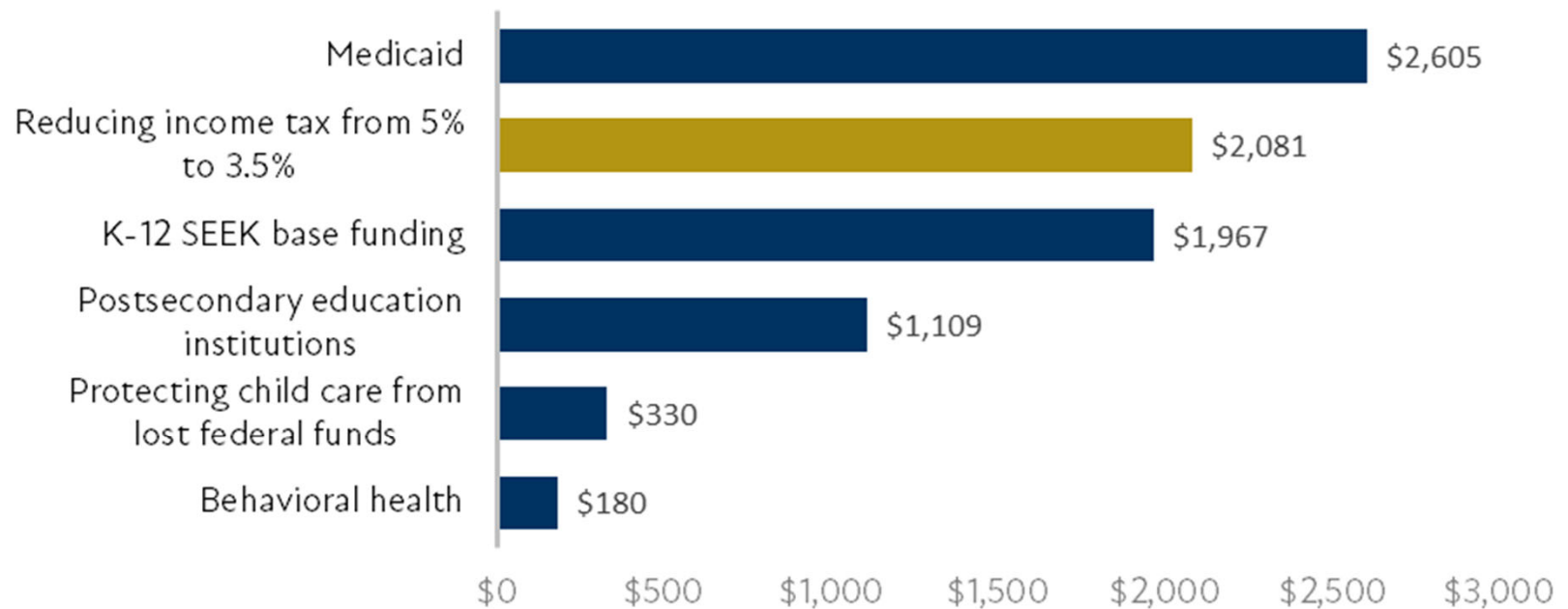


**Even
Small
Cuts to
Income
Tax Are
Very
Costly**



Cost of Cutting the Income Tax

Annual General Fund cost in millions of dollars



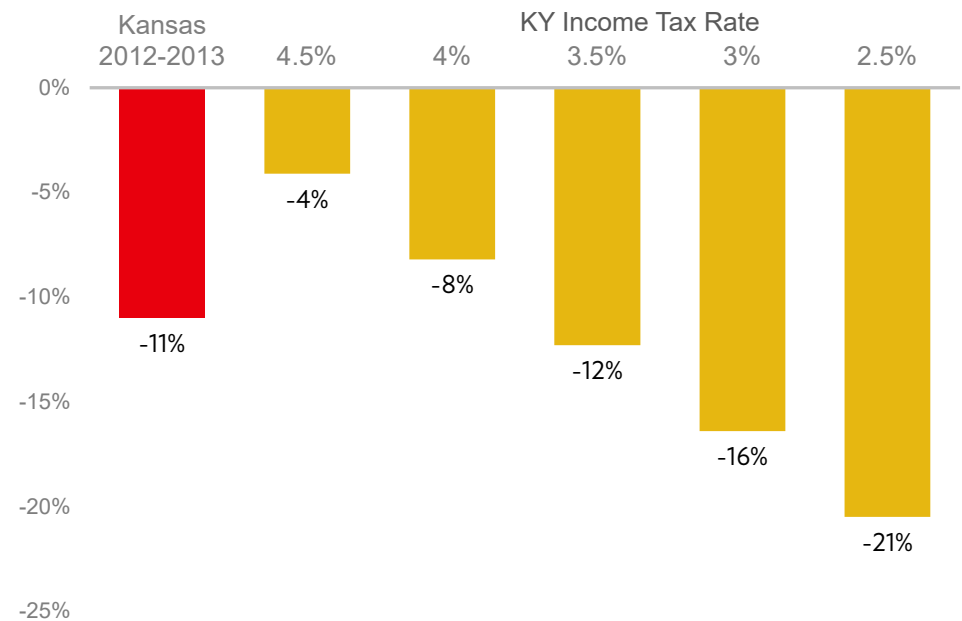
Source: KyPolicy analysis of Office of the State Budget Director, Legislative Research Commission

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With More Income Tax Cuts, Kentucky Will Approach and Surpass Kansas

Percent reduction in General Fund Revenue



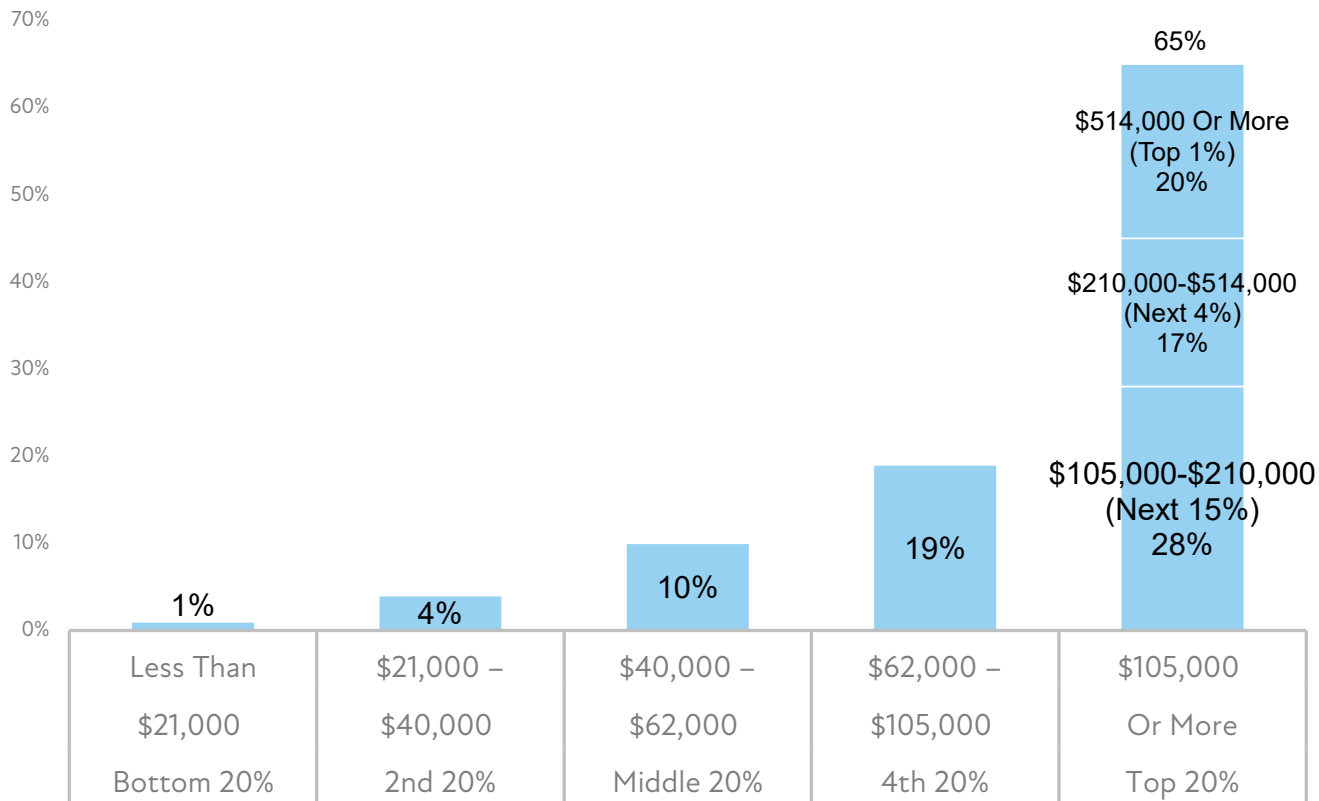
Source: KyPolicy analysis of Office of the State Budget Director data, Center on Budget and Policy Priorities.

Who Benefits from Income Tax Cuts?



Richest 20% of Kentuckians Get 65% of Income Tax Cut

Share of income tax cut by income group



Source: Institute on Taxation and Economic Policy.