



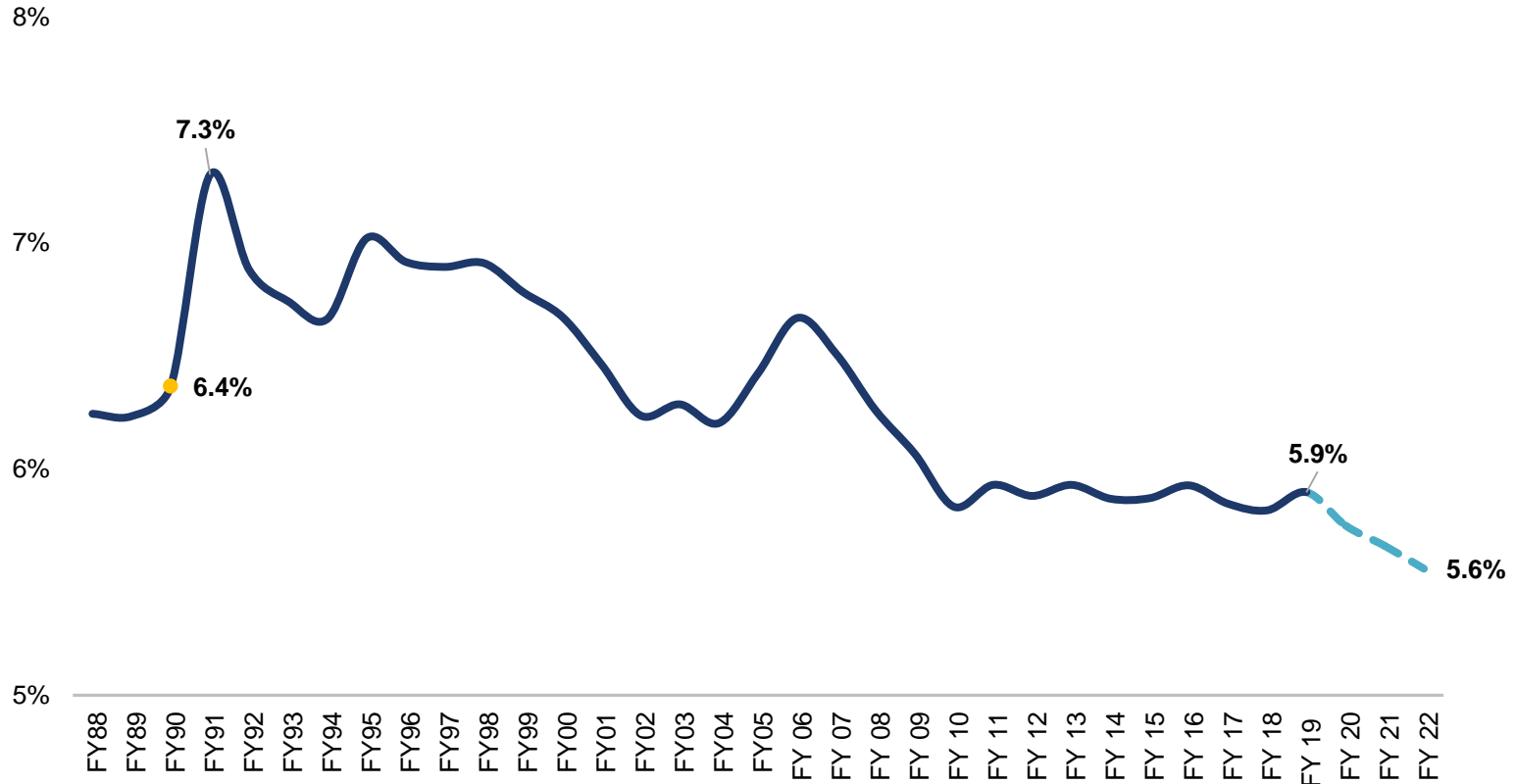
JCPS Revenue Advisory Task Force

State Tax Changes and
Education Funding
November 2019

www.KyPolicy.org

Forecast Shows Continued Erosion in the General Fund

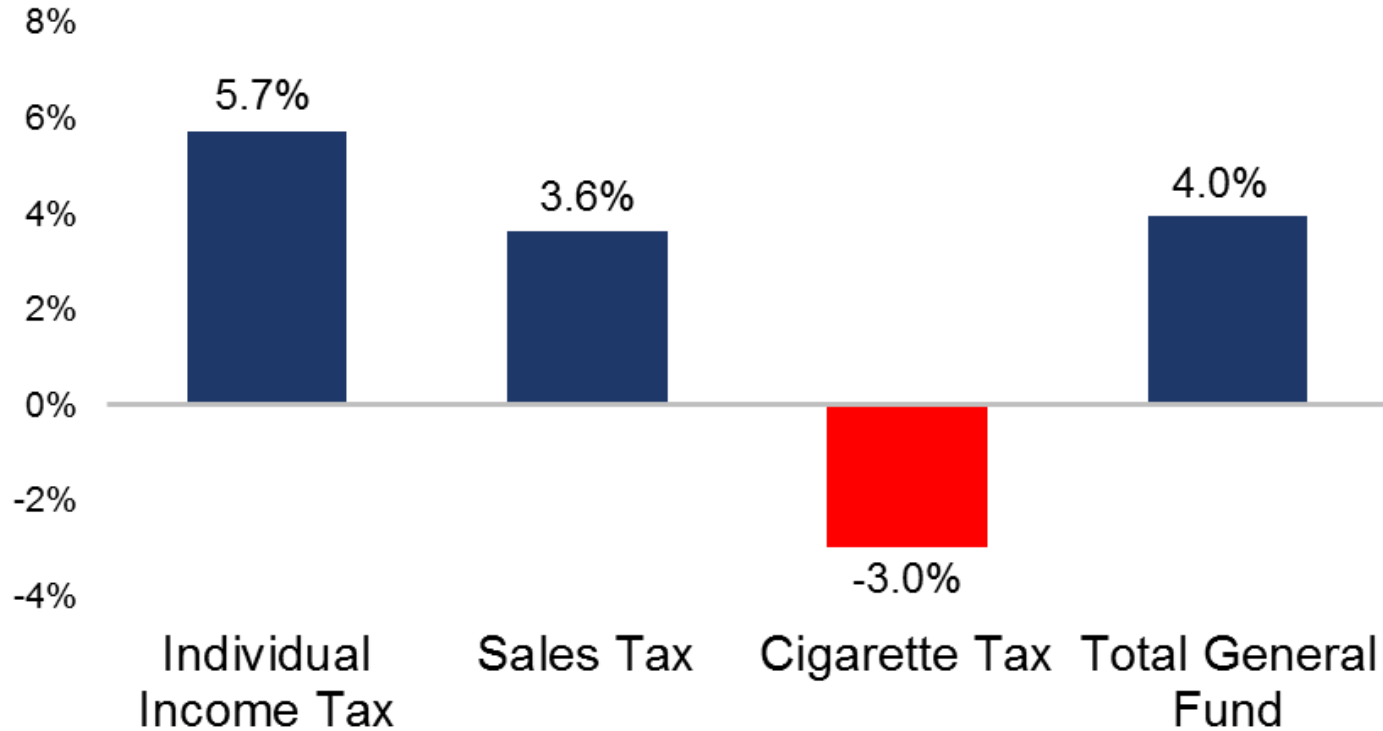
Total General Fund Revenue as a share of Kentucky Personal Income, historical and projected



Source: KCEP analysis of data from the Office of the State Budget Director, Bureau of Economic Analysis.

Income Tax Strongest Revenue Source We Have

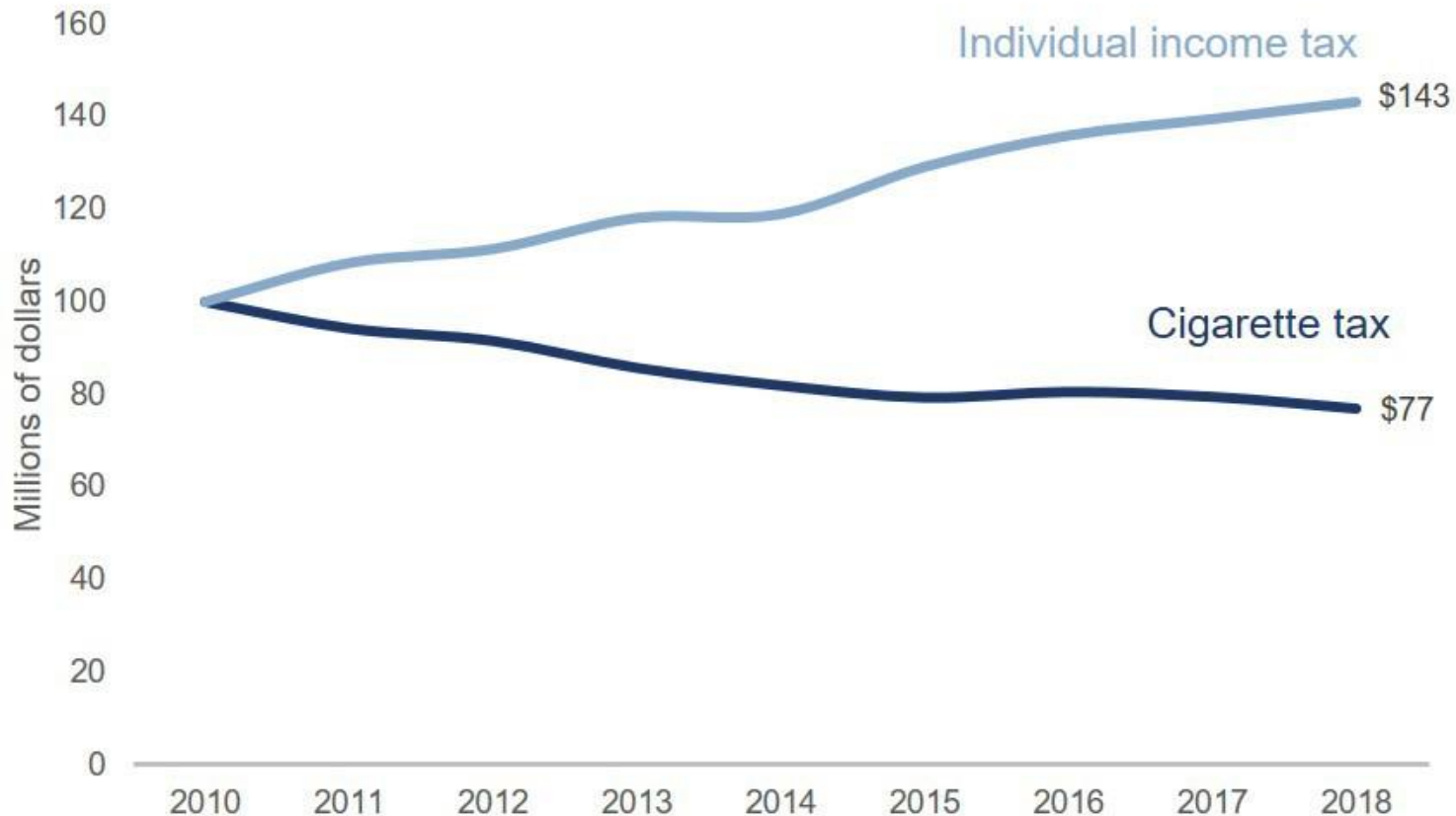
Average annual growth 2010 to 2018



Source: KCEP analysis of OSBD data.

Trade from Individual Income to Cigarette Taxes Means Less Revenue

What \$100 million in each in 2010 generates today based on historic growth



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

Revenue To Be Generated by 2018 Tax Bills

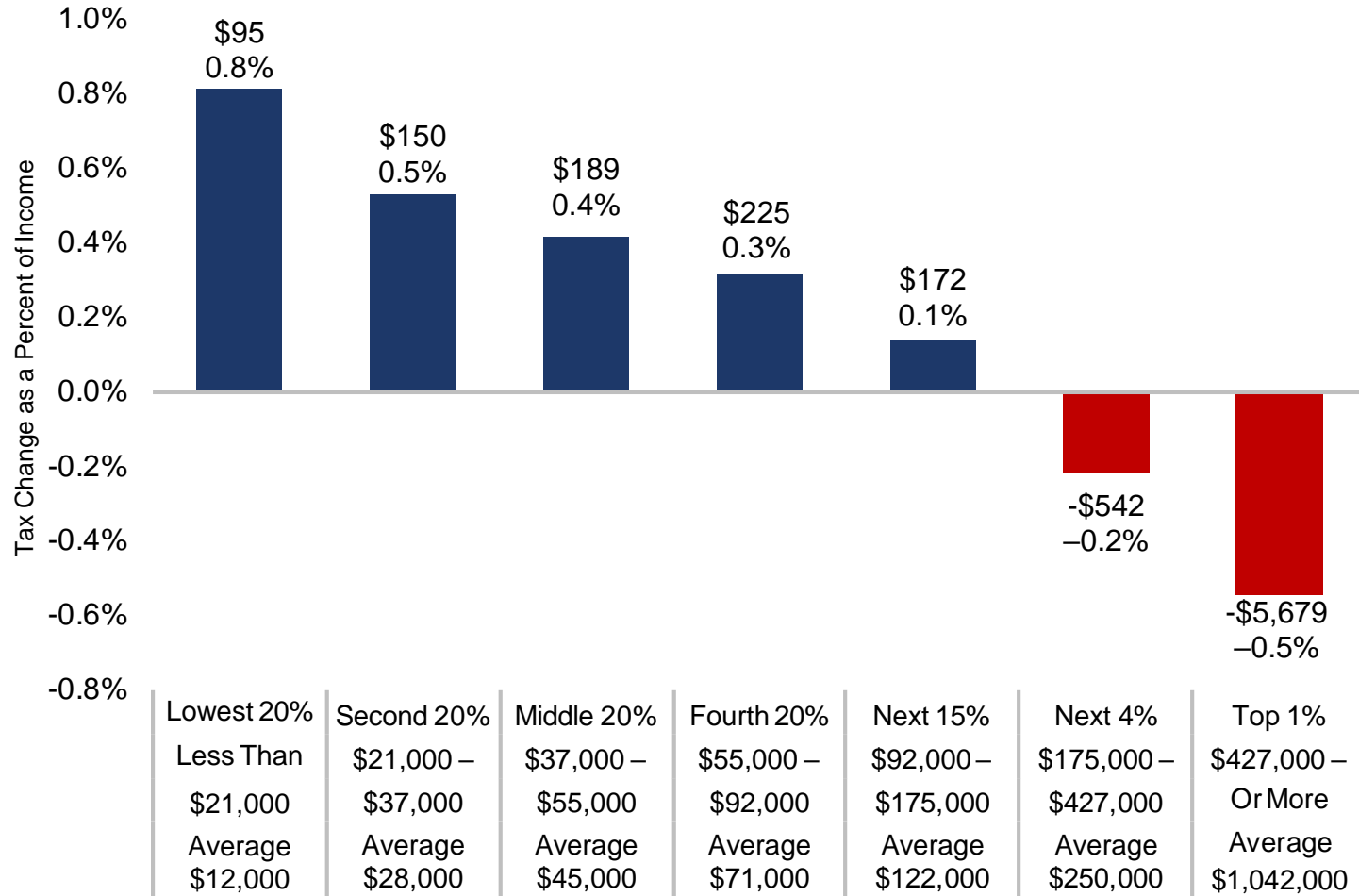
Millions of dollars

	2019	2020
Tobacco taxes	\$129	\$110
Sales and use tax	\$208	\$278
Individual income tax	-\$118	-\$118
Corporate income tax	-\$28	-\$72
Total	\$192	\$198

Source: Office of State Budget Director

Final Tax Bill a Huge Tax Shift from Those at the Top to Everyone Else

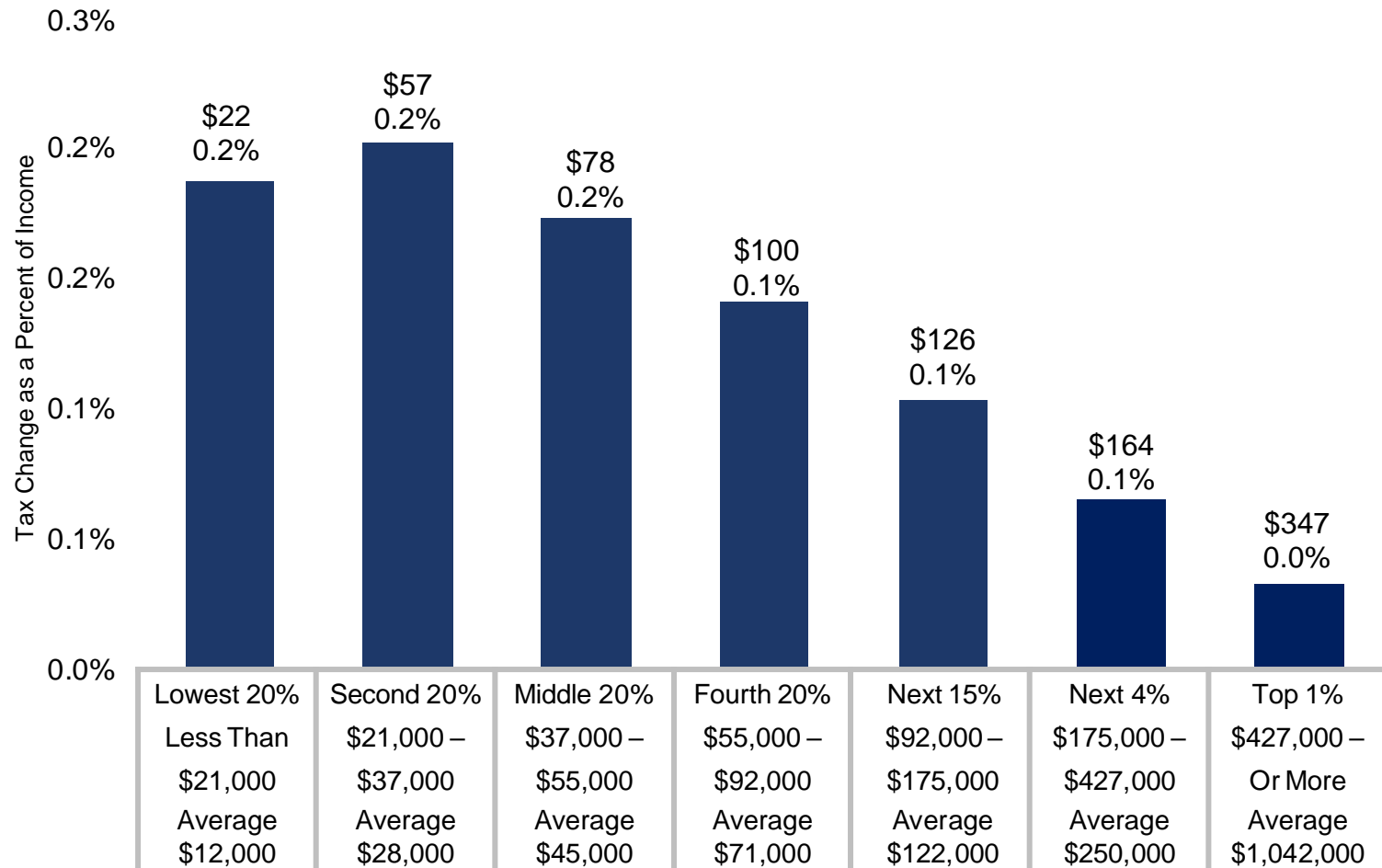
Change in amount and share of family income paid in total state and local taxes



Source: Institute on Taxation and Economic Policy.

Sales Tax Changes Especially Big for Those at Bottom and Middle

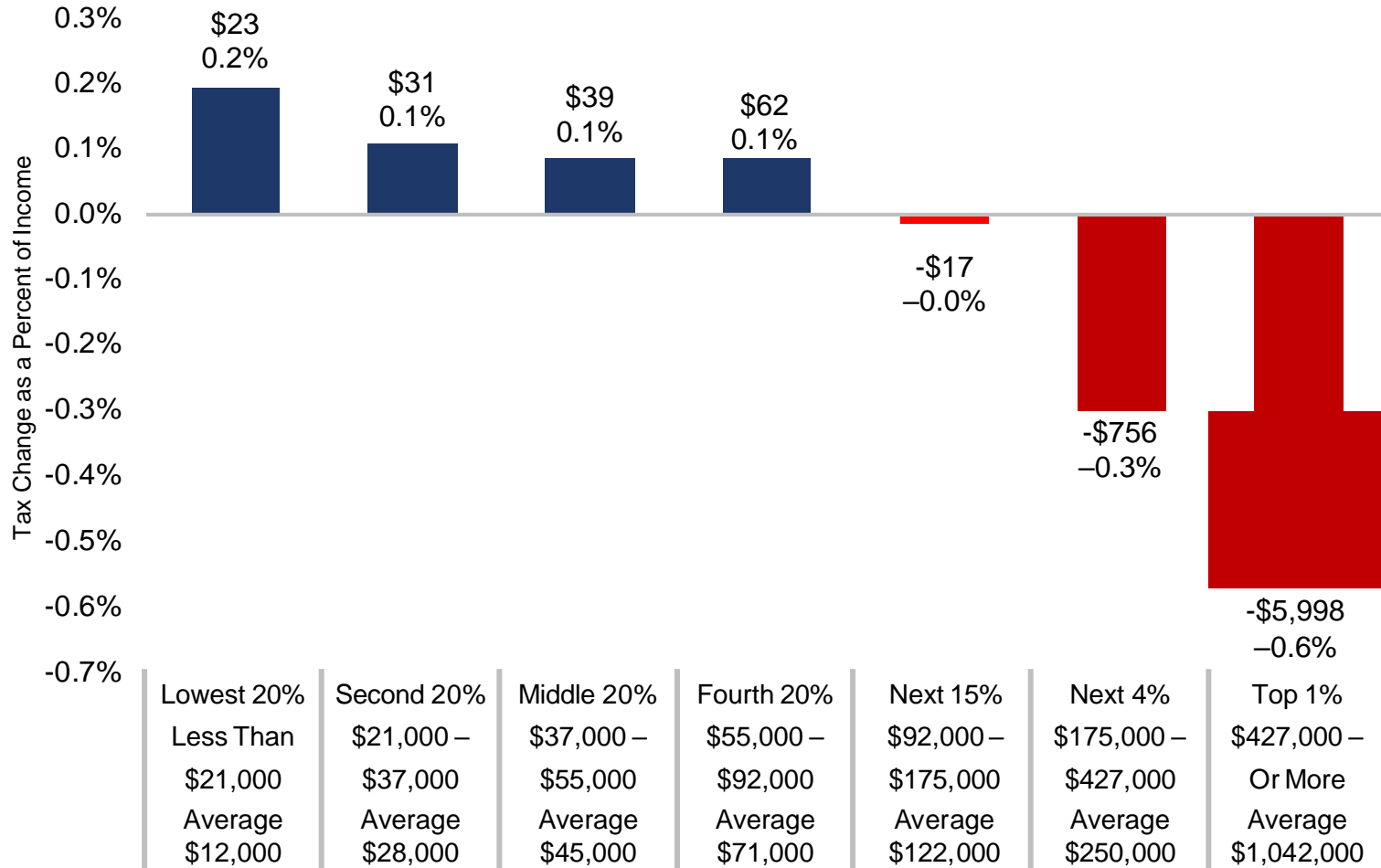
Change in amount and share of family income paid in sales taxes



Source: Institute on Taxation and Economic Policy.

Income Tax Changes Big Cut for Top 5%

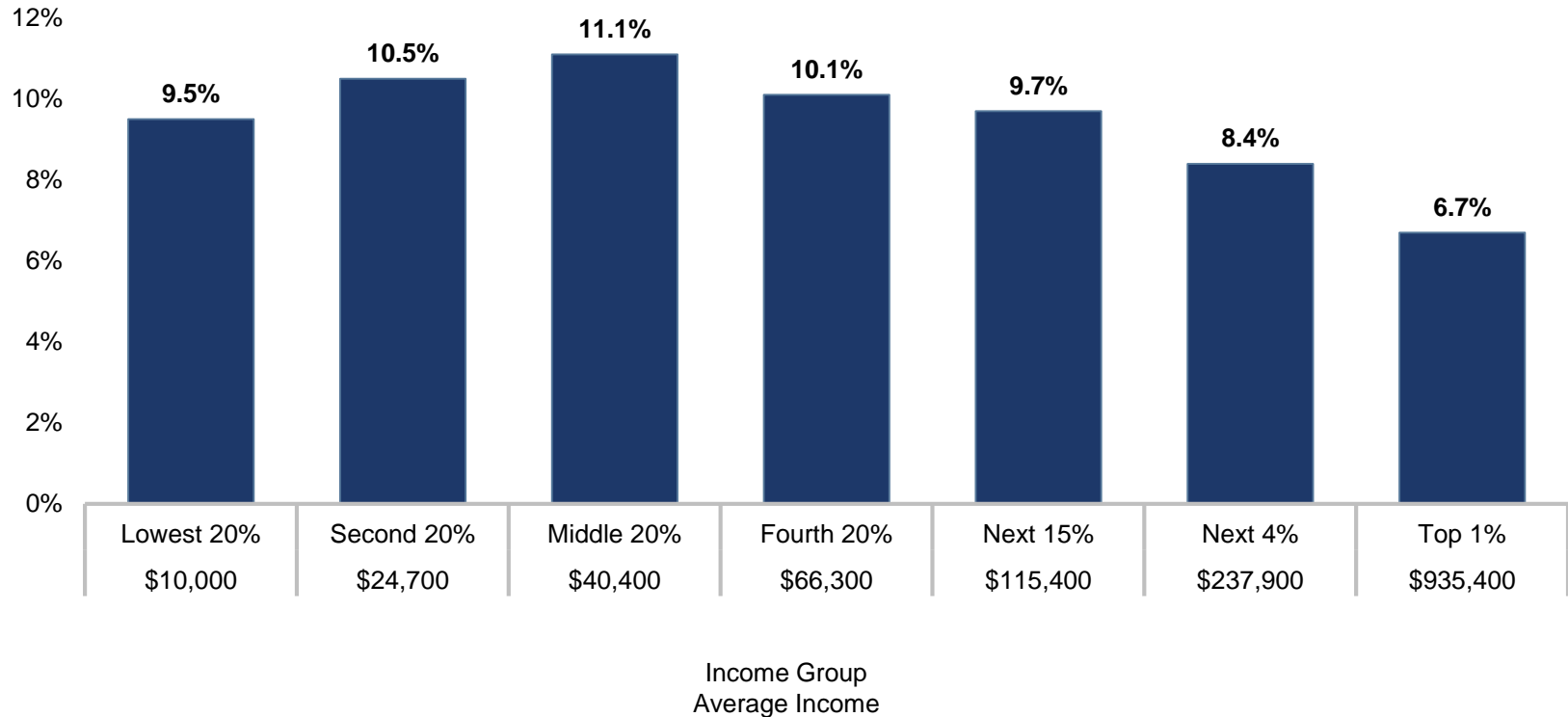
Change in amount and share of family income paid in individual income taxes



Source: Institute on Taxation and Economic Policy.

Kentucky's Tax System Asks the Least of the Wealthiest Residents

State and local taxes paid as a share of family income



Source: Institute on Taxation and Economic Policy.

Family Size Tax Credit Does Mean Some Very Low Income People Not Affected by Income Tax Changes

Family Size	Amount Below Which No Income Tax Owed	Amount Above Which No Family Size Tax Credit Received
1	\$12,140	\$16,146
2	\$16,460	\$21,892
3	\$20,780	\$27,637
4	\$25,100	\$33,383



\$45,000 a year in income
\$117 total tax increase

- +\$39 in income taxes
 - Rates slightly lower, but don't compensate for no longer being able to deduct property & occupational taxes
- +\$78 in sales taxes
 - Car repair, pet care, bowling

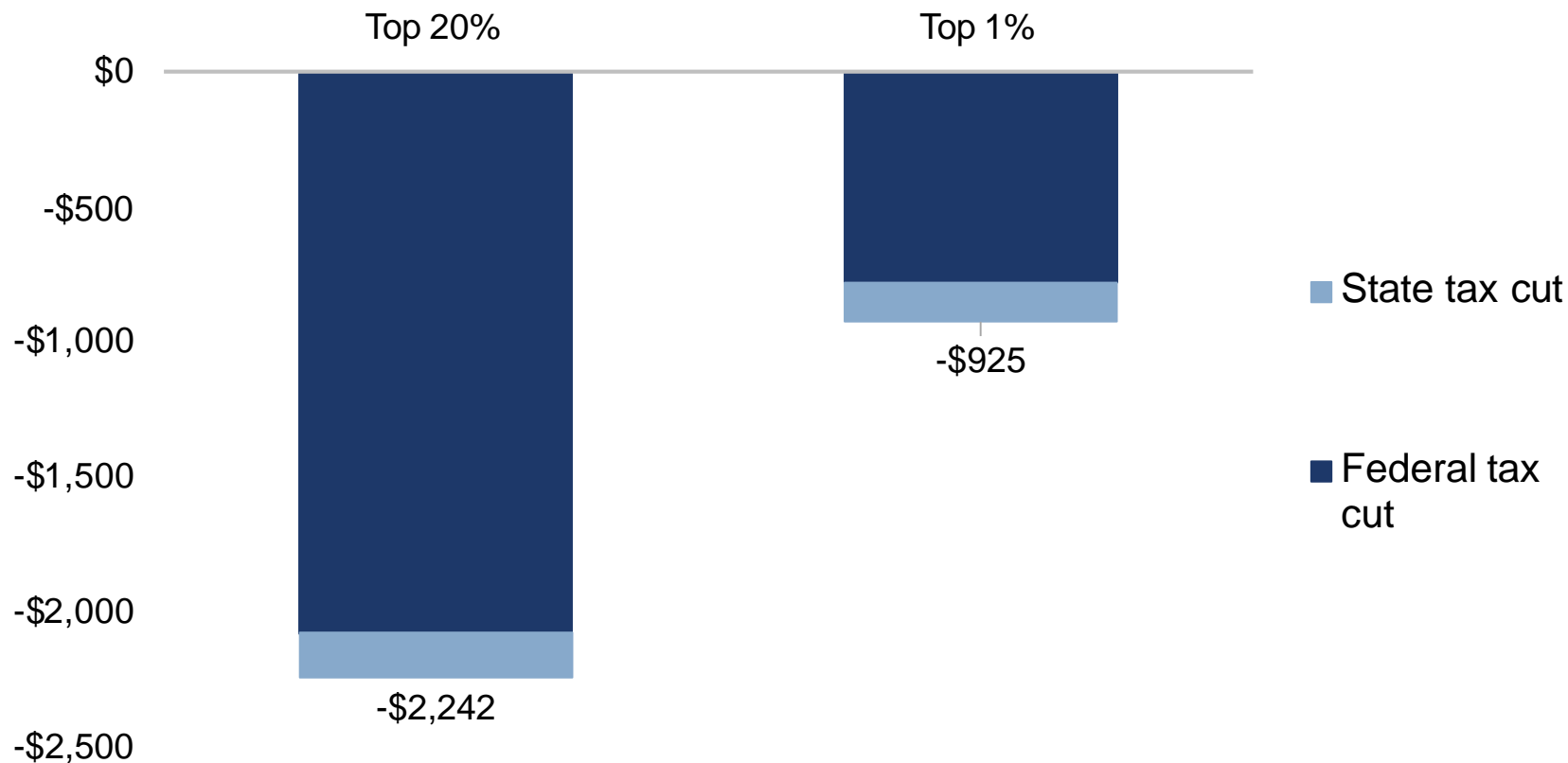


\$250,000 a year in income
\$592 total tax cut

- -\$756 in income taxes
 - Rates significantly lower, far outweigh fewer deductions
- +\$164 in sales taxes
 - Car repair, pet care, golf course/country club fees, landscaping services

High-Income Kentuckians Receiving Enormous Tax Cuts in 2019

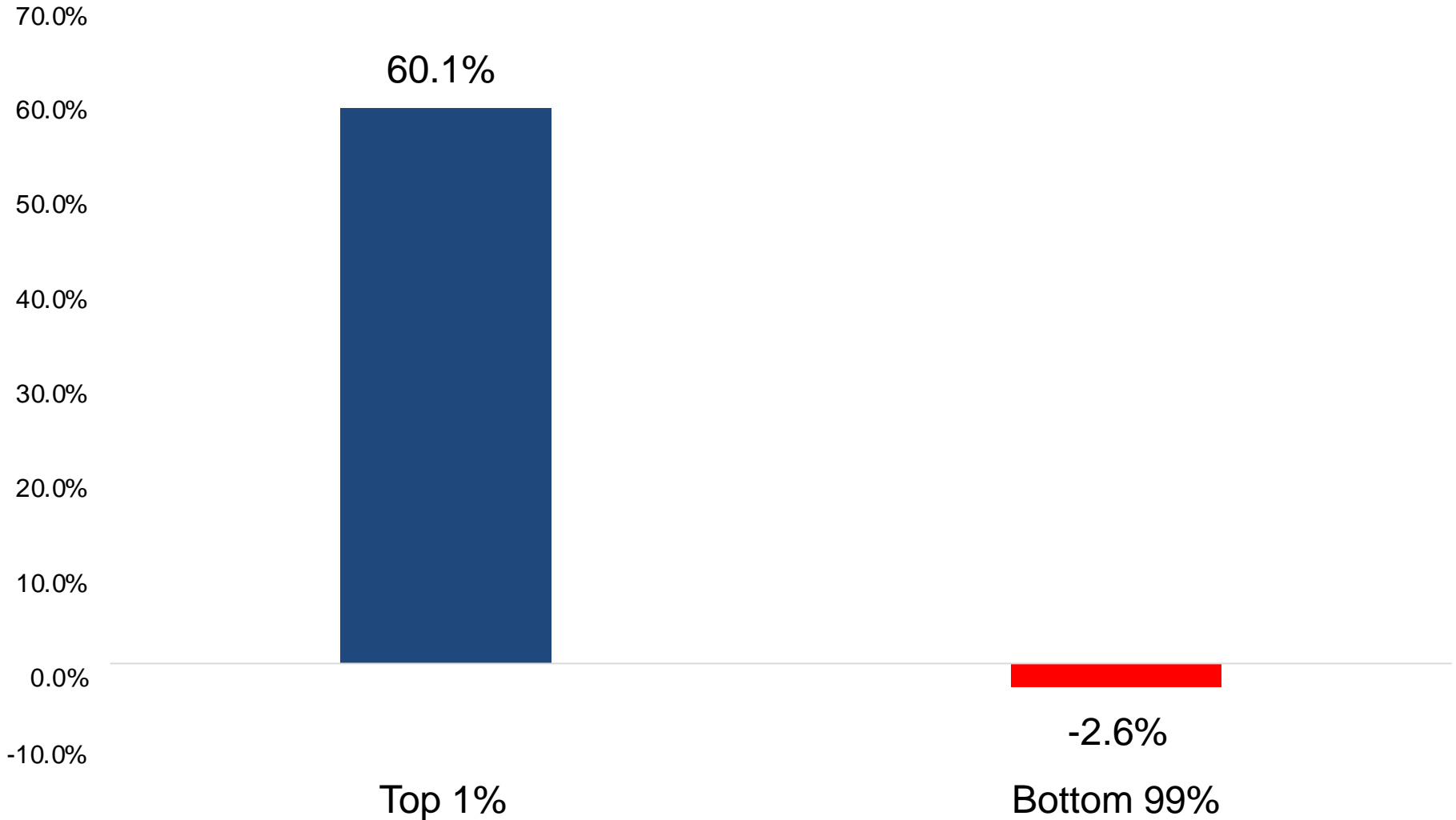
Annual net tax cuts from federal and state tax changes in millions of dollars



Source: Institute on Taxation and Economic Policy.

Economic Growth Goes to Those at the Top

Real income growth for the top 1% and the bottom 99%, 1979-2013, Kentucky



Source: Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report

2019 Tax Bills Lost Revenue

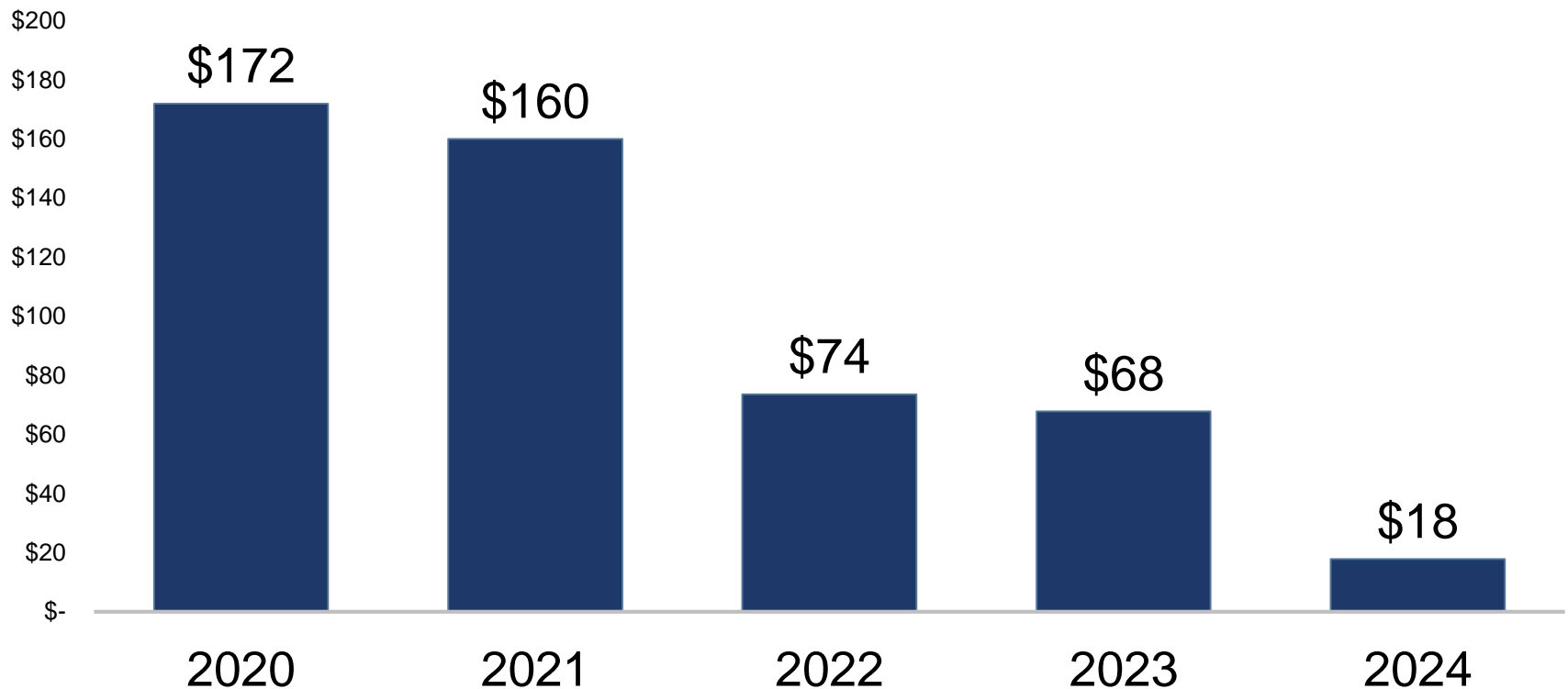
HB 354 and HB 458 will cost
\$110M a year increasing to
\$159M by 2024

- Repeal bank franchise tax, switch banks to corporate income tax
- Loosened rules to allow use of corporate tax havens, other tax avoidance
- Deferred tax relief for large multistate corporations
- Reduced property taxes for heavy equipment leasing companies
- Increase in property that can be immediately expensed in corporate tax
- Exempted nonprofit admissions from sales tax
- Breaks for house flipping, large gambling losses, fishing tournaments, boat docking, others

Revenue Raised by 2018 Tax Bill Will Disappear

Net Revenue from 2018 and 2019 Tax Changes

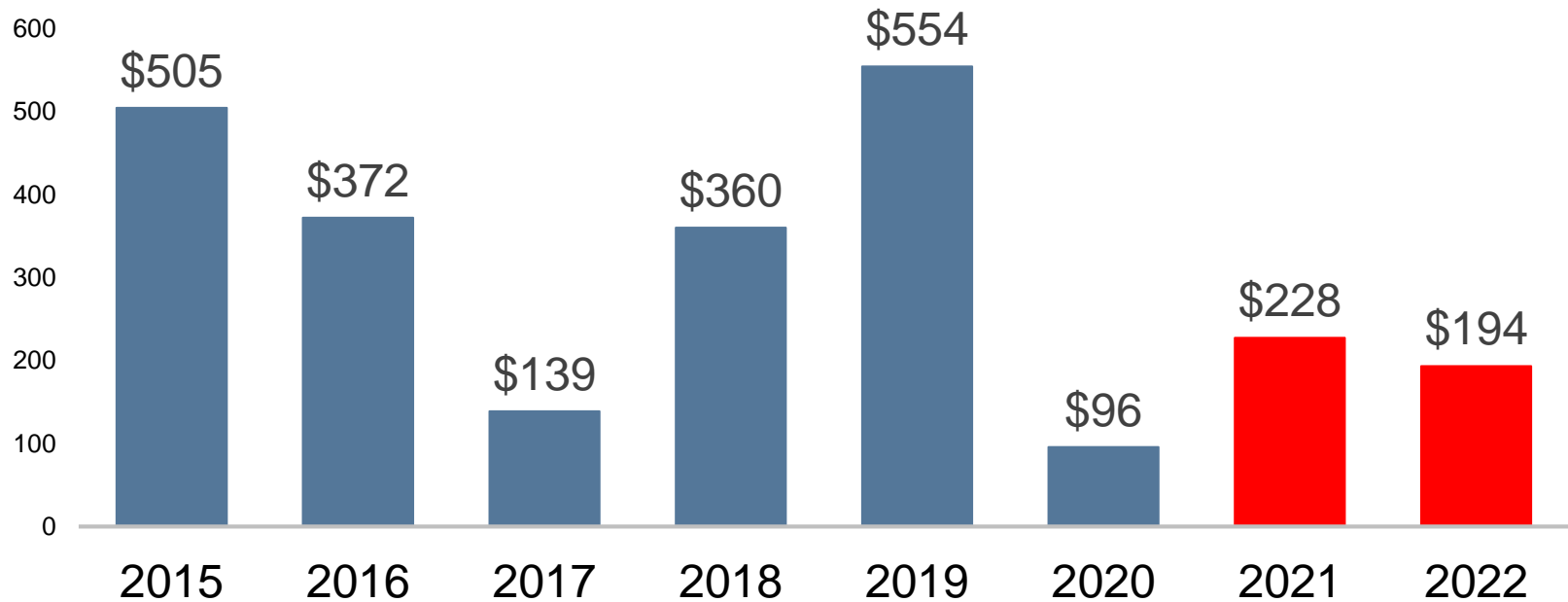
Millions of dollars



Source: Office of the State Budget Director.

Revenue Forecast Is Weak for Next Biennium

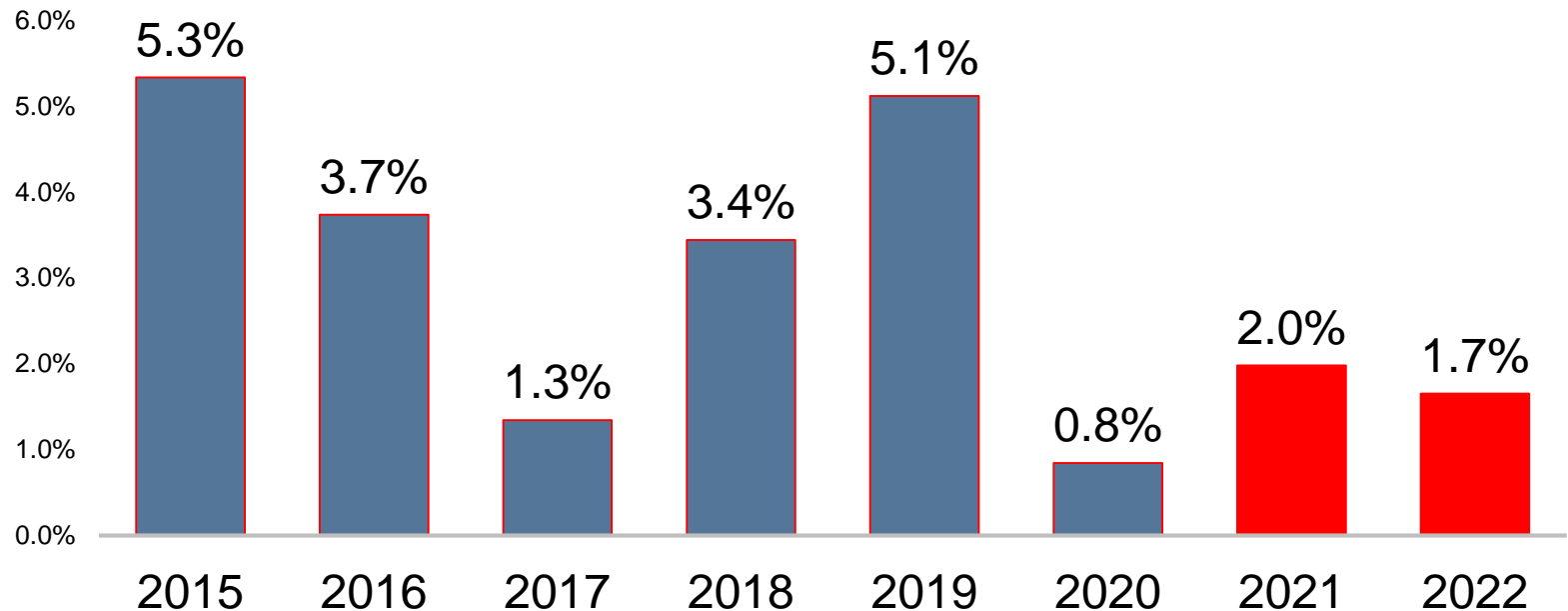
Preliminary Forecast General Fund (Millions of Dollars)



Source: Consensus Forecasting Group.

Revenue Forecast Is Weak for Next Biennium

Preliminary Forecast General Fund



Source: Consensus Forecasting Group



Education

K-12 Funding

www.KyPolicy.org

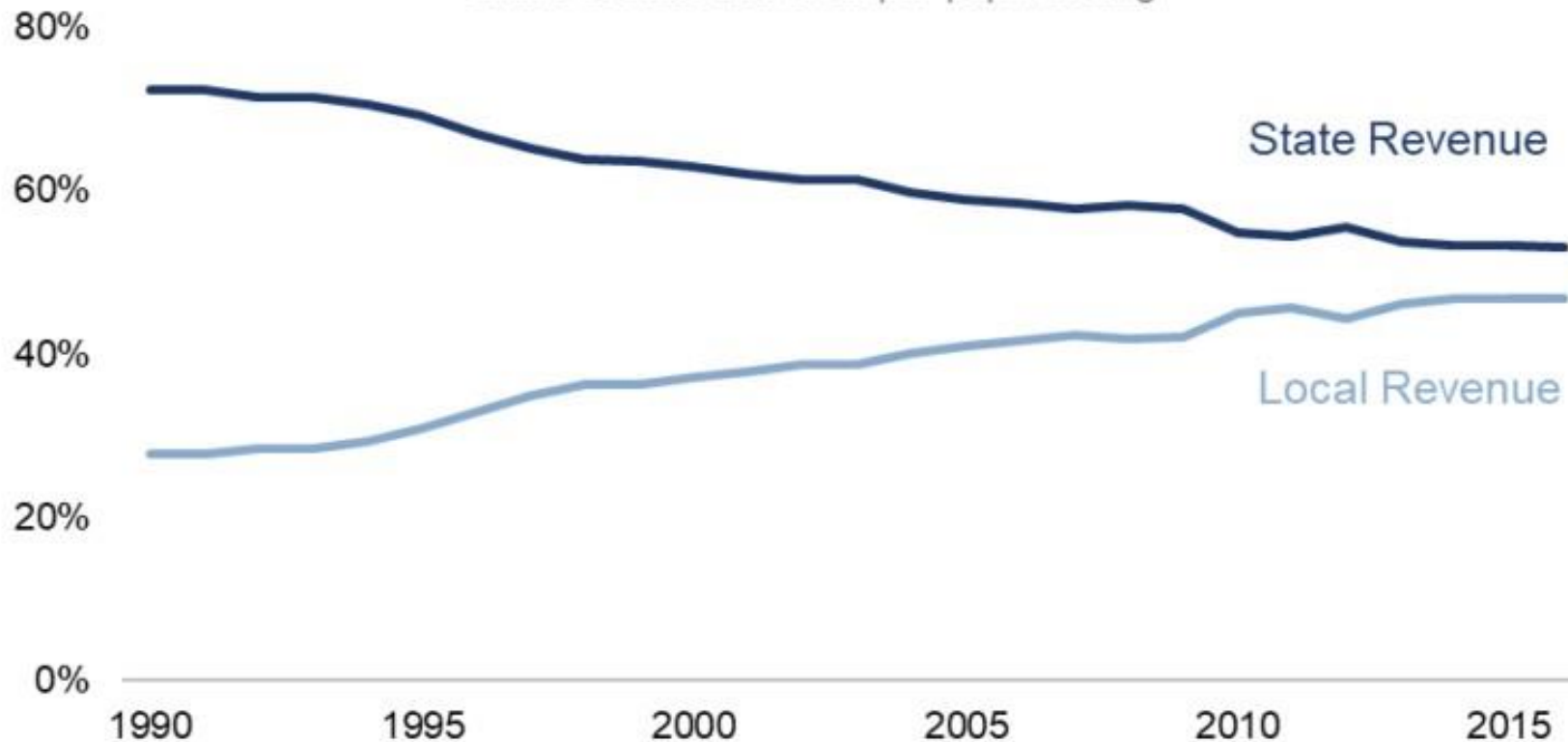
Rose v. Council for Better Education (1989)

“It is crystal clear that the General Assembly has fallen short in its duty. . . The system of common schools must be adequately funded to achieve its goals. . . [and] must be substantially uniform throughout the state. Each child, every child, in this Commonwealth must be provided with an equal opportunity to have an adequate education.”



State Contributing a Shrinking Share While Local Districts' Share is Growing

Share of state and local per-pupil funding

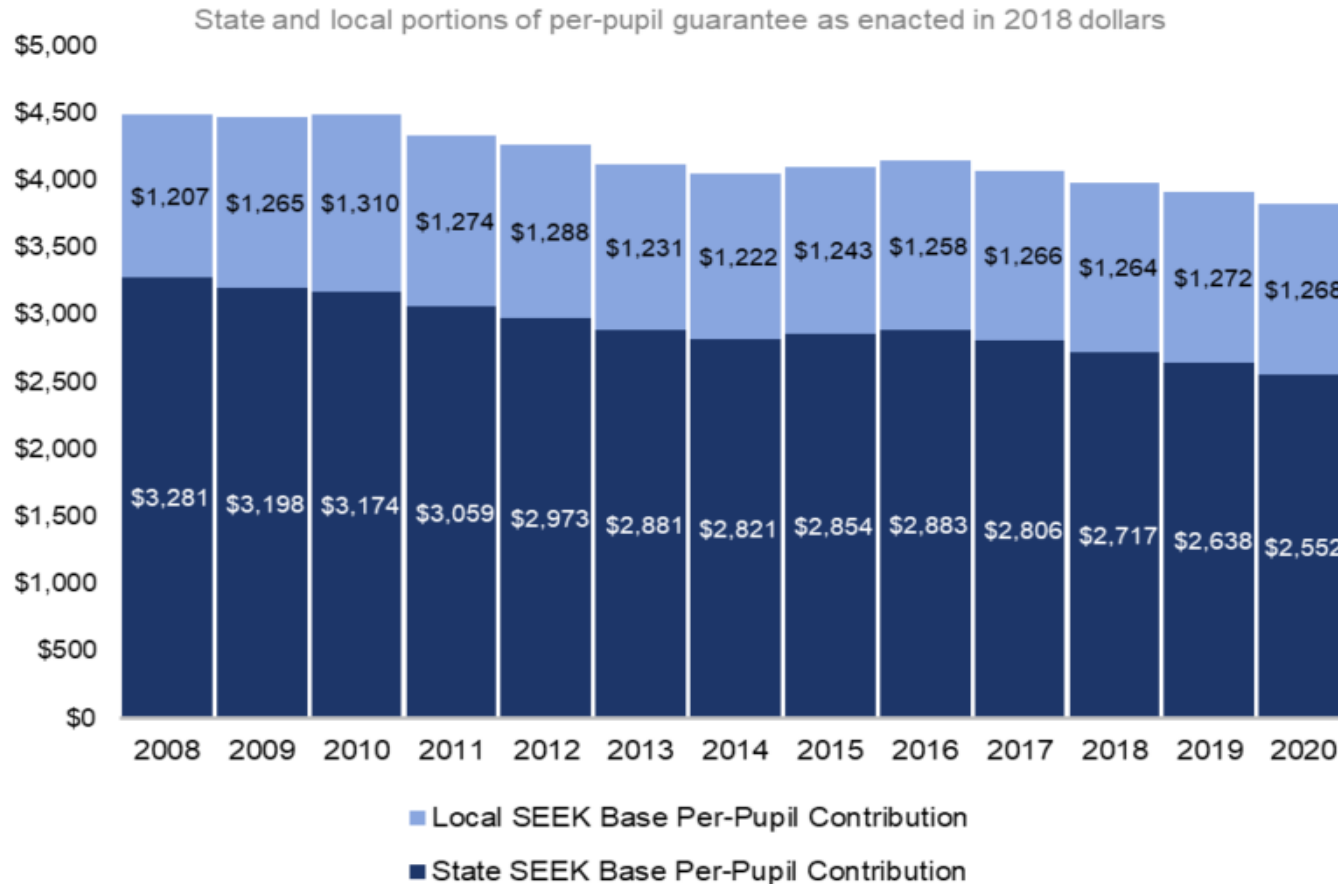


Source: KCEP analysis of KDE data.

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State SEEK Funding is Not at a Record High

SEEK Per-Pupil Guarantee Declining in Real Dollars



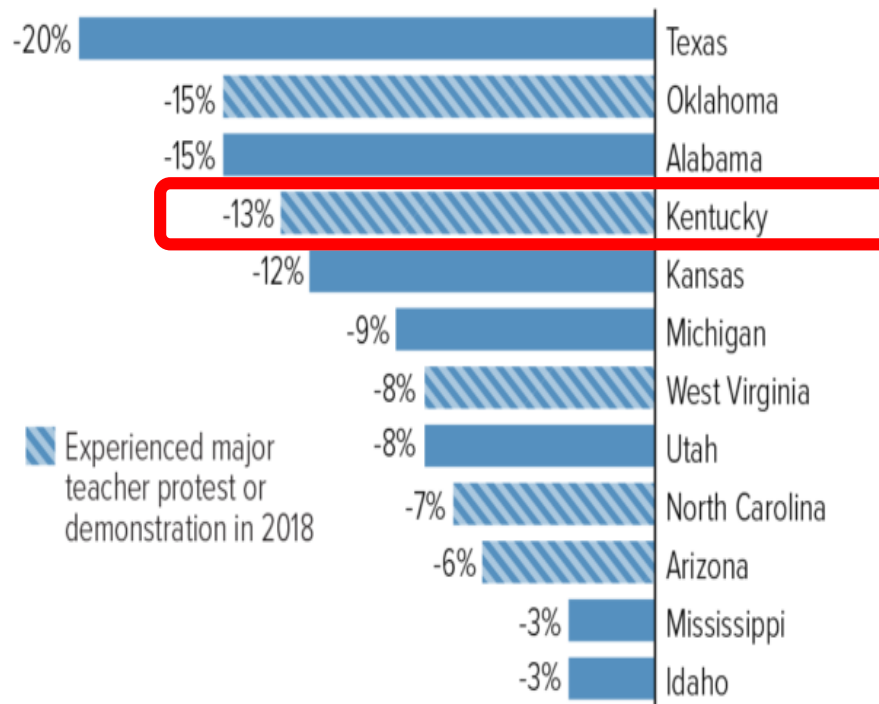
Source: KCEP analysis of Office of the State Budget Director data as enacted.

Note: This analysis assumes the share of funding contributed by the state versus local sources to the per-pupil guarantee each year is their share of all base SEEK funding including SEEK add-ons as well as the per-pupil guarantee. Add-ons include additional funds for students eligible for free lunches and for students with disabilities.

SEEK Funding is Not at a Record High

Despite 2018 Funding Boosts, Some States Remain Far Below Pre-Recession Funding Levels

Percent change in state formula funding* per student, inflation adjusted, fiscal years 2008-2019



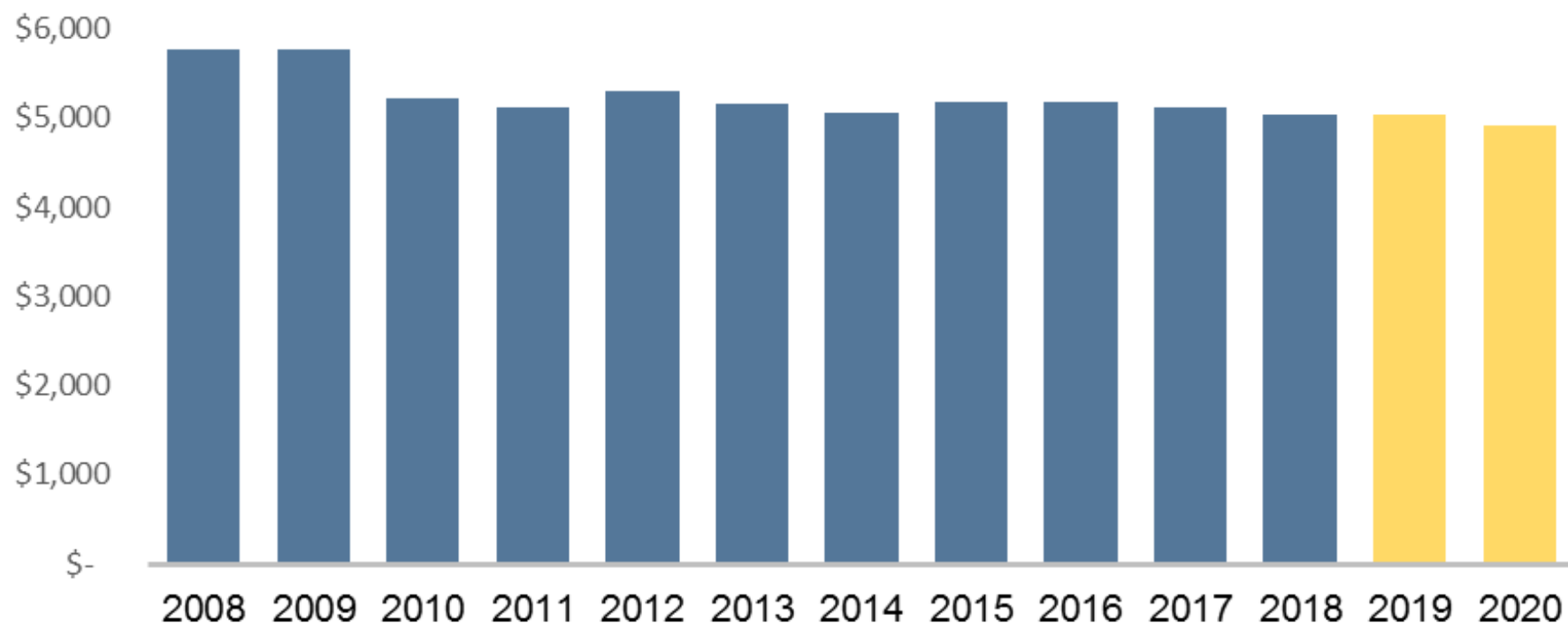
4th worst cut among states

*General or formula funding is the primary form of state K-12 funding. States also typically provide revenue for other, more specific purposes, such as bus transportation and contributions to school employee pension plans.

Source: CBPP budget and enrollment analysis

Final Budget Cuts SEEK Per-Pupil Funding 16 Percent from 2008

SEEK per-student funding in 2018 dollars



Source: KCEP analysis of OSBD data and FCCR on House Bill 200.

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Other Key K-12 Programs Cut



- \$0 for textbooks
- \$0 for teacher professional development
- Extended school year cut by 6.25%
- Preschool cut by 10%
- Money added to state general fund (though still below 2010 level)

Funding for Primary and Secondary Education Programs Since 2008

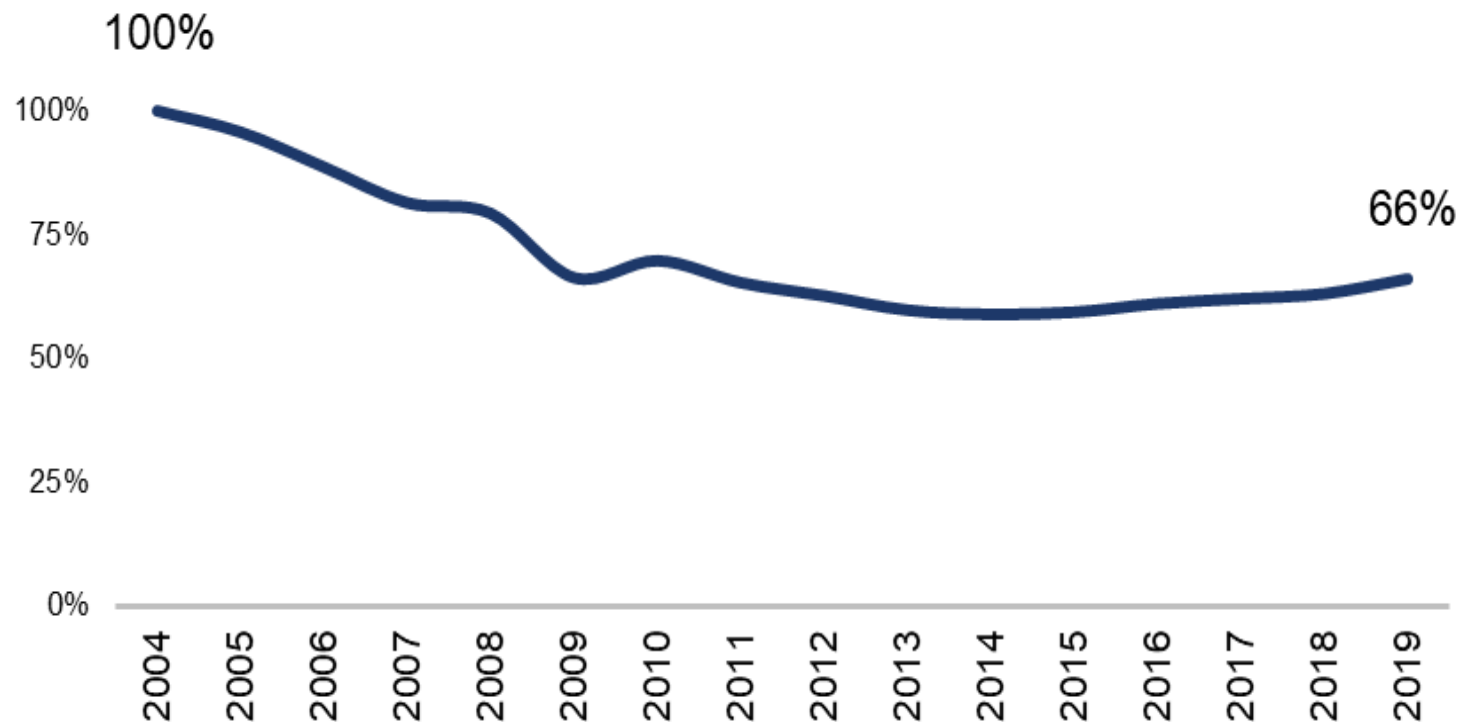
	FY 2008 (originally enacted)	FY 2020	Percent Change	Inflation- Adjusted Percent Change
Instructional Resources/Textbooks	\$21,700,000	\$0	-100%	-100%
Professional Development	\$15,034,700	\$0	-100%	-100%
Extended School Services	\$31,859,500	\$23,916,300	-25%	-39%
Family Resource and Youth Services Centers (FRYSCs)	\$57,268,900	\$58,680,700	2%	-16%

Source: KCEP analysis of Office of State Budget Director data. Note the FRYSCs numbers include both Department of Education and Cabinet for Health and Family Services funding. Adjusted for 2018 dollars.

Transportation Funding Remains Below Statutory Requirement

State Continues Trend of Underfunding Transportation

Percent of state funding compared to share required under SEEK formula.



Source: Kentucky Department of Education. Calculation of state funding compared to share required under SEEK formula.

After a decade of state budget cuts, Kentucky school districts responded by reducing services:

**54% of
districts**

**Had fewer
instructional
days**

**42% of
districts**

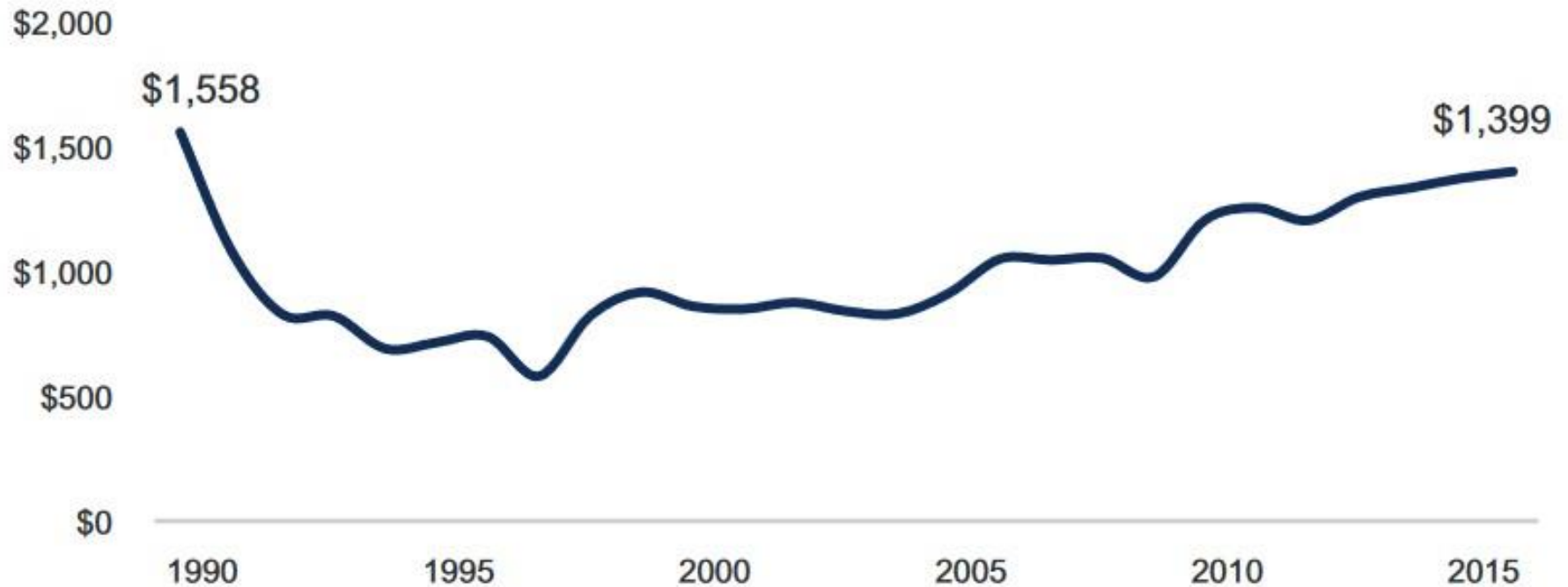
**Reduced
student
supports
like after
school and
summer
school**

**25% of
districts**

**Cut career
and
technical
education**

The Funding Gap Between Kentucky's Poorest and Wealthiest School Districts Continues to Grow

Gap between top and bottom school district quintiles in per-pupil, state and local revenue
(inflation-adjusted for 1990 Dollars)



Source: Kentucky Office of Education Accountability (1990–2010);
KCEP analysis of KDE and Bureau of Labor Statistics data, CPI-U series (2011–2016).

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Different districts have varying abilities to make up for cuts in state funding – leading to inequalities

Estimated Additional Per Pupil Revenues Associated with 4% Increase in Property Tax Revenues

Top 10

Anchorage Independent	\$457
Silver Grove Independent	\$217
Southgate Independent	\$211
Fayette County	\$188
Jefferson County	\$180
Covington Independent	\$179
Newport Independent	\$177
Fort Thomas Independent	\$160
Campbell County	\$155
Bellevue Independent	\$154

Bottom 10

Bath County	\$24
Dawson Springs Independent	\$23
Pineville Independent	\$23
Whitley County	\$22
Owsley County	\$22
McCreary County	\$22
Wolfe County	\$20
Cloverport Independent	\$19
Jackson Independent	\$14
East Bernstadt Independent	\$14

Source: KCEP analysis of Department of Education data