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KANSAS HOUSE APPROPRIATIONS COMMITTEE

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TRANSCRIPT

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OF

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PROCEEDINGS,

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12 beginning at 2:30 p.m. on the 22nd day of March,

13 2016, in Room 112-N, Kansas State Capitol

14 Building, Topeka, Kansas, before the Kansas House

15 Appropriations Committee, Representative Ron

16 Ryckman, Chairman.

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1 CHAIRMAN RYCKMAN: Representative
2 Highland.

3 REPRESENTATIVE HIGHLAND: I'd like to
4 introduce RS No. 16, RS 4098, having to do with
5 school finance on behalf of Senator Abrams and my
6 fingerprints are on it as well.

7 CHAIRMAN RYCKMAN: Is there a second?
8 Second by Representative Rhoades. Again, this is
9 a complete school finance solution that Senator
10 Abrams has been working on that Representative
11 Highland is introducing. We have a motion and a
12 second. Any discussion? All in favor of this
13 bill's introduction say aye. Opposed? Bill's
14 introduced. Committee, we're having an informal
15 hearing on House Bill 2740. It's my understanding
16 the identical bill was introduced in the Senate
17 who also just had an informal hearing, but it is
18 our response to the courts and what I interpret
19 are a good effort to, to keep our schools open and
20 to answer the courts in a way that is the best for
21 all schools and for our taxpayers as well. To
22 that I'd ask for a -- Jason Long to brief us on
23 the bill. In addition, I think you've been handed
24 out what we call runs provided by the Department
25 of Education. Jason, thank you for being here.



1 MR. LONG: Thank you, Mr. Chairman,
2 members of the committee. House bill 2740 does
3 make amendments regarding school finance. You
4 have a copy of the bill there at your seat along
5 with a copy of the Memorandum summarizing the bill
6 from our office. What the bill does is address
7 supplemental general state aid and capital outlay
8 state aid. This may sound familiar to you as you
9 had a hearing just last week on a separate bill.

10 Under this one, if you think back, under
11 current law as a portion of the block grant under
12 Senate Bill 7 school districts received an amount
13 of supplemental general state aid that was equal
14 to what the school district received for school
15 year '14-'15 and that's equalization state aid for
16 school districts, you levy a local option budget
17 property tax levy. Under House Bill 2740, instead
18 of going through the block grant there would be a
19 separate statutory formula for determining that
20 supplemental general state aid and it would be
21 distributed pursuant to a specific appropriation.
22 You can see that on page 1, line 13, is the
23 appropriated amount for next school year, school
24 year '16-'17.

25 The statutory formula is in Section 2 of the



1 bill and what it does, you've seen this before, it
2 takes the assessed valuation per pupil of the
3 district, rounds that to the nearest one-
4 thousandth dollar amount, sets up a schedule in
5 thousand dollar increments. You find the median
6 point of that schedule and that gets assigned a
7 state aid computation percentage of 25 percent,
8 and then as you go up in wealth, go up in those
9 thousand dollar increments your percentage goes
10 down one percent per one thousand increment or if
11 you're a poverty, a poorer district and you're
12 below that median point, for every thousand dollar
13 increment you're below your percentage goes up one
14 percent up to a maximum of a hundred percent. And
15 then that percentage computation that's assigned
16 to your district based on where you fall in that
17 schedule is multiplied by your local option budget
18 and that's the amount of supplemental general
19 state aid that a school district will receive in
20 school year '16-'17 under House Bill 2740.

21 That section is made a part of the CLASS Act
22 and expires on June 30th, 2017, along with the
23 rest of the CLASS Act, and then in addition to
24 that, Section 3 of the bill deals with capital
25 outlay state aid and again, under current law



1 that's a portion of your block grant, but under
2 House Bill 2740 that is being pulled out of the
3 block grant and going to be calculated and
4 distributed through a separate item of
5 appropriation. On page 1, line 20, is that line
6 item and this would be calculated in the same
7 manner as the supplemental general state aid. So,
8 again, rounding the AVPP, doing the schedule,
9 finding the median point, the computation
10 percentage, and for capital outlay state aid it's
11 that percentage times the capital outlay levy that
12 the school district makes for school year '16-'17;
13 and, so, we're using the same equalization formula
14 for both capital outlay state aid and LOB state
15 aid for next school year under House Bill 2740.
16 Again, and also that capital outlay state aid is
17 also made a part of the CLASS Act and is set to
18 expire on June 30th of 2017.

19 Then the other form of equalization state aid
20 provided in this bill is in Section 4 and this is
21 school district equalization state aid and this is
22 based on comparing the school district's total
23 state aid from this current year, '15-'16,
24 compared to what they will receive under the bill
25 in '16-'17. So, we're going to look at the school



1 district's supplemental and capital outlay state
2 aid for next year under this bill, what that total
3 aggregate amount is, compare that to what they
4 receive through the block grant in supplemental
5 and capital outlay state aid this year, and to the
6 extent they receive less next year then they're
7 going to get equalization state aid under Section
8 4. It's an additional amount of equalization
9 state aid for next year, but only those districts
10 that actually have less in supplemental and
11 capital outlay state aid next year than what they
12 received this year and the amount of that
13 additional equalization state aid is that
14 difference. So, you can think of it kind of as a
15 hold harmless in terms of equalization of state
16 aid for the school districts for school year '16-
17 '17 and you can see that is appropriated on page
18 1, line 14, it's the 61 million plus dollars
19 appropriated for that school district equalization
20 state aid. That section also is made a part of
21 the CLASS Act and is set to expire on June 30th of
22 2017.

23 Section 6 of the bill amends the actual block
24 grant calculation. Since we, the bill proposes to
25 distribute supplemental general state aid and



1 capital outlay state aid through direct
2 appropriation it's no longer going to be
3 distributed through the block grant. There's a
4 new calculation for block grant funding for school
5 year '16-'17 that excludes those two amounts, so,
6 that's the amendment in Section 6 of the bill.

7 And then Section 7 amends the extraordinary
8 need fund and if you recall, the extraordinary
9 need fund was a mechanism by which school
10 districts could apply to the State Finance Council
11 if they had extraordinary growth or extraordinary
12 loss in assessed valuation or some other
13 unforeseen circumstance that significantly
14 impacted their general fund budget, they could
15 apply to the State Finance Council for additional
16 extraordinary need state aid, both this year and
17 next year under the, under Senate Bill 7. What
18 House Bill 2740 does is shift that from the State
19 Finance Council to the State Board of Education.
20 So, for next school year school districts would
21 submit their application to the State Board of
22 Education for extraordinary need and then I'll
23 point out that in addition to the current three
24 considerations for extraordinary state aid, on
25 page 10 of the bill, line 16 through 19, the State



1 Board can also consider whether the applicant
2 school district has reasonably equal access to
3 substantially similar educational opportunity
4 through similar tax efforts. That is the
5 equitable standard under the Constitution that the
6 Supreme Court has said is required pursuant to
7 Article 6, Section 6, and, so, to the extent the
8 school district believes it needs more state aid
9 to meet that equitable standard, the State Board
10 of Education can consider that in the application
11 of the school district and grant extraordinary
12 need state aid based on that consideration.

13 Then I'll also point out on page 10 of the
14 bill, lines 30 through 34, the State Board that is
15 conducting these application reviews and having
16 hearings is to act in accordance with the Kansas
17 Administrative Procedure Act and any decisions of
18 the State Board are subject to the Kansas Judicial
19 Review Act.

20 And then finally I'll point out on page 11 of
21 the bill the nonseverability statute, K.S.A. 72-
22 6481, is amended by this bill to make it a
23 severability statute so that, one, the CLASS Act
24 would include the new Sections 2, 3 and 4 as all
25 part of the same act, but then if any provision,



1 including any provision of those sections is found
2 unconstitutional by the court, that portion can be
3 severed from the rest of the Act and the remainder
4 of the Act will be allowed to proceed and be in
5 full force and effect going forward simply without
6 that provision that was found unconstitutional.
7 So, there is that change.

8 If enacted the bill will become effective on
9 July 1 of 2016 and with that, Mr. Chairman, I'll
10 be happy to stand for any questions.

11 CHAIRMAN RYCKMAN: Thank you, Jason. I'd
12 also like to remind the committee that we have a
13 transcriptionist here to help us document the
14 conversations and, so, I know I need to be
15 reminded as some others to speak maybe a little
16 slower as you ask your questions. Any questions
17 for Jason? Well, the first one I would have, and
18 again you touched on it briefly, but can you again
19 kind of give the rationale for the severability
20 versus nonseverability?

21 MR. LONG: Sure. The -- so, with the
22 severability provision, and we put these in a lot
23 of statutory acts, what it is is it's a statement
24 by the legislature that if the court were to find
25 any particular part of the Act to be in violation



1 of the constitutional provision, then it would be
2 the legislature's intention that that portion be
3 severed from the Act and the rest of the Act
4 remain in full force and effect and, so, that is
5 what the change to 72-6481 is doing is it's
6 expressing the intent of the legislature that the
7 provisions of the CLASS Act be severable and that
8 if any provision is found unconstitutional it be
9 cut off from the rest of the Act and the rest of
10 the Act be given full force and effect moving
11 forward in school year '16-'17.

12 CHAIRMAN RYCKMAN: Any questions on that?
13 Jason, another question I have is, give me an
14 understanding of the court's ruling as far as
15 under one formula, you know, referencing the
16 relevant portions of the previous school funding
17 system as fully funded and then the current block
18 system, does this -- how does this address that?

19 MR. LONG: The court stated one way of,
20 in the court's words, curing the constitutional
21 infirmity with regard to equity would be to
22 reenact the school funding formulas for local
23 option budget and for capital outlay as they were
24 prior to Senate Bill 7. What House Bill 2740 does
25 is take the formula, that formula that was in



1 effect prior to Senate Bill 7 for capital outlay
2 and makes it uniform as to both tax levies. So,
3 it applies under this bill to both the local
4 option budget equalization formula and to the
5 capital outlay equalization formula. The court
6 was silent as to why there were two different
7 formulas or even that there was a need for two
8 different formulas. The court simply stated that
9 there was a formula for LOB and there was a
10 formula for capital outlay and, so, there was no
11 language in the court's opinion, to my
12 recollection, distinguishing the two, why there
13 couldn't be a uniform equalization formula, but at
14 the same time there was no language in the court's
15 opinion stating that one formula could be applied
16 to the other. The court didn't have any express
17 language to that effect, so, applying one to the
18 other is kind of a new tact that wasn't -- there
19 was no clear guidance given by the court on this
20 method.

21 CHAIRMAN RYCKMAN: Representative Kleeb.

22 REPRESENTATIVE KLEEB: Thank you, Mr.
23 Chairman. I wanted to, Jason, have you go into
24 Section 4 just a little bit and talk about this
25 hold harmless aspect. In particular, so, we are



1 holding districts that have this change due to
2 this formula, we're holding them even with the
3 financing, is that my understanding?

4 MR. LONG: Yes. To the extent that
5 because of the change in how the supplemental
6 general state aid is being calculated under this
7 bill, to the extent that their total supplemental
8 general state aid and capital outlay state aid
9 amount is less next year than what they received
10 through the block grant this year, Section 4 makes
11 up that difference and provides that difference to
12 the school district so that they would receive the
13 same amount as they received this year.

14 REPRESENTATIVE KLEEB: Past changes to
15 the school finance formula bills have changed the
16 equity piece from 75 to 81.2 and all this sort of
17 thing. Is this hold harmless been in past bills
18 that have come along or has it been a matter of
19 practice?

20 MR. LONG: No, what you see in Section 4
21 would be new school district equalization state
22 aid. I will point out that the formula used in
23 Section 2 and Section 3 is the same formula based
24 on that 25 percent at the median point that the
25 court indicated would be, would meet its equitable



1 standard for capital outlay state aid in its
2 recent opinion; but no, this hold harmless
3 equalization state aid has not been addressed by
4 the court in any prior decision.

5 REPRESENTATIVE KLEEB: No, I'm not saying
6 addressed. Has it been a matter of practice in
7 the past when there have been changes in school
8 finance formula?

9 MR. LONG: Well, in speaking to the prior
10 formula, the SDFQPA, those changes, no, I don't
11 believe there was -- usually when there were
12 tweaks to that formula there was not a new fund
13 created to hold districts harmless as a result of
14 the tweaks to the formula, if that's what you're
15 asking. That's not been the practice over that 20
16 year history of the SDFQPA.

17 REPRESENTATIVE KLEEB: So, this is --
18 certainly equalization means different things to
19 different people and, so, this is to try to buy us
20 a year as we delve into that whole discussion of
21 what is equalization?

22 MR. LONG: Well, I believe this hold
23 harmless amount is called school district
24 equalization state aid because it's predicated on
25 that difference in equalization state aid between



1 next year and this year.

2 REPRESENTATIVE KLEEB: Thank you, Mr.
3 Chairman.

4 CHAIRMAN RYCKMAN: I think it's
5 consistent with what we heard yesterday, that any
6 -- most times when there's been a change there has
7 been a hold harmless provision. We heard that
8 from many of our stakeholders. Representative
9 Claeys.

10 REPRESENTATIVE CLAEYS: Thank you, Mr.
11 Chairman. There was some talk, Jason, last time
12 of AVPP of 81.2. In this is that number
13 essentially picked out of the sky or created at
14 the flip of a coin, does that number still exist
15 or is there some other mechanism for arriving at
16 that?

17 MR. LONG: No, the formula would not be
18 based on any 81.2 percentile threshold under House
19 Bill 2740. Instead it uses that median point and
20 assigns a 25 percent computation factor to that
21 median point just like the formula in 72-8814 did
22 for capital outlay prior to its repeal last year
23 under Senate Bill 7. So, this is an established
24 formula that was in use for several years prior to
25 Senate Bill 7's enactment last year.



1 REPRESENTATIVE CLAEYS: Okay, thank you,
2 Jason. Thank you, Mr. Chairman.

3 CHAIRMAN RYCKMAN: In follow up to that,
4 I don't believe -- Jason, correct me if I'm wrong,
5 the Supremes did not appear to require two
6 formulas or preclude one. Can you respond to that
7 part of the question?

8 MR. LONG: No, the court -- I don't think
9 there's any language in the court's opinion that
10 would clearly preclude what's proposed in 2740 nor
11 clearly endorse what's in House Bill 2740, Mr.
12 Chairman.

13 CHAIRMAN RYCKMAN: Another question,
14 Representative Wolfe Moore.

15 REPRESENTATIVE WOLFE MOORE: I can wait
16 till you're done, Mr. Chairman.

17 CHAIRMAN RYCKMAN: Go ahead.

18 REPRESENTATIVE WOLFE MOORE: Thank you,
19 Mr. Chair. Sir, I don't know if you can answer
20 this, but -- so, the court said that the state aid
21 is, the amount of state aid is inequitable, so,
22 we're essentially using the same amount of money,
23 it appears to me, except maybe for about two
24 million extra that comes from the extraordinary
25 need fund, and, so, not all districts get that and



1 some will still be considered funded inequitably,
2 so, I'm trying to figure out how this solves our
3 problem with the courts.

4 MR. LONG: This is -- I don't know and I
5 can't speak to whether or not this would
6 absolutely solve the problem for the courts.
7 That's up to the court to decide whether or not
8 this meets the constitutional standard. What this
9 is is a change in the distribution of supplemental
10 general state aid and capital outlay state aid
11 from what was used for this current year, for the
12 '15-'16 year. This is proposing a change in that
13 distribution for school year '16-'17 using a
14 distribution formula that was in effect for
15 capital outlay state aid prior to the enactment of
16 Senate Bill 7; but, yeah, I believe the amount --
17 there is some built-in growth amount for any
18 slight adjustments in school district assessed
19 valuation, but I believe it is the same amount
20 that was appropriated for last year.

21 REPRESENTATIVE WOLFE MOORE: That's what
22 I thought. Thank you, Mr. Chair.

23 CHAIRMAN RYCKMAN: And again, we're
24 talking about equity, not adequacy.
25 Representative Claeys.



1 REPRESENTATIVE CLAEYS: Thank you, Mr.
2 Chair, for the second bite at the apple. Can you
3 go into why we would want to send the dollars to
4 the Department of Education? Is there a timing
5 issue behind that? What is the rationale behind
6 that?

7 MR. LONG: Well, I can't speak to the
8 intent of the requester in making that change. I
9 do note in past court decisions there has been
10 some language indicating a question as to why that
11 extraordinary need fund was being overseen by the
12 State Finance Council and not the State Board of
13 Education since it was state aid to go to school
14 districts. Then I do know that the State Board of
15 Education meets on a monthly basis, which is quite
16 a bit more frequently than the State Finance
17 Council and, so, they do have permanent staff over
18 there at the State Board of Education. So, there
19 is that aspect of the transfer over to the State
20 Board of Education.

21 REPRESENTATIVE CLAEYS: So, response
22 times would be improved if they were to use the
23 Department of Education? Reviewers wouldn't come
24 into play as much as they're meeting more
25 frequently.



1 MR. LONG: I would probably have to defer
2 to the State Board in terms of how they would view
3 this change and how they would administer that
4 provision, but presumably meeting more often would
5 allow them to review the applications more often,
6 but again I'd defer to the State Board on that
7 question.

8 REPRESENTATIVE CLAEYS: Thank you, Jason;
9 thank you, Mr. Chairman.

10 CHAIRMAN RYCKMAN: Any other questions
11 for Jason? Representative Lunn.

12 REPRESENTATIVE LUNN: Thank you, Mr.
13 Chairman, and this may be for you but, Jason, your
14 thoughts on this. Is this more of a, you consider
15 this more of a stop gap measure to satisfy the
16 courts and contain their threat of closing our
17 schools or do you see this as a foundational move
18 toward a future formula?

19 MR. LONG: The provisions in House Bill
20 2740 are only in effect for school year '16-'17.
21 The new sections expire at the same time as the
22 CLASS Act does on June 30 of 2017, so, there's no
23 future prospect of this continuing on, at least
24 under this bill, 2740, for any future school years
25 beyond next school year.



1 REPRESENTATIVE LUNN: Thank you.

2 CHAIRMAN RYCKMAN: Representative Barker.

3 REPRESENTATIVE BARKER: Thank you, Mr.
4 Chairman. Jason, just a couple questions on your
5 severability clause and I agree that it's used on
6 a lot of federal legislation and some state
7 legislation, but my experience is, and you can
8 differ with me, I'd love your opinion, normally
9 when the court strikes down certain section of the
10 statutes it's usually the heart of the statute,
11 and the rest of it, the remaining sections could
12 not stand on their own. Are you telling me that
13 Section 6 or Section 4 gets struck that this would
14 still stand?

15 MR. LONG: There are court cases where
16 the courts have, have not strictly adhered to a
17 severability provision given the provisions of the
18 Act that were deemed unconstitutional. This is
19 simply stating that if the remainder of the rest
20 of the Act can be given full force and effect
21 going forward without that provision deemed
22 unconstitutional, then it would be the
23 legislature's intent to maintain that, that
24 effectiveness of the rest of the Act rather than
25 render the entire act unconstitutional.



1 REPRESENTATIVE BARKER: All right, thank
2 you, Mr. Chairman.

3 CHAIRMAN RYCKMAN: And again, I think the
4 purpose of that shift is, do everything we can to
5 assure schools remain open. Any other questions?
6 All right, we do have handouts here if you have
7 questions on the runs, if you want to bring up Jay
8 Gene or Eddie to go over them. Any questions --
9 Mr. Dennis is here. Any questions, if we put him
10 on the spot that he typically is a breath of
11 information? Not seeing any.

12 REPRESENTATIVE BALLARD: Would you repeat
13 that again?

14 NEW SPEAKER: Any questions.

15 CHAIRMAN RYCKMAN: Representative
16 Ballard.

17 REPRESENTATIVE BALLARD: Thank you. I
18 think Representative Wolfe Moore brought it up,
19 but I've tried to read the opinion and it says
20 even though we talked earlier about equalization,
21 we talked about new monies. Now, just because we
22 shifted 15 million to State Board of Education, is
23 there any new money in here? I mean, I don't see
24 any new money. Did they say solely we would deal
25 with equalization part of it or did it say



1 equalization, go back to the areas that we needed
2 to deal with, and new money and we're making a
3 choice to go with one?

4 CHAIRMAN RYCKMAN: This is a response to
5 the equity portion of the lawsuit and the, and the
6 -- there is a little bit of additional money
7 that's a little over two million dollars that has
8 been, that was part of the extraordinary needs
9 fund. The extraordinary needs fund in this bill
10 is going to the Department of Education to
11 administer to our school districts.

12 REPRESENTATIVE BALLARD: And where is the
13 two million going?

14 CHAIRMAN RYCKMAN: That's to the schools.
15 There's a few districts that under the
16 capitalization formula for the LOB, I think
17 probably -- haven't studied them directly, but
18 probably ones that lost significant valuation,
19 they do get increased LOB aid when you run it
20 through the capitalization formula.

21 REPRESENTATIVE BALLARD: Okay. So, I
22 guess you could say, we could say we have some new
23 monies going here, so, we're addressing both
24 areas, but mainly the equity part?

25 CHAIRMAN RYCKMAN: Yeah, this bill deals



1 with equity.

2 REPRESENTATIVE BALLARD: And you say we
3 could ask -- did you say Dale Dennis?

4 CHAIRMAN RYCKMAN: Sure. Mr. Dennis.

5 MR. DENNIS: Yes, sir.

6 CHAIRMAN RYCKMAN: Representative
7 Ballard.

8 REPRESENTATIVE BALLARD: Thank you, Mr.
9 Chairman, again. In terms of the equalization
10 portion and the way you -- can I ask him any
11 question? Okay. I get to be the attorney today,
12 right? No, but in looking at this, do we address
13 the equalization portion or, or does it lean
14 heavier on new money? That's what I'm unclear
15 about.

16 MR. DENNIS: There's not a significant
17 increase in new money, no.

18 REPRESENTATIVE BALLARD: But does the
19 opinion specifically talk more about new money or
20 did it put more weight on equity?

21 MR. DENNIS: Equity in this case I
22 believe was the issue. Jason is the expert on
23 that, but I think equity was what the emphasis
24 was.

25 REPRESENTATIVE BALLARD: What problems do



1 you see with this bill?

2 MR. DENNIS: The -- nobody loses, okay,
3 and if there's an issue it will be the change and
4 I think anybody involved in it would say this,
5 when you change from 81st percentile to the
6 capital outlay equalization, somebody could raise
7 that issue, that's possible; but how, how somebody
8 may rule on that I don't know, but that issue will
9 no doubt be discussed 'cause you're changing the
10 amount of dollars equalized in the LOB from one
11 formula to another.

12 REPRESENTATIVE BALLARD: And how would
13 2740 help the school districts?

14 MR. DENNIS: Well, probably the biggest
15 help that some of them would say is they don't
16 lose any money. Remember some of the other runs,
17 there was -- you lost. No money loses under this
18 plan.

19 REPRESENTATIVE BALLARD: Thank you very
20 much.

21 CHAIRMAN RYCKMAN: I'll also remind the
22 committee that we will open a full hearing up
23 tomorrow morning at 9:30. This was scheduled for
24 now and this is not your only time to ask
25 questions. We just wanted to get information out



1 so you'd have a little more time to digest it.

2 Mr. Dennis thank you. One more question from
3 Representative Kleeb.

4 REPRESENTATIVE KLEEB: Thank you. Dale,
5 we've made tweaks in the past school formula bill.
6 This concept of hold harmless, is this new?

7 MR. DENNIS: In recent history, yes, but
8 you go back a ways the answer is no. It's not
9 unusual to have a hold harmless when you
10 transition to something else. That's not
11 particularly unusual and usually it's a phase out,
12 with me? You do hold harmless, you're going to
13 something new and you'll phase it out over time.
14 That's not unusual.

15 REPRESENTATIVE KLEEB: So, the hold
16 harmless may be even more than just one school
17 year; it could be phased out over two or three or
18 four.

19 MR. DENNIS: It could be -- in the past
20 if you phased it out over time, why, that's been
21 done before and the -- the, the amount here is
22 rather, is maybe on the high side, but it's been
23 done before, but the number of dollars we're
24 dealing with is a lot higher than it was the last
25 time this happened. A lot more dollars involved.



1 Percentagewise probably not much difference, but
2 this has been done before.

3 REPRESENTATIVE KLEEB: And the losers in
4 this case, so to speak, we have winners and
5 losers, the losers are for the most part taking
6 money out of classrooms or out of actual school
7 functions potentially and buying down the taxes
8 of --

9 MR. DENNIS: Well, a good budget person,
10 I think the answer would be no, I don't think it
11 would take it out of the classroom. I gave you
12 example that the hold harmless money is going to
13 the general fund. That can go to the classroom.
14 The current LOB can go to the classroom, and you
15 brought up the definition of capital outlay that
16 helps that and some of that could go to the
17 classroom like equipment, so, phase of that, so, I
18 don't think there'd be much -- that would be a big
19 issue. I don't think it would be. Going to the
20 classroom part shouldn't be an issue.

21 REPRESENTATIVE KLEEB: Okay, understood.
22 So, the main thing I just wanted to double-check,
23 this hold harmless concept has not only been done,
24 but it's been phased in over the years in the
25 past.



1 MR. DENNIS: Usually when the legislature
2 has done this, you go back umpteen years, why,
3 they phased it out over time. Said, here's what
4 you're guaranteed and as the money goes up,
5 changes come about, then it phased out. Sometimes
6 there's been even a year where it's been good for
7 so long, but it's usually always phased out.

8 REPRESENTATIVE KLEEB: Thank you, Mr.
9 Chairman.

10 CHAIRMAN RYCKMAN: Representative Henry.

11 REPRESENTATIVE HENRY: Real quickly,
12 Dale, the bill we had preceding, 2731, I believe
13 the losers was Johnson County, can't remember, six
14 or seven million, winner was Wichita, about the
15 same amount, if I remember the testimony. How
16 does, what does 2740 do for those two?

17 MR. DENNIS: If you add the -- you have
18 the summary, I might mention to you, there's a
19 printout back, that back supports each one of
20 those columns, like capital outlay, LOB. It's on
21 the website if you want to look at it, KSDE.org
22 and go to school finance and what's new, and staff
23 will be glad to give you one. Now, you asked
24 about the selected districts. If you turn and
25 take a look at Sedgwick County first in the



1 summary page, under this plan Wichita would end up
2 gaining about 1.5 million and that would come
3 under the hold harmless clause. So, in essence,
4 what they do is break even. Wichita breaks even.
5 When you get hold harmless you're breaking even.
6 So, if you go back to Johnson County I think
7 you're going to find them the same way. They get
8 hold harmless and if you get hold harmless you're
9 breaking even.

10 REPRESENTATIVE HENRY: But under 2731
11 they would have, Wichita would have gained money,
12 but under this they break even?

13 MR. DENNIS: That's correct.

14 REPRESENTATIVE HENRY: Under the old, the
15 other formula, Johnson County was losing
16 substantial money, but under this they break even?

17 MR. DENNIS: That's correct. You'll
18 find, sir, anybody that has money, I believe, JG
19 and column 4 are all break even folks. So, if you
20 look at column 4 they're all breaking even. So,
21 you are correct, Wichita, they've gained on that
22 one, and Johnson County as a general rule lost and
23 this time they both break even under this
24 proposal.

25 CHAIRMAN RYCKMAN: Representative Wolfe



1 Moore.

2 REPRESENTATIVE WOLFE MOORE: Thank you,
3 Mr. Chair. I also want to ask my question again
4 because I still don't understand. So, in this
5 bill, except for a few districts most people get
6 the same amount of money, so, I'm trying to
7 understand how that fixes the equity problem.

8 MR. DENNIS: I'll let Jason answer that,
9 he really wants to; but that's, that's an opinion
10 for the attorneys and the court really; but
11 anybody you see in column 4 is break even, that's
12 correct.

13 REPRESENTATIVE WOLFE MOORE: Okay, thank
14 you. Thank you, Mr. Chair.

15 CHAIRMAN RYCKMAN: Representative Hutton.

16 REPRESENTATIVE HUTTON: Thank you, Mr.
17 Chair, and in the last time we had this discussion
18 it was apparent that the bulk of what was going
19 back to some school districts was going to be
20 really returning to taxpayers as property tax
21 reduction. How does this approach jive up with --
22 will this result in all this going still to
23 property tax reductions or will this actually
24 result in more money to the school districts?

25 MR. DENNIS: No, it will not -- this, the



1 effect of this will not reduce property tax
2 overall. The expenditures will stay about the
3 same. There will be -- you won't see any increase
4 in expenditures and anybody in column 4 breaks
5 even in expenditures and, so, no, you will not see
6 that. Now, the reason why I say property tax
7 could go up, if the LOB goes -- they're losing --
8 they lose state aid in their LOB, they make that
9 up in the hold harmless clause. The hold harmless
10 money or equalization money goes to the general
11 fund and that can go to somebody -- that can go to
12 the general fund to be spent in classroom. Now,
13 the board's question then is the money they lost
14 in the state aid, do they want to raise the mill
15 levy or cut the budget.

16 CHAIRMAN RYCKMAN: And what money would
17 they lose in state aid?

18 MR. DENNIS: The money they would lose in
19 LOB state aid would be shown in column 2. That's
20 made up in hold harmless, but the board would have
21 some options. The hold harmless money goes to the
22 general fund and the LOB state aid loss is felt in
23 the LOB fund. Now, there's a way you can do this.
24 The school district could choose to take the hold
25 harmless money and indirectly put it in LOB and



1 not raise the mill levy, but you're more likely to
2 see a little increase in mill levy because the LOB
3 state aid is going down as such. They got the
4 same amount of money, but local boards will decide
5 that and, Representative Hutton, they'll be all
6 over the place. Some will choose to raise the
7 mill levy, some will say my board won't do it; so,
8 they'll be all over the place. Local decision
9 there.

10 CHAIRMAN RYCKMAN: Thanks for clarifying.
11 Again, I think to Representative Hutton's point,
12 this does give a lot more flexibility to our
13 boards, to the school boards. Any other
14 questions? Representative Kleeb.

15 REPRESENTATIVE KLEEB: Mr. Chairman, I
16 just wanted to follow up, Representative Henry
17 brought up and certainly Representative Wolfe
18 Moore, as I recall on 2731, despite Wichita
19 getting a lot more money potentially, et cetera,
20 we had virtually no proponents for that concept,
21 did we?

22 CHAIRMAN RYCKMAN: I think we had four
23 neutrals.

24 REPRESENTATIVE KLEEB: Four neutrals, so,
25 despite more money no school districts showed up



1 to call that a good strategy. Okay, thank you, I
2 just wanted to double-check, and thank you.

3 CHAIRMAN RYCKMAN: Committee, again, we
4 will continue this conversation at the formal
5 hearing tomorrow I believe at 9:30, but stay
6 tuned. As you know, things can change here.
7 Appreciate you being here.

8 (THEREUPON, the meeting adjourned at 3:15
9 p.m.)

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CERTIFICATE

STATE OF KANSAS

SS:

COUNTY OF SHAWNEE

I, Barbara J. Hoskinson, a Certified Court Reporter, Commissioned as such by the Supreme Court of the State of Kansas, and authorized to take depositions and administer oaths within said State pursuant to K.S.A. 60-228, certify that the foregoing was reported by stenographic means, which matter was held on the date, and the time and place set out on the title page hereof and that the foregoing constitutes a true and accurate transcript of the same.

I further certify that I am not related to any of the parties, nor am I an employee of or related to any of the attorneys representing the parties, and I have no financial interest in the outcome of this matter.

Given under my hand and seal this 23rd day of March, 2016.

Barbara J. Hoskinson

Barbara J. Hoskinson, C.C.R. No. 0434

