



## **House Appropriations Committee Ron Ryckman, Chair**

### **H.B. 2403 Concerning school districts: relating to school finance; making and concerning appropriations; creating the classroom learning assuring student success act.**

March 9, 2015

*Submitted by Jim Freeman*

Mr. Chairman, members of the Committee:

Thank you for the opportunity to provide input on House Bill 2403. I am the Chief Financial Officer for the Wichita Public School. I have been a school business official since 1992, serving in Buhler, Lawrence, Renwick, Andover and Wichita. I also served in two school districts in Illinois. I am a past president of the Kansas Association of School Business Officials (KASBO), and in that capacity have worked with many school districts across the state on school finance and school business issues. My opposition to this bill is based on over 20 years of experience in school business affairs and work with hundreds of school business officials across the state. I oppose this bill because I believe it does not solve any problems and I believe there will be unintended negative consequences that will impact our economic future, the 51,000 students in Wichita Public School and the 460,000 students in the state.

My first concern is that it appears that the bill is on a very fast track for approval. It being released and printed last Thursday evening with a hearing scheduled today makes it very difficult for us to comprehend everything the bill contains. If the true purpose of these hearings is to gather information on the impact of the legislation, we need more time for discussion of the issues. I commend Chairman Ryckman for understanding the school districts' need to have resolution to this as soon as possible. More time to analyze the complete ramifications of the bill would be preferable.

Section 4 (b) states the intent of the act is to lessen state interference and involvement, provide more flexibility and increase local control in order to:

- (1) Enhance predictability and certainty in school district funding sources and amounts
- (2) Allow school district boards of education and administrators to best meet their individual school district's financial needs, and
- (3) Maximize opportunities for more funds to go to the classroom.

I appreciate the recognition that there is a need for flexibility and local control. However, I believe the bill has gone too far. The bill appears to allow general operating expenses to be paid from our special reserve fund (insurance reserve) and textbook fund. I acknowledge that is a local decision, and good policy needs to be tempered with appropriate control. I would argue that allowing student fees (textbook fund) and health insurance reserves (special reserve fund) to be used for general operating expenses is not good policy, which this bill appears to allow.

The idea of enhancing predictability and certainty in funding is great, but in the state's (and K-12 Education) current financial dilemma, I do not see this bill attaining that goal.

In order to allow districts to best meet their financial needs and maximize funds going to the classroom requires more funding. Wichita has cut non-classroom budgets, reduced administrative staff and continually analyzes every operational aspect for efficiencies. And yet non-classroom expenses continue to increase. Our utility costs continue to increase despite a very good energy management program, the outsourced transportation contract has a CPI provision which increases costs, and like everyone else, health care costs are increasing. The bulk of the FY 16 appropriations increase is to cover KPERS which is appreciated. However, the operational increase for WPS is only 0.3% which will not cover our fixed costs increases. Because the operational increase will not cover fixed cost increases, it will be very difficult to develop a budget which doesn't impact classrooms.

I interpret the "enhancing predictability and certainty in funding" to be a priority of the legislature. I understand the priority, and I do not believe it requires a new school finance formula to accomplish. The current formula is not broken. It works very well in providing a means of funding the complexity of educating the over 460,000 students in 286 Kansas school districts. The current formula provides flexibility and local control. The problem is the revenue, not the formula. HB 2403 sets the appropriations for this year and the next two years, which can be done without changing the formula.

As I stated earlier, the window for analysis of the impact of this bill has been very short. The following points are things I am concerned about and have questions about. Every time I read the bill I find more points that I need clarification on, and I am concerned about the negative unintended consequences of some provisions in the bill.

#### Concerns and Questions:

- (1) There is no defined sunset provision in this bill.

- (2) Allowing all but two funds to be used for general operating expenses will lead to the erosion of transparency and accountability and may result in the inappropriate use of funds.
- (3) It appears that we will now be allowed to enroll out of state students into our virtual programs. Do we really want to be spending state dollars on out of state students? What is the rationale behind paying \$5,600 for each full time virtual student when \$3,852 was provided this year for a regular full time student?
- (4) Wichita will lose about \$7.7 million in budget authority this fiscal year (2014-15) which we will handle through close budget and personnel management and contingency reserve. The problem will be next year when we have to make additional cuts in the budget to account for this year's \$7.7 million budget reduction plus our increases in fixed costs of \$4 million. The \$997,000 increase in operational funding we will receive next year will obviously not cover approximately \$12 million in cuts we will need to make.
- (5) The Extraordinary Needs funding that is in this bill sounds good. Wichita could use all that is appropriated, but I doubt that was the intent. We need to know what the process for application and approval is, especially the timeline. How can we plan a budget without knowing what our revenue is?
- (6) The bill defines a permanent proration of the Local Option Budget state aid. Not only are we no longer fully equalized according to the formula, but the proration defined is not equal across the state.
- (7) Wichita will lose \$4.7 million in LOB state aid and \$3 million in Capital Outlay state aid from this year's budget. Those reductions will have to be accounted for in next year's budget.
- (8) It appears the bill is using most of the current school finance formula language and did not simplify anything that I can see. With no funding tied to the counting of students, transparency and accountability again will suffer.
- (9) As I read the bill, it appears we will now have the ability to charge transportation fees for students over 2½ miles from school that are not Special Ed or Free and Reduced.
- (10) The ability to transfer funds in and out of General Fund from almost every other fund again erodes transparency and accountability.

There have been statements made that indicate school districts need to be consulted. I agree and support this. I would encourage the committee consider stepping back and allowing for the time necessary to develop revisions to the current law. I stand in opposition to this bill, not because I think current law is perfect, but because there will be negative unintended consequences if this bill is implemented. We cannot afford to jeopardize the education of 460,000 students in Kansas. They are our economic future.

Thank you, Mr. Chairman, for your consideration. I will stand for questions at the appropriate time.