Kentucky Has Seen Slide in State Funding for Schools

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

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)


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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%

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.
School Transportation Not Fully Funded Since 2005

Kentucky could make salaries far more competitive and recruit more school bus drivers if the legislature fully funded transportation.

$15,364

Average bus driver salary in median Kentucky school district.

$124 million

Transportation funding the legislature is shorting districts by not following the law.

$14,119

Average additional amount each district would have per bus driver for raises, incentives and recruitment if the state fully funded transportation.

State Underfunding School Transportation by $124 Million

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

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

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

Experts Recommend 15%

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

Available Additional Resources in Next Budget

<table>
<thead>
<tr>
<th></th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Budget Reserve Trust Fund Balance Going Into Biennium</td>
<td>$1.3</td>
<td>$1.8</td>
</tr>
<tr>
<td>Source: KyPolicy analysis of Office of the State Budget Director data.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

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

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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.

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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
Even Small Cuts to Income Tax Are Very Costly
With More Income Tax Cuts, Kentucky Will Approach and Surpass Kansas

Percent reduction in General Fund Revenue

<table>
<thead>
<tr>
<th>Kansas 2012-2013</th>
<th>4.5%</th>
<th>4%</th>
<th>3.5%</th>
<th>3%</th>
<th>2.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-11%</td>
<td>-8%</td>
<td>-12%</td>
<td>-16%</td>
<td>-21%</td>
</tr>
</tbody>
</table>

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

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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.

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