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# Providing Long-term Sustainability to Capital Outlay Funding in Kansas

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### Cover Page Footnote

Thank you to Dr. David Thompson for your time, energy, and advice as you continue to guide me in this new endeavor. Your reflective guidance has again proven to be very valuable.

# Providing Long-Term Sustainability to Capital Outlay Funding in Kansas

*Kellen J. Adams*

## Introduction

Across the midwestern state of Kansas, there are 286 public school districts spanning 105 counties. These school districts represent the wide diversity that is present within the Sunflower State, providing an education for approximately a half-million P-12 pupils each year. As of Fiscal Year 2023, a total of 1,547 buildings were commissioned to provide for the daily education of the pupils (Kansas State Department of Education, 2022a). In that same fiscal year, the average Kansas school district had an enrollment of 1,625 (FTE) and a total of five operating buildings (Kansas State Department of Education, 2022b). While the state certainly had outliers on both ends of the spectrum, these aforementioned numbers represent the reality of a mostly-rural makeup within the state. Further illustrating the brick-and-mortar reality within Kansas is the average current age of school buildings—now at 48 years—with a build year of approximately 1975 (Kansas State Department of Education, 2022a). By comparison, the generally accepted lifespan of a K-12 educational building is 50 years (National Center for Education Statistics, 1999).

Currently, across the expanse of these 1,547 buildings within the state, there exists a genuine concern for patrons, employees, and ultimately pupils of those districts (i.e., a looming backlog of deferred maintenance as the norm and, in some cases, a resigned reality). The latest comprehensive longitudinal study (Thompson and Crampton, 2003) was carried out more than 20 years ago and revealed just how dire the situation was even at the time - an estimated \$1.79 billion in total deferred maintenance. While no new comprehensive study has priced current Kansas conditions, it is nearly certain that the intervening years did not fully redress those deficits despite the existence of formula aid to school infrastructure. Quite oppositely, the common belief among P-12 professionals is that the capital infrastructure needs of public schools in Kansas are not just disappointingly unaddressed, but also quite concerning as correction of the problem seems almost impossible in many school districts due to the severely limited ability to raise the required revenue. Combine this observation with the undeniable trend of enrollment loss resulting from population decline in several Kansas counties, and the situation has become ripe for the status quo to dictate the absolute reality. While there are a few bright spots of localized support for tax increases through successful local bond referenda, the vast majority of school districts are still left with only whatever limited resources that the capital outlay discretionary fund can provide. In addition to competing with other needs and priorities, this tightly capped local fund has proven truly limited in its ability to generate revenue under current statute (K.S.A. 72-53,113).

Closely tied to the issue of capacity-related limits for capital outlay is a further long-standing problem facing a majority of Kansas school districts and their boards of education (i.e., the requirement for a majority vote by district patrons to unlock the tax revenue needed to more properly address brick-and-mortar challenges). While there are exceptions in certain instances, passage of a bond referendum by the patrons of a school district ultimately equates to an increase

in already burdensome property taxes for all property owners within the district. Generally speaking, it is this phenomenon that immediately creates an adversarial relationship between voting patrons and the governing body that is proposing the referendum. While patrons may understand and appreciate the needs that the school district is attempting to address, the impact of the proposed tax increase—whether real or perceived—is frequently deemed unpalatable by a majority of voters in far too many instances.

Herein lies the issue facing many Kansas school districts and their respective boards of education and administration: how does a public school district properly provide educational facilities that are optimal for high quality teaching and learning when their ability to raise the specialized revenue necessary to do so is so difficult? Currently, Kansas statute does provide a mechanism for any district to raise an unlimited amount of revenue necessary for the debt service needs of new infrastructure, but it comes with the caveat that this local tax levy must be approved by a majority vote of school district patrons. In partial support, the state has provided for some relief to districts via state aid to infrastructure through a formula currently calculated using a district's property wealth per student (e.g., a measure of equalization). But, while the state of Kansas has committed sums of money from state coffers over recent years, the looming infrastructure backlog has only continued to grow. The net effect is that many Kansas school districts still have only a few limited options for properly maintaining school physical infrastructure and without much ability to think about expansion of current offerings or to begin addressing unmet needs. In sum, for many Kansas school districts, capitulation—whereby school buildings are ultimately forced to close—to an inevitable insufficiency appears to be the only remaining alternative.

### **Statement of the Problem**

The proverbial clock is ticking for many Kansas school buildings, whether due to implications of a complete slowdown due to code compliance, or due to failure of critical systems. Regardless of the reasons, millions of square footage of learning spaces are in jeopardy of no longer being able to serve students in adequate teaching and learning environments. For those school facilities that remain in operation, their effectiveness continues to wane with each year of age and usage. Ultimately, as more classrooms and other learning spaces continue to become uncomfortable, ineffective, or unusable, the greater the detriment to student learning.

The funding mechanisms made available through current Kansas school finance law place significant revenue limitations on school districts through mill levy maximums. These taxing limitations—in nearly all instances—do not provide enough funding to adequately meet the capital infrastructure needs of schools. Yet, alternatives could be viable through state policy changes that would lead to greater revenue and educational opportunity.

### **Brief History of School Finance in Kansas**

Providing any aid to Kansas P-12 brick-and-mortar has been a long journey that only recently recognized the role of school facilities in learning outcomes. Indeed, genuine attempts at uniform statewide school funding date back to only 1963 when, in an attempt to reorganize and consolidate more than 1,600 small rural schools, statewide reorganization (unification) of Kansas school districts occurred as the state legislature reduced the total number to 306 districts (School

Unification Acts, 1965). Following after, the state legislature provided for passage of the School Foundation Act of 1965 (Baker and Green, 2005) which effectively became the first comprehensive school finance formula in Kansas. Its successor, the School District Equalization Act (SDEA, K.S.A. 72-7030 *et seq.*, 1974) was the next major step toward state support for P-12 schools, moving from the 1963 focus on the county economic index as the basis for limited state aid to a much more comprehensive power equalization scheme in the SDEA. The SDEA would continue into the 1970s and 1980s, until major school finance litigation resulted in the successful passage of its successor during the 1992 legislative session. The successor was known as the School District Finance Quality Performance Act (SDFQPA, K.S.A. 72-6405, 1992) and totally changed school finance in Kansas from power equalization to a strict foundation formula with only limited local choice to exceed the foundation base state aid.

The SDFQPA, although no longer the current state aid scheme, nonetheless set the standard for today's tax-and-spend authority for Kansas school districts. The SDFQPA ended years of significant disparity among districts brought on by local spending preferences by adding several controls and calculations to the aid scheme. Essential to the SDFQPA formula was establishment of two very important fundamental concepts that would serve as a bedrock for years to come: (1) definition of a pupil (student) and the various weightings that would be attributed to him/her for establishing additional economic value in the form of state aid; and (2) creation of access to additional sources of revenue for districts if they chose to assess additional tax levies upon local patrons.

In addition to new revenue resulting from pupil weightings, the SDFQPA also ushered in the concept of a local option budget (LOB) fund, allowing districts to tap into additional operating funds (capped as a percentage of the general fund) if the district's patrons were willing to support the need. Using the same concept, for the first time, districts could also generate revenue for the capital needs of the district through the creation of a mill levy within the capital outlay fund. But unlike the local option budget (more correctly known as the supplemental general fund), the capital outlay fund would be capped at 4.0 mills until the 2005 fiscal year, remaining at 8.0 mills afterward. Finally, districts would be able to access a new fund specifically geared towards the debt service of major capital projects. This new bond and interest fund created opportunities for districts to finance large capital projects through the successful passage of a bond referendum.

The initial intentions of the SDFQPA sought to bring greater equity across the vast array of nearly 300 districts. The general fund focus on a uniform base state aid per pupil was built on legislative recognition that there were large disparities in property tax wealth among the state's districts, while for the first time, capital needs were recognized and included in the equalization scheme. But while the original intent was to provide state aid in the capital outlay fund that mirrored rates within the general fund, an arbitrary cap was set in the state aid formula, resulting in a declining scale proportionate with the assessed valuation per pupil (AVPP) of the district. The net effect from this calculation would result in a capital needs state aid formula that would equalize only to the 75th percentile for the lowest wealth district, decreasing by one percentage point for each \$1,000 increase in the district's AVPP thereafter. SDFQPA was therefore a boon and a restraint on school infrastructure adequacy and equity—albeit a welcome dilemma compared to the past which largely ignored the role of facilities in equal educational opportunity.

Typical economic realities and political tinkering with state aid formulas soon resulted in modifications to the SDFQPA. In FY 2015, the state effectively froze SDFQPA in time and enacted a system of block grants under then-Governor Sam Brownback. Known as the Classroom Learning Assuring Student Success Act (CLASS, 2016 Supp. K.S.A. 72-6463 *et seq.*), this two-year funding mechanism was originally meant to serve as a bridge between permanent funding formulas in response to the Kansas state supreme court (*Gannon v. State of Kansas*). *Gannon* had been filed in protest of various facets of school funding in Kansas, resulting in turmoil and legislative disagreement about a wide series of economic and political positions. The block grant formula worked to essentially freeze revenue at the FY 2014 levels (with a few modifications), regardless of changes to district enrollment. The net effect for school districts was one of two fates: (1) those with increased or flat enrollments did not reap the benefits of any additional revenue; or (2) those with decreased enrollments were able to maintain the same level of revenue, allowing them to be held harmless during this timeframe.

During the two-year period of the CLASS legislation, the capital outlay funding structure was significantly modified—to the detriment of most school districts. In addition to the freeze on the amount of general fund state aid (regardless of changes to enrollment), capital outlay state aid was temporarily discontinued, leaving districts at the mercy of their own locally raised ad valorem tax as the only source of revenue for brick-and-mortar needs. Due to blocking the equalization component central to this state aid formula, this left low-wealth districts with the largest loss of revenue, while high-wealth districts maintained many of the same levels of funding due to their smaller or nonexistent previous state aid matches. The net result was an even wider disparity of resource allocation for Kansas school districts.

Fortunately, the CLASS act was replaced in 2017 by the Kansas School Equity and Enhancement Act (KSEEA, 2017. K.S.A. 72-5131 *et seq.*), largely in response to continued court pressure. Senate Bill 19 launched the key components of the KSEEA by effectively restoring the SDFQPA with important changes. Some of the central tenets that were maintained included the foundation aid system that rests primarily on a base amount per student, in addition to weightings for various learning challenges that pupils may bring to the classroom, resulting in additional state aid for the school district as it works to support the needs of those students. In addition, the primary way in which schools received revenue locally would largely remain unchanged, as local districts continued to tap into the ad valorem of property owners residing within their districts.

The KSEEA retained the features of general fund foundation aid and the local option budget. Additionally, districts continue to be able to tap into two additional locally levied funds to support their brick-and-mortar needs. The capital outlay fund, first requiring a published resolution by the local board of education, allowed an annual limit of up to 8.0 mills. The bond and interest fund continued to operate under the auspices of a local referendum approved by a simple majority of voters. While different in formulaic composition, both state aid formulas aimed to achieve the same goal for Kansas school districts (i.e., supplementing local ad valorem revenue with state aid in areas where local property wealth falls short of the needs of that district's students).

KSEEA remains the law in 2024. Of importance in this study, however, is the premise laid out earlier wherein physical infrastructure is treated at a level of less importance to learning

outcomes than is true for the general fund. In other words, capital outlay is both an afterthought to equal educational opportunity and funded at a lower level of equalization. While current aid is welcomed, it is still insufficient when compared to actual need.

### **Current Fiscal Profile of Kansas School Districts Under KSEEA**

The current maximum allowable mill rate for the capital outlay fund in Kansas school districts is 8.0 mills. The average published mill rate across all 286 school districts in Kansas for FY 2023 was 7.300 mills, with the average total mill rate (all funds) across all districts totaling 51.224 mills. For the same fiscal year, only three districts did not set any mill rate for the capital outlay fund, while 193 districts adopted the maximum rate of 8.0 mills.

This tax effort profile for Kansas school districts' capital outlay fund needs generated revenue in the amount of \$337,556,770 in FY 2023. Corresponding state aid matches totaled \$90,989,824. The average amount of capital outlay valuation per district was \$154,703,294, with an average \$117,904 valuation per pupil, resulting in an average of 30.2% in corresponding state aid for an average amount of taxes levied locally per district at \$1,180,268, with an average of \$318,146 in corresponding state aid.

In FY 2023 this profile supported an enrollment range across the state's 286 school districts equaling a low 37.5 FTE to the high 44,771 FTE. In perspective, average district size was 1,625.7 FTE, with the median district at 518.7 FTE. This stood in contrast against total General Fund financing for FY 2023 in the amount of \$3,862,504,365, making capital aid only a fraction (2.3%) of total aid.

### **Framework for Analysis**

This study sought to bring forward updated commentary on the Thompson and Crampton (2003) assessment of school facility fiscal support in Kansas in context of current KSEEA funding. While no effort was made to update the extent of physical need in Kansas P-12 school districts, the study sought to evaluate current aid formula structure to estimate whether current funding mechanisms would satisfy the principles of equity enunciated by Thompson (2016), the framework used for the analysis centered on data for all 286 school districts in the state of Kansas using common descriptive statistics. The primary sources of data were derived from the Kansas State Department of Education for 2023. Data elements examined were limited to assessed valuation, assessed valuation per pupil, and mill rates for capital outlay in context of revenue generation.

*Assessed Valuation* - looked at the cumulative total of all property wealth within each school district's legal boundaries, thereby representing the total taxable portion of property values annually.

*Assessed Valuation Per Pupil (AVPP)* - provided an annualized calculation of the total valuation within each school district, divided by the total headcount enrollment, therein identifying a basis for the current way in which state aid is awarded to districts.

Finally, *mill rates (for capital outlay)* - were evaluated as a means to discriminate local capacity under a constant 8.0 mill maximum levy. Mill rate was further utilized as a means to analyze any implications to increases in that statutory cap under alternative funding policy proposals.

The consequence of this conceptual view framed the following policy questions. Answers to the questions were subsequently used to propose changes to state aid to P-12 physical infrastructure that would increase the valuing of infrastructure's role in equal educational opportunity in Kansas. Specifically, the policy questions were:

1. Does the current state aid formula that is derived primarily from the calculation of Assessed Valuation per Pupil (AVPP) properly supplement those districts with low property wealth?
2. Does the current statutory maximum of 8.0 mills in the capital outlay fund create an arbitrary cap that fails to properly provide the revenue necessary to support the growing capital needs of Kansas' districts?
3. What would be the simulated costs to the state of Kansas for matching state aid under the current formula and under two alternative millage modifications?
4. What would be the potential costs to the state of Kansas for matching state aid under the current formula? How can the state potentially limit its additional budgetary exposure if changes are made to allow local patrons to access additional funds?

Answers to these guiding questions were then used to comment on selected implications of changes to two primary and fundamental components within the capital outlay fund.

1. Commentary on the statutory cap of 8.0 mills and the current realities facing districts with regard to the total ad valorem and available state aid revenue.
2. Commentary on two hypothetical alternatives involving an increase to the statutory cap of 10.0 and 12.0 mills, respectively.

## **Findings**

The data represented in this study were obtained from the Kansas State Department of Education for the latest audited fiscal year (FY 2023) and included all 286 school districts. Common descriptive statistics of sum, mean, median, minimum, maximum, and range were calculated for each respective data set. Simulations were conducted for two alternatives to the current finance scheme. The resulting analysis details the key findings of those three independent fiscal profiles.

**Current Fiscal Profile.** Analysis of the current financial situation within the state of Kansas as of FY 2023 reveals that districts are extensively using the statutory authority granted to them within the capital outlay fund. The average mill rate within the fund is 7.300 mills, with only three districts not currently levying any rate in this fund. Most school districts currently have less than one mill (.680) as an average current remaining authority. Under these conditions, it is estimated that school districts are only leaving approximately \$16.4 million in unrealized ad valorem tax revenue from local coffers, resulting in just over \$4 million in unrealized matching state aid. The average unrealized ad valorem tax dollars available only total to an estimated \$57,538, with a corresponding \$14,071 in unrealized matching state aid. Statewide, the net result is a sum of just over \$20 million in total unrealized ad valorem and matching state aid.



These dollars, while greater than nothing, reveal the distinct challenges facing Kansas districts. Said differently, the current state aid formula for capital outlay in Kansas results in 97 districts failing to qualify for any state aid on the basis of wealth and/or tax effort, and with the average state aid match only totaling 30.2%, while the median was even lower at 25.0%. These aid ratios yield an average of \$318,146 in matching state aid, and only insofar as districts are willing to risk assessing their local patrons for a resulting average \$1,180,268 in ad valorem tax revenue for school facility purposes. The net result of the current state aid formula to capital outlay support is that, while districts are able to access a total of approximately \$428 million, only \$91 million of that total flows from state coffers, leaving local patrons responsible for the remaining \$337 million at the end of the day.

**Alternative Profile 1 (increase to 10.0 mills).** Because rewriting Kansas statutes to grant full state authority for funding school facilities is politically unlikely, the interim (perhaps only other) solution suggests alternative scenarios in which local budgetary authority is increased. Such an alternative is obliged to accept either the basic positives of the Kansas capital outlay formula structure or to be resigned to using the current formula with any imbedded flaws in ways that at least increase the current statutory limit to capital outlay millage in order to evaluate the basic practical power of the aid formula and attendant ad valorem tax base. In order to not be accused of aiming for impractical outcomes, the study made proffers of modest increases as a means to assessing said practical power.

The first alternative fiscal profile involved a proposed increase to the current statutory limit on the mill rate for the capital outlay fund to a maximum of 10.0 mills (net increase of 2.0 mills). The simulation modeled here assumed that the current state aid matching percentage would remain unchanged for all school districts. The simulation revealed several findings that represented significant opportunities for Kansas districts if the current statute were thus amended. More specifically, the average remaining mill rate authority would move to 2.680 mills, with a total average of approximately \$366,765 in unrealized ad valorem tax revenue. If districts were to tap into the additional statutory authority, this would unlock the potential for another \$97,126 on average in additional matching state aid, with an average net result at approximately \$463,890 (compared with the median of approximately \$152,599 per district).

The net result for Kansas school districts—and the state itself—would certainly be worthy of consideration. The net change across the state would represent an additional \$105 million in unrealized ad valorem revenue, with a potential of matching state aid in the amount of nearly \$28 million in new dollars. These findings would provide a net result of over \$132 million in new revenue for the capital outlay fund across the 286 school districts. A total of 25 districts would see a benefit in net revenue in excess of \$1 million when adding both the ad valorem and matching state aid. Indeed, the state's largest enrollment school district would reap just under \$10 million in new monies. Table 1 shows the revenue potential across the state's 286 districts, and Table 2 illustrates the descriptive results of the analysis.

**Table 1**

	Remaining Authority	Unrealized Ad Valorem	Unrealized State Aid Match	<b>Unrealized Total Fund Revenue</b>
Totals	N/A	\$104,894,651	\$27,778,011	<b>\$132,672,662</b>

**Table 2**

	Remaining Authority	Unrealized Ad Valorem	Unrealized State Aid Match	<b>Unrealized Total Fund Revenue</b>
Average	2.680	\$366,765	\$97,126	\$463,890
Median	2.009	\$129,688	\$28,538	\$152,599
Minimum	2.000	\$10,303	\$0	\$20,606
Maximum	10.000	\$9,309,467	\$3,359,067	\$9,945,472
Range	8.000	\$9,299,164	\$3,359,067	\$9,924,867
Count of 0's			97	
Over \$1M		17	3	25

**Alternative Profile 2 (increase to 12.0 mills).** A slightly more aggressive fiscal simulation was also carried out in this study. This second profile retained the fundamental characteristics of the first profile, except that the statutory limit for the capital outlay mill levy was increased to 12.0 mills. As before, this second alternative again kept constant the current state aid formula including the state’s responsibility for matching monies. The net results were noteworthy, both for district patrons and for state coffers. Average remaining statutory authority increased to 4.680 mills, representing a statewide average unrealized rate of over 50% of the current limit. The resulting revenue increased to \$676,171 on average in ad valorem tax revenue for infrastructure use, with a matching state aid average of \$180,180. The net result available to school districts on average within the state of Kansas became \$856,351, compared to the median of \$290,295.

This second alternative to the current 8.0 mill statutory limit shed light on the significance of new monies that would become available to districts, and pointed to significant impacts to the state’s general fund budget. More specifically, a total \$193 million in new ad valorem tax

revenue would become available statewide, with a potential for matching state aid in the amount of over \$51 million. The grand total of \$245 million in net new revenue for the capital outlay fund would represent 57% of current net total of dollars available to districts in their capital outlay fund. Even more significantly, this change would result in only 19 school districts receiving a net award less than \$100,000, while 49 districts would net new revenue in excess of \$1 million each. The state's four largest districts would net a total of over \$68 million in new dollars available for their capital needs, with the state's largest enrollment school district again receiving the largest award of nearly \$20 million. Table 3 shows the positive consequence and power of modest increases to tax levy authority when partnered with the state's recognition of brick-and-mortar impact on P-12 educational opportunity, and Table 4 illustrates the descriptive results of the analysis.

**Table 3**

	Remaining Authority	Unrealized Ad Valorem	Unrealized State Aid Match	<b>Unrealized Total Fund Revenue</b>
Totals	N/A	\$193,384,936	\$51,531,578	<b>\$244,916,513</b>

**Table 4**

	Remaining Authority	Unrealized Ad Valorem	Unrealized State Aid Match	<b>Unrealized Total Fund Revenue</b>
Average	4.680	\$676,171	\$180,180	\$856,351
Median	4.009	\$239,123	\$56,428	\$290,295
Minimum	4.000	\$13,737	\$0	\$27,474
Maximum	12.000	\$18,618,933	\$6,718,134	\$19,890,945
Range	8.000	\$18,605,196	\$6,718,134	\$19,863,471
Count of 0's			97	
Over \$1M		35	9	49
Under \$100K		33	189	19

## **Conclusions and Recommendations**

Kansas schools presently have only two principal means by which to provide adequate and equitable high-quality physical learning environments for their approximately 500,000 P-12 pupils. Both means are severely limited under current statute; one being the decades-long obligation accessible only through bonded indebtedness, and the other being current revenues through a capital outlay fund restricted levy. Both means are tightly controlled through levy and debt ceiling restrictions, and both are restricted to politically palatable limits. This study did not seek to examine the bond mechanism's structure or fundamental fairness but instead focused on districts' ability to support brick-and-mortar needs separately from the burden incurred by long-term debt (e.g., capital outlay current revenues).

The following conclusions were drawn from synthesis and interpretation of the data gleaned during this study. These conclusions speak to the four policy questions raised earlier in this study:

1. Does the current state aid formula, derived primarily from calculation of assessed valuation per pupil (AVPP), properly supplement all districts having low property wealth?
2. Does the current statutory maximum of 8.0 mills in the capital outlay fund create an arbitrary cap, thereby failing to properly provide the revenue necessary to support the growing capital needs of Kansas' districts?
3. What would be the simulated costs to the state of Kansas for matching state aid under the current formula and under two alternative millage modifications?
4. How could the state potentially limit its additional budgetary exposure if changes are made that permit local patrons to access additional funds through state/local tax equalization?

Answering these policy questions revealed untapped significant resources that could go far toward addressing a growing infrastructure deficit in Kansas public schools. Importantly, quite modest millage increases unlocked this potential without having to struggle with rewriting the conceptual underpinnings of current law (i.e., a means to avoid arguments about formula structure). While the capital outlay aid formula itself suffers deficiencies in concept about brick-and-mortar's primary/secondary importance in pupil achievement, funding gains nonetheless can be made in the short run without risking the political fury that would surely surround formula restructuring. More specifically:

1. School districts' capital budget authority is nearly maxed out under current law under the current levy cap of 8.0 mills and leaves only \$16 million unrealized local tax authority. Differently said, this represents approximately only 5% percent of the total current ad valorem tax revenue already generated. And of this constraint, only \$4 million remains in unavailable, unspent matching state aid. Indeed, these low totals are a direct outcome of the severe limitation of the 8.0 mill statutory cap.
2. Simulations revealed that increasing the current statutory mill rate authority would provide a valuable opportunity for substantial amounts of revenue that districts are unable to currently realize. There is a beneficial and fiscally significant case favoring change to be made to a new cap of 10.0 mills which would result in additional revenue capacity

(\$104 million), and certainly even more true in the case of setting a new cap at 12.0 mills (\$193 million).

3. The simulations further showed that increasing the statutory limit, while leaving the current state aid match unchanged, would result in a substantial increase to the state's budget costs. A potential for \$28 million (10.0 mills) up to \$52 million (12.0 mills) should signal the importance of policy change for state legislative leaders. While new costs are rarely welcomed, the state of Kansas is currently experiencing an unprecedented and sustained budget surplus, leaving policymakers more free to enact positive change that can meaningfully address a growing infrastructure backlog among public schools.
4. The simulations additionally showed that while every district would benefit from an increase in the maximum mill rate, those with matching state aid benefit the most. While the remaining authority left in the local capital outlay fund plays a role, the matching state aid plays an even greater role in the total amount of revenue made available to school districts. At a minimum, this suggests that fiscal equity is served—to at least some measure—through current formula structure, thereby challenging arguments that increasing millage accessibility makes no impact on equal educational opportunity.

The data and substantive analysis in this study therefore imply that legislative action is needed to help P-12 schools in Kansas do a better job meeting their brick-and-mortar deficits. This study concludes that, at a minimum, the following policy changes should be adopted or even expanded:

1. Removal of the statewide cap on the capital outlay fund, currently set at 8.0 mills. Allow school districts to exceed this cap through the current state aid mechanism that is already in place (i.e., simple passage of a resolution by local boards of education). This would continue to allow districts to exercise local control where local taxpayer support exists and would not be regarded as imposing the state's will on local decision making. Importantly, the limited equalization features of the current capital outlay aid formula would be available to all qualifying school districts.
2. Removal of the cap on the amount of state aid a district can exercise during a fiscal year. While this recommendation inevitably increases state cost through the equalization feature of the current aid scheme, those additional costs are limited to whatever amount is generated by the increase in permissible equalized levy (e.g., the simulations of 10.0 and 12.0 mills, respectively). But as shown in the simulations, the budget authority newly available to schools via this modest increase in levy authority is powerful while simultaneously representing only a modest increase in millage rates. In sum, school districts and the state would open new doors to redressing deferred maintenance in a way that requires local voter approval and state blessing.
3. Of co-equal importance is a recommendation to equalize the capital outlay state aid formula 100% (in contrast to the current 75% proration). At the most basic level, the 75th percentile constraint is merely a budget control, perhaps accompanied by an assumption that the wealthiest districts do not deserve state partnership. At the most elemental level, however, is the implicit judgment in the 75th percentile limit that the state sees brick-and-mortar at a lower hierarchical level than other P-12 costs. But opening the door to 100% equalization would speak volumes at only a small price compared to benefit and perception.

## Summary

This study provided a quick, yet effective comparison of the current realities facing Kansas school districts as they seek to meet the needs of the school buildings across a geographically large and varied state. The data in this study showed vast disparity in enrollment size and in property wealth. While the current formula was welcomed in recent times as an enormous improvement over the state's historical absence from brick-and-mortar support, it has since shown limitations largely related to artificial caps and unequal state/local partnership. But the importance of brick-and-mortar—in terms of equal educational opportunity—can no longer be denied, and the importance of providing educational equity and financial support to school districts should not be overlooked.

This study provided a glimpse into the potential benefits to school districts—and pupils—through modest modifications to current statute that should not especially invite political turmoil. Absent such policymaking, the failure to take proactive steps toward actively supporting the brick-and-mortar needs of Kansas schools will invariably have a long-term impact upon Kansas communities and the students they serve.

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