

Testimony before Senate Ways & Means Committee

SB 505 – Unencumbered K-12 funds

Mike O’Neal, Kansas Chamber CEO

March 11, 2016

Testimony in support

Mr. Chairman and members of the Committee

On behalf of the Kansas Chamber, I am pleased to appear in support of SB 505, providing for general state aid adjustments for K-12 utilizing unencumbered funds as recommended in the A&M efficiency study. The Kansas Chamber has strong Education planks in its Legislative Agenda. Related to this proposal, we support the adequate but efficient use of tax dollars toward the goal of instructing our students and preparing them for college and/or career.

As I believe most members of the Committee are aware, the history and level of unencumbered funds in the K-12 system have been a keen interest of mine dating back to my time in the Legislature, and particularly in the wake of school finance litigation.

While serving as House Speaker I consulted with the then Commissioner of Education and Assistant Commissioner to address school district concerns over funding levels. Given that the districts had run out of adjectives to describe the extent of their perceived funding issues, I suggested that it was time that districts starting using the funds they already had and which were accumulating within a number of their respective funding silos. The Department of Education readily agreed and we set out to identify the nature and extent of truly unencumbered funds, i.e., funds that did not have strings attached such as reserves for bond and interest payments, federal funds, etc.

The result of our efforts was bi-partisan passage of legislation freeing up a fraction of the total amount of unencumbered funds so that districts could backfill, in whole or part, the amount of BSAPP lost as a result of cuts made to base state aid in 2009-2010 under Governors Sebelius and Parkinson, after federal stimulus funds went away. As I recall, there was something over \$185M in unencumbered funds made readily available. In the succeeding year, districts utilized but a small fraction of that amount and during that succeeding year, unencumbered balances actually grew by more than the amount the



“...to continually strive to improve the economic climate for the benefit of every business and citizen and to safeguard our system of free, competitive enterprise”.

districts spent pursuant to the legislation. Since that time, unencumbered balances have continued to represent a significant percentage of total aggregate expenditures in the K-12 system, so much so that at one point I proposed legislation that would have required districts to reduce their LOB levies for the benefit of taxpayers if they were not going to spend the funds the legislature had appropriated to them for education.

In spite of healthy K-12 balances, the state is still having to defend school finance litigation. The most recent *Gannon* decision deals with equity. Responding to the court's decision does not require the infusion of new money but it does require, at least in the court's opinion, a more equitable distribution of appropriated funds. Reallocation of unencumbered funds is a potential method of achieving that. Why appropriate more funds when the system has had adequate funds, in the aggregate, appropriated? As I explained in a recent memo on the subject, when our kids were small and I opened a can of pop and poured them each a glass, if the contents were not equal I didn't go to the fridge and open a new can. I made the contents equal by adjusting the contents in the original glasses.

In our view, there is no particular magic in pegging the amount in the bill at 15% of general operating budgets but this is an imminently reasonable place to start. It is also reasonable to make this provision apply to a number of succeeding years and not just one or two. We urge the Committee's favorable consideration of this efficiency proposal.



"...to continually strive to improve the economic climate for the benefit of every business and citizen and to safeguard our system of free, competitive enterprise".