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SENATE WAYS AND MEANS COMMITTEE

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TRANSCRIPT

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OF

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PROCEEDINGS,

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14 beginning at 1:15 p.m. on the 22nd day of March,
15 2016, in Room 548S, Kansas State Capitol Building,
16 Topeka, Kansas, before the Senate Ways and Means
17 Committee consisting of Chairman Ty Masterson,
18 Senator Jim Denning, Senator Laura Kelly, Senator
19 Marci Francisco, Senator Jeff Melcher, Senator Tom
20 Arpke, Senator Dan Kerschen, Senator Steve
21 Fitzgerald, Senator Larry Powell, Senator Caryn
22 Tyson and Senator Michael O'Donnell.

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1 CHAIRMAN MASTERSON: The other main task
2 for today, which was in response and consideration
3 of some of the findings of fact, we had -- the
4 legislative budget met yesterday with all of the
5 interested parties, I thought was quite
6 interesting and informative. We took a, a bill
7 and introduced it that we believe answers some
8 findings of fact. This bill really is in response
9 to four things that struck me yesterday that were
10 findings of fact that I think we can answer and
11 get testimony from the Department and
12 department's, both from the Commissioner of
13 Education and from Deputy Dennis, from the other
14 interested groups, from research and advisors,
15 three things jumped out. The changes in the
16 formula, whether it was the capital outlay formula
17 or the LOB formula or the 82 or the 25, those were
18 all political decisions not based in policies, so,
19 there was a call for some simplification and I'm
20 going to have Jason come up and explain this bill
21 for that.

22 The second thing that jumped out, that even
23 though hold harmless on its face can appear to fly
24 in the face of equity because you're holding an
25 entity harmless, that there was even -- there was



1 consensus among all the groups that that was not
2 just an acceptable component but a critical and
3 necessary component.

4 The third finding of fact was that there was
5 an interest in or that there might be a role for
6 the department itself in how some of the
7 distribution is, is handled to the districts; and
8 the fourth one, it was interesting from all the
9 education, everyone that represented education as
10 a whole was that they wanted to see a, an end to
11 the uncertainty and all the legal actions as much
12 as we did and that they wanted a long-term
13 solution to this thing. So, that is -- this
14 obviously is just a response to the court, but I
15 think it's apparent as soon as we dispatch of this
16 business that we get down to the business of
17 creating that long-term solution.

18 With that, today I'm opening a hearing on SB
19 515. I do not plan to close this hearing. We'll
20 carry over to tomorrow for two reasons. I wanted
21 to open it so the public's aware. I wanted to
22 open with the bill's explainer so all the
23 districts will have an opportunity to look at it,
24 evaluate it, maybe talk to their boards this
25 evening. We will continue the hearing in the



1 morning at which I will accept new conferees on
2 the subject matter because our time frame is
3 relatively tight. I just wanted -- it was an
4 attempt to get as much information to the public
5 as soon as possible.

6 So, with that I am going to actually open the
7 hearing on SB 515 and for the bill explainer,
8 Jason Long.

9 MR. LONG: Thank you, Mr. Chairman,
10 members of the committee. You have a couple of
11 documents actually at your seat. One is the bill
12 itself, Senate Bill 515, and the other is a
13 Memorandum from my office briefly summarizing the
14 contents of the bill. This bill, similar to the
15 bill you heard last week, establishes statutory
16 formulas for supplemental general state aid and
17 capital outlay state aid for school year '16-'17.
18 Under current law, as we discussed last week, a
19 portion of the block grant that school districts
20 receive under current law is the supplemental
21 general state aid that the districts received for
22 school year '14-'15 and that's for equalization of
23 the local option budgets property tax levy that
24 school districts can levy on the taxable tangible
25 property in the district.



1 Section 2 of Senate Bill 515 would establish
2 a statutory formula for determining that
3 supplemental general state aid. This formula is
4 the same one that in years past was used for
5 capital outlay state aid, so, if you recall that
6 one, as I'm sure you all do, we take the assessed
7 valuation per pupil, round it to the nearest
8 thousand dollars, create our schedule, find our
9 median point. That has a state computation
10 percentage of 25 percent. So, any district at
11 that median point would have 25 percent times
12 their local option budget would be their
13 supplemental general state aid. If you're above
14 that, you're wealthier, you go down by a
15 percentage point for every thousand dollar
16 increment. If you go below that, you're a poorer
17 district, you increase your percentage by one
18 percentage point for every thousand dollar
19 increment. So, your final percentage point where
20 you fall on that schedule, they get multiplied by
21 your local option budgets and that is the amount
22 of supplemental general state aid that you would
23 receive for school year '16-'17 under Senate Bill
24 515. That section is a part, is made a part of
25 the CLASS Act for the next school year and would



1 sunset at the same time as the CLASS Act on June
2 30th of 2017.

3 Then the bill also in Section 3 establishes a
4 statutory formula for capital outlay state aid.
5 Again, as we discussed earlier, currently capital
6 outlay state aid is a portion of the block grant
7 for this school year. Under 515 for next school
8 year it would follow a statutory formula. That
9 statutory formula is the same one as it was prior
10 to Senate Bill 7 enactment last year, so, we went
11 back to the 72-8814 formula, the same one as I
12 just explained for supplemental general state aid.
13 So, we find the percentage based on the rounded
14 AVPP, multiply that by the amount of capital
15 outlay tax levy and that's the school district's
16 capital outlay state aid.

17 Then Section 4 of the bill is something you
18 haven't seen before. This is school district
19 equalization state aid. I think in the vernacular
20 it may be called the hold harmless state aid for
21 school year '16-'17. To qualify for this
22 additional equalization state aid the school
23 district's total supplemental and capital outlay
24 state aid for '16-'17 has to be less than what
25 they received through the block grant for



1 supplemental and capital outlay state aid. So,
2 they're receiving less next year than what they
3 received this year. If that's the case, then
4 they're eligible for this additional equalization
5 state aid and the amount is equal to that
6 difference between next year and this year. We're
7 just looking at the supplemental and capital
8 outlay state aids there in that calculation.

9 Section 6 of the bill amends the block grant
10 calculation for next year simply because we're
11 taking the supplemental general state aid and
12 capital outlay state aid out of the block grants,
13 distributing it to the districts through separate
14 appropriations, so, there has to be a different
15 calculation of what the districts receive under
16 the block grant for next school year and that's
17 done in Section 6 of the bill.

18 Section 7 amends the statute regarding the
19 extraordinary needs fund that was established in
20 Senate Bill 7. As you recall, under current law
21 districts submit an application for extraordinary
22 need to the State Finance Council and then that
23 application is approved or denied by the State
24 Finance Council. This administrative capacity is
25 being shifted in Senate Bill 515 to the State



1 Board of Education, so, districts would then next
2 year submit their applications for extraordinary
3 state aid to the State Board of Education who
4 would review and may conduct a hearing and allow
5 the applicant school district to come and submit
6 testimony to the State Board.

7 I'll also point out on page 10 of the bill,
8 line 16 through 19, that in addition to the
9 current statutory considerations for extraordinary
10 need I'm going to talk about, you know, increase
11 in enrollment growth, substantial drops in
12 assessed valuation or other unforeseen acts, those
13 are the three current ones. In addition to those
14 three the State Board may also consider whether
15 the applicant school district has reasonably equal
16 access to substantially similar educational
17 opportunity through similar tax efforts. So, they
18 can look at the equitable funding of the school
19 district as a consideration for providing
20 extraordinary need under this section.

21 I'd also draw the committee's attention on
22 page 10, lines 31 through 34, the proceedings of
23 the State Board of Education under this section
24 are to be conducted in accordance with the Kansas
25 Administrative Procedure Act and any action of the



1 State Board is subject to review under the Kansas
2 Judicial Review Act.

3 I also finally point out that this, the
4 extraordinary need fund is a appropriated amount
5 in Section 1 of just over 15 million dollars.
6 There is no transfer of that 0.4 percent to the
7 extraordinary need fund. That amount is still
8 taken into consideration for determining the block
9 grant, but now the extraordinary need fund has a
10 finite number of 15,167,962 dollars for school
11 year '16-'17.

12 And then finally Section 8 of Senate Bill 515
13 amends the, what was -- what is currently a
14 nonseverability provision for the CLASS Act and
15 amends that statute to make provisions of the
16 CLASS Act severable, so that if any provision,
17 including any provision of the new Sections 2, 3
18 or 4 is found unconstitutional by the court, then
19 those provisions may be severed and the rest of
20 the Act may be continued in full force and effect
21 for school year '16-'17.

22 The bill would become effective on July 1 of
23 2016 if enacted and with that, Mr. Chairman, I'll
24 stand for any questions.

25 CHAIRMAN MASTERSON: Make an announcement



1 to the committee, there is -- we do have unusually
2 a transcriptionist today as we are dealing with --
3 she's over here and transcribing our meetings
4 we've had -- it became apparent that our normal
5 proceedings, committee minutes and things of that
6 nature, were not accepted or seen as evidence by
7 the court, so, we are simply trying to establish a
8 record of our actions, so, with that I wanted
9 everybody to be aware and won't be caught off
10 guard.

11 Number two, we will have conferees in the
12 morning and I will plan to work the bill tomorrow
13 afternoon and today our sole witness, our sole
14 conferee is Jason, so, questions with the bill and
15 its technical structure need to be asked of Jason
16 today. So, with that, committee, I will open for
17 questions for Jason, committee questions. Senator
18 Kelly.

19 SENATOR KELLY: Thank you, Mr. Chair.
20 I'm looking on page 10. You gave some additional
21 explanation on subsection 4 on there, in lieu of
22 any of the foregoing considerations. Can you
23 explain that in English what that means? An
24 example, for instance.

25 MR. LONG: So, the language there is the



1 equity standard that the Supreme Court has held is
2 a part of the constitutional obligation for
3 funding public education and, so, my understanding
4 of this language is that if the applicant school
5 district feels that it's not receiving its
6 equitable distribution of state funding pursuant
7 to this standard that the court has espoused, then
8 it can apply to the State Board and the State
9 Board may consider that as one of the
10 considerations for granting extraordinary need
11 under this section from that pool of money that's
12 been appropriated for extraordinary need fund.

13 SENATOR KELLY: So, what does similar tax
14 effort mean?

15 MR. LONG: That's a very good question,
16 Senator, as to what similar tax effort means. I
17 believe there are probably several opinions on
18 that, 'cause the court wasn't entirely clear on,
19 on what kind of measure could be used to determine
20 what is reasonably equal access, substantial and
21 similar educational opportunity through a similar
22 tax effort. We didn't get a lot of clear guidance
23 from the court in their last opinion on how to
24 measure that, so, I'm not entirely sure how to
25 answer your question as to what is similar tax



1 effort. Other -- one opinion -- well, I just want
2 to leave it at that 'cause we didn't have much
3 guidance from the court on that.

4 SENATOR KELLY: So, there wasn't a
5 thought that maybe we ought to define it in here
6 instead of just using nebulous words?

7 MR. LONG: It is not defined in the bill.
8 I can't speak to the intent of the requester as to
9 its exclusion or inclusion in the bill.

10 SENATOR KELLY: And then on line 30
11 through 34. This is really a question for my
12 information. What -- this says it will be subject
13 to review in accordance with the Kansas Judicial
14 Review Act. What does that mean?

15 MR. LONG: That means that if the school
16 district that applies feels aggrieved by the State
17 Board's decision on their application they can
18 seek review of that State Board's decision
19 through, by submitting a petition to the district
20 court to review the State Board's decision on its
21 application under this section.

22 SENATOR KELLY: And then last question at
23 least for now is on the first page we are actually
24 decreasing the amount appropriated for the
25 extraordinary needs fund, 17.5 to 15.1, and then I



1 notice over on the -- this came from the
2 Department of Education, it's got capital outlays,
3 supplemental LOB state aid, hold harmless, and
4 then growth. So, two million dollars in growth.
5 What, what is that to be spent on and who -- how
6 is that appropriated?

7 CHAIRMAN MASTERSON: I might be able to
8 explain that from discussions in the development
9 of this as well. The hold harmless provision as
10 it was developed required two million more dollars
11 to hold everybody truly harmless, so, the
12 extraordinary need money was reduced by the amount
13 of money needed inside the formula to fully fund a
14 hold harmless equalization provision. The two
15 million in growth, the way I understand that from
16 the department, is simply going back to a formula
17 base. There's potential changes within a
18 district, they can make some changes to what those
19 equalizations pay out from the time that we pass
20 this to the time it pays out and that was an
21 estimation from the department of what that growth
22 may be to try to give the committee an indication
23 of what the total nut, if you will, would be for
24 the entire bill. And also going back to the
25 language you had inquired upon, it was -- for



1 those of us that were following what was finding
2 of facts yesterday and trying to listen to the
3 department and to the interested parties, with the
4 hesitancy -- I don't believe the districts want to
5 be in a, quote-unquote, class action lawsuit any
6 more than we do. We're trying to create
7 potentially an administrative function, if you
8 will, by which a district could apply to the
9 department for two reasons. One, they're here
10 year-round. They're an entity that is solely
11 focused on that issue versus the legislature,
12 which is only a portion of the year and have to go
13 home. So, we're hoping to create a method, if you
14 will, by which they could have an administrative
15 appeal and get immediate response in a given year.
16 Committee, further questions? Senator Francisco.

17 SENATOR FRANCISCO: Thank you, Mr. Chair.
18 I always think it would help if I'd served some on
19 the education committee before I looked at these
20 formulas, but I know one of the concerns that
21 exists is with regard to the local option budget
22 aid. In this case people are losing that aid, is
23 that right? I see all negative.

24 MR. LONG: Are you referring to the
25 department's spreadsheet?



1 SENATOR FRANCISCO: Right, and I -- I'm
2 wondering what happens, you know, one of the
3 questions -- I'm just going to go back to Senate
4 Bill 512 -- was that you could be awarded local
5 option budget aid, but it wouldn't mean that the
6 school would have any more funding to spend
7 because that would be used for property tax
8 relief. So, how does this bill address concerns
9 of property tax relief and in the hold harmless
10 payments? Or really -- yes, because that is still
11 part of local option budget.

12 MR. LONG: The hold harmless is
13 equalization state aid to be distributed to the
14 school districts and in terms of its effect on, on
15 the property tax rates going up and down, was that
16 your question?

17 SENATOR FRANCISCO: No, the money that
18 actually gets to the school. In Senate Bill 512,
19 as I understand it, you know, money was allocated
20 for local option budget equalization, but some of
21 that money was then used as property tax relief
22 rather than money that went to the schools.

23 MR. LONG: Well, this would work in
24 similar fashion in that school districts adopt a
25 local option budget and that's made up of both



1 what they raise locally and what the State
2 provides as equalization. So, to the extent that
3 the State is providing more equalization next
4 year, then the property tax that they can levy is
5 going to go down, so, the school districts would
6 have less -- you know, you would see property tax
7 relief in that school district because more of
8 that pot of money, that supplemental general fund,
9 is made up for with the equalization state aid
10 from the State and that will vary district to
11 district depending on what their cap is currently
12 for LOB, what their local levy is making up that,
13 their portion of the LOB.

14 SENATOR FRANCISCO: So, these estimated
15 payments for hold harmless, do some of those go to
16 make up the LOB aid? What can -- or are those
17 direct monies to the schools? I think that's my
18 question is what does the school end up with?

19 CHAIRMAN MASTERSON: If I might, the hold
20 harmless equalization aid, if you're one getting a
21 hold harmless that is an amount of money bringing
22 you up to where you would have been, so, it would
23 have no effect necessarily on your local tax.
24 Those districts that would receive more would have
25 more money through this equalization formula,



1 would see a potential change in their local rate,
2 but it would be along the lines of what the court
3 are asking for. It would be a narrowing of the
4 poles, the highest and lowest. You would see some
5 changes that should bring that closer together
6 because they'd be receiving more aid.

7 SENATOR FRANCISCO: I'll study these
8 more.

9 CHAIRMAN MASTERSON: Senator Melcher.

10 SENATOR MELCHER: Thank you, Mr.
11 Chairman. Jason, when you were giving that
12 explanation of those components and you came up
13 with a total of those and said that the, as more
14 money is added in one bucket the other one has to
15 be reduced providing for property tax relief, is
16 that because if that were used to increase that
17 number then it would put us at odds with the
18 courts where we would be outside of equalization
19 again?

20 MR. LONG: No. I believe it's based on
21 your LOB budget authority. You can only levy --
22 you can only -- you're subject to law as to how
23 much you can adopt as a local option budget based
24 on the prior school finance formula and, so, you
25 can only have that much budget and, so, to the



1 extent that a portion of that budget is provided
2 for through equalization state aid to the
3 supplemental general state aid coming from the
4 State, you can't raise more money, otherwise you
5 would be going over what you are legally capped at
6 in terms of the local option budget. That's why
7 it results in a, in a decrease in property tax.

8 SENATOR MELCHER: But if they were
9 allowed to exceed that, would that then be in
10 conflict with what the court has asked for?

11 MR. LONG: If they were allowed to
12 maintain their same tax levy and get the
13 equalization on top so that it actually popped the
14 LOB cap above the current statutory amount?

15 SENATOR MELCHER: Correct.

16 MR. LONG: Well, you would have
17 additional tax levy by school districts which
18 brings in other considerations with respect to the
19 equity concerns that the court has raised with
20 school finance. So, I guess this bill keeps that
21 in the status quo in terms of moving forward so as
22 not to raise any additional issues with respect to
23 equity?

24 SENATOR MELCHER: So then if you were
25 allowed to pop that cap then that would put that



1 particular district outside of equity that the
2 courts have dealt with, is that right?

3 MR. LONG: Yeah. You would potentially
4 have some additional equity issues since you're
5 authorizing additional tax levy authority to
6 school districts that hasn't been authorized, you
7 know, that wasn't authorized this school year.
8 So, certain school districts, to the extent that
9 they could, could raise their tax levy and that
10 would then have implications on what the State's
11 obligation for equalizing those local tax levies
12 are.

13 SENATOR MELCHER: Okay, thank you.

14 CHAIRMAN MASTERSON: Jason, on that
15 question myself, do you have any concerns given
16 the testimony yesterday or in your opinion, as the
17 court said, reviving the two relevant portions.
18 Do you have any concerns about us moving to the
19 similar formula for the pot of equalized funds?

20 MR. LONG: The court's language dealt in
21 terms of what the court stated would comply with
22 the equity standard was reinstituting the formulas
23 from the prior school finance law for each one.
24 The court, however, was silent as to -- I think it
25 was silent as to distinguishing the two



1 equalization formulas and why two different
2 formulas were, were to be applied in the two
3 different tax levy areas and I think the court was
4 also silent as to the ability to apply a broad,
5 uniform equalization formula to all local tax-
6 levying authority granted by the State. That's
7 the best I can do in terms of -- I don't know if
8 concerns is the right term, but there's certainly
9 -- there was no language in the court's opinion
10 approving what's in 515 explicitly in terms of
11 applying the capital outlay state aid formula to
12 supplement general state aid determination.

13 CHAIRMAN MASTERSON: So, the other --
14 severability is new in this bill and for those
15 that were involved in the language developing this
16 bill, the consensus among those were that
17 equalization in and of itself is such a small part
18 of the overall pie, if you will, of equal funding
19 that we wanted to make sure that if for whatever
20 reason the courts had issue with any smaller piece
21 of the pie, that they wouldn't close the doors on
22 the entire pie. So, could you elaborate a little
23 bit on how that severability actually works in
24 this bill.

25 MR. LONG: Well, yeah, the amendment of



1 72-6481 would take it to a more traditional
2 severability provision as opposed to a
3 nonseverability provision, which it is in current
4 law, and when we say severability, that simply
5 means that if a court is to review the Act because
6 there's a challenge to let's say the
7 constitutionality of the Act and there's a
8 challenge in particular as to one particular
9 provision of that Act and the court finds that
10 provision unconstitutional by having a
11 severability provision, the legislature is telling
12 the court that the legislature's intention is to
13 allow the rest of the Act to still have full force
14 and effect going forward and simply cut off the
15 unconstitutional provision, sever it as it would,
16 from the rest of the Act, but allow the rest of
17 the Act to continue in full force and effect
18 moving forward and, so, that's what the amendment
19 to 72-6481 in this bill would be telling the court
20 with respect to the CLASS Act.

21 CHAIRMAN MASTERSON: Senator Denning.

22 SENATOR DENNING: Thank you, Mr.

23 Chairman. Jason, I think the chairman just asked
24 this question, but I want to ask it just so I can
25 get it straight in my, in my mind. The capital



1 outlay formula, you say it's in House Bill 2731,
2 but it's the same capital outlay formula that we
3 used prior to Senate Bill 7?

4 MR. LONG: Yes. It is the -- it is the
5 same formula that was in K.S.A. 72-8814 prior to
6 its repeal under Senate Bill 7.

7 SENATOR DENNING: So, that formula's been
8 in place for a while, so, it's passed the
9 constitutional muster as far as we can determine?

10 MR. LONG: Well, the court indicated that
11 a return to that formula that you see here in 515
12 for capital outlay state aid would meet the
13 equitable standard that the court has, has laid
14 out for satisfying the Constitution obligations as
15 far as Section 6.

16 SENATOR DENNING: And then if I
17 understand correctly, the supplemental
18 equalization is very similar in mathematical logic
19 that the capital outlay calculation is?

20 MR. LONG: Under 515, yes, it's the same
21 calculation using the assessed valuation per pupil
22 for the school district to arrive at a state aid
23 computation percentage.

24 SENATOR DENNING: And as far as the
25 median assessed, is that in both capital outlay



1 and supplemental?

2 MR. LONG: In 515, yes.

3 SENATOR DENNING: In 515. Thank you, Mr.
4 Chairman.

5 CHAIRMAN MASTERSON: On that subject
6 matter, those trying to compile the bill and
7 respond in an appropriate manner felt that what we
8 wanted to use was a formula that had been
9 predetermined by the court to be a proper method
10 mathematically to calculate equalization and apply
11 that equally. Further questions?

12 Seeing none, I've had a request from one
13 member, Dale, would you be available to at least
14 just explain the run? You have a run, so people
15 understand, that are district by district
16 comparisons just for the overnight. Welcome you
17 back with the conferees tomorrow, but had a
18 request for you to just explain the paperwork, if
19 you will, so that we can set that overnight.
20 Thank you for being willing.

21 MR. DENNIS: Yes, sir. Let's go, if you
22 would, please, you should have three printouts?
23 You just have the summary?

24 CHAIRMAN MASTERSON: I think they just
25 have the summary, Dale. The printouts, by the



1 way, three printouts would be an individual one,
2 each of these columns for those --

3 MR. DENNIS: That's available on the web
4 if you want it, and the printout you have before
5 you in the first column is capital outlay and that
6 is very similar to the current law. It's tied to
7 the median at 25 percent. We computed that for
8 each district based on the latest valuation we
9 have and the mill levy. Now, the chairman
10 mentioned about we allowed a little bit for
11 growth. The LOB mill levies could grow. You with
12 me? Somebody maybe at five mills, they want to go
13 to six or seven mills and that could affect that,
14 so, we allowed a little bit to cover that. The
15 LOB right now is at the 81st percentile
16 theoretically and we changed that this year, '15-
17 '16, as part of the block grant and it's computed
18 under the same formula in column two. Instead of
19 the 81st percentile, the median is set at 25
20 percent and it goes up and down in thousand dollar
21 intervals just like Jason mentioned. So, that's
22 in column two. Since you're dropping from 81 to a
23 lower level, the median's at 25 percent, those
24 rates, you're going to see a lot of minuses when
25 you look at that. Column three, we've totaled up



1 the capital outlay and the LOB and you're going to
2 see a lot of minuses there. Then in column 4 is a
3 hold harmless. That brings you back up to where
4 you started out, so, you break even and the --
5 that is referred to I think as -- what did we call
6 that in the bill? State school equalization aid
7 or something. Anyway, that's going to the general
8 fund. That's hold harmless. That brings you back
9 to where you were in the current year. And you
10 may want to take a look at those. Those printouts
11 are online, they're available, we'll give you
12 copies if you have trouble finding them, but each
13 one of them, there's a printout for column 2,
14 column 3, and then column -- the last one is the
15 summary.

16 CHAIRMAN MASTERSON: So with that, Dale
17 will also be here in the morning and be able to
18 answer questions. Is there a question on the --
19 Senator Powell.

20 SENATOR POWELL: Thank you, Mr. Chairman.
21 What if it's all zeros, what does that mean?

22 MR. DENNIS: That means you're rather
23 affluent in valuation and you don't get any
24 capital outlay state aid, don't get any LOB state
25 aid, and therefore there would be no grandfather



1 clause. So, and I want you to know you're going
2 to see some changes in that valuation in some
3 districts. Like out in your area, one I got
4 memorized, like in Satanta, they won't get state
5 aid, but they lost half their valuation last year,
6 this year we're in right now.

7 SENATOR POWELL: So, the block grant,
8 they will get the same amount they got last year?

9 MR. DENNIS: Yes, sir.

10 SENATOR POWELL: Thank you. Thank you,
11 Mr. Chairman.

12 CHAIRMAN MASTERSON: And again, Dave will
13 be here -- Dale will be here in the morning.
14 Question from Senator Kelly.

15 SENATOR KELLY: You know, I don't serve
16 on education either and, so, this always puzzles
17 me. Are we essentially changing the local option
18 budget formula?

19 MR. DENNIS: Yes. The formula is
20 changing from the 81st percentile concept we had
21 before where you equalize up to 81st. We're
22 changing to the same formula that's in capital
23 outlay, which means at the median percentage you
24 get 25 percent state aid and it goes up and down
25 in thousand dollar intervals. So, if you go up a



1 thousand dollars more in wealth, you lose a
2 percent. The more affluent you become, you drop
3 one percentage point each --

4 CHAIRMAN MASTERSON: The court in effect
5 had approved two different formulas for
6 equalization. This bill would contemplate using
7 the single formula.

8 SENATOR KELLY: So, the numbers that
9 we're looking at in column 2, could there be other
10 LOB aid that remains; that this is just the
11 reduction based on the new formula? We don't know
12 whether this is what each of the school districts
13 is actually getting?

14 MR. DENNIS: This is the amount of the
15 reduction, that's correct, and there could be some
16 left. For example, on the cover sheet you'll
17 notice we reduced that 82 million dollars and the
18 appropriation I believe this year, 450,500,000 and
19 we reduced it down to 367 million, I believe it
20 is, okay? 367 something. So, that's on -- that's
21 on one of the, one of the printouts that has the
22 LOB on it. I think we, we -- you may want to
23 take a look at that and we reduced it --

24 SENATOR KELLY: That's one of the runs on
25 this?



1 MR. DENNIS: Yeah, and it's run number
2 126 and it drops from 450,500,000 to 367,582,000,
3 a drop of 82.9 million. So, to give you an
4 example -- let me grab one right quick-like. Oh,
5 take Seaman. Their block grant, 3.3, under this
6 formula they get 2.6. So, they get 714,000 in
7 hold harmless. So, they will still continue to
8 get some.

9 CHAIRMAN MASTERSON: That's where you'll
10 see, Senator Kelly, the hold harmless state aid of
11 61 million. That is the difference between
12 roughly 59 million, which is the difference in
13 equalization, plus two million from the
14 extraordinary need fund to make sure no district,
15 no district is harmed. Senator Melcher.

16 SENATOR MELCHER: Thank you, Mr.
17 Chairman. When I'm looking at these runs it's
18 kind of reminiscent of a little while back where
19 we had particular runs and then we got a surprise
20 later that those runs weren't actually reflective
21 of reality. Do we run that same risk here?

22 MR. DENNIS: I don't think so, sir. No,
23 because we know what the assessed valuation is.
24 It's been certified, so, we know that. It
25 shouldn't change much. It would be insignificant,



1 any changes. The changes would be probably due to
2 other things. Assessed value is pretty well
3 locked in.

4 SENATOR MELCHER: Well, I mean, it's
5 always related to other things, so, what --

6 MR. DENNIS: You could have a minor --
7 somebody could decide to raise their capital
8 outlay levy. Somebody might open a new building,
9 get new facilities weighting, that would be a
10 small amount, and then you could have a little bit
11 of growth in virtual, virtual enrollment, but it
12 shouldn't be large dollars. That's the reason we
13 put a couple million in there to take care of
14 potential growth so you wouldn't have surprises.

15 SENATOR MELCHER: So, do you expect any
16 of those other things to exceed two million?

17 MR. DENNIS: Not at this time, sir. No,
18 sir.

19 SENATOR MELCHER: What about later?

20 MR. DENNIS: Well, down the road five or
21 ten years, I mean, you know, two or three or four
22 years who knows, because I think this formula ends
23 on June 30th.

24 SENATOR MELCHER: Thank you.

25 CHAIRMAN MASTERSON: Last question this



1 afternoon, Senator Denning. Again, everybody will
2 be available in the morning. Senator Denning.

3 SENATOR DENNING: Thank you, Mr.
4 Chairman. Again, Senator Melcher's concern. The
5 way I'm interpreting this is it's very similar to
6 a block grant approach is where we're fixing the
7 formula for a year so we don't get a property
8 valuation surprise and from the testimony
9 yesterday when we were in deposition mode there
10 was a superintendent that said that he supported
11 the block grant mostly because it gave him two
12 years of certainty. He's in the budget planning
13 for next year. The governor has a budget
14 shortfall, so, he was worried about allocations,
15 but the reason why he was supportive is that it
16 gave him a two-year certainty, so, I think what
17 this does, it brings -- with the hold harmless it
18 brings it back basically to the block grant number
19 that they've been planning on in their budget and
20 going forward, so, if this would go forward they
21 would have that number in their block grant that
22 they have done their preliminary budget work on
23 and they can complete that work?

24 NEW SPEAKER: That would be correct, sir.

25 SENATOR DENNING: Thank you. Thank you,



1 Mr. Chairman.

2 CHAIRMAN MASTERSON: Thank you, Dale, for
3 being spontaneous for us there. So, Committee, as
4 a reminder, we will be in at 8 a.m. to continue
5 the hearing. We will have a transcriptionist as
6 well for tomorrow. We will have the hearing in
7 the morning, we have session, we will come back at
8 1:00 and it would be my intention to work the
9 bill. With nothing further, we are adjourned.

10 (THEREUPON, the hearing adjourned at 2:00
11 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, C.C.R. No. 0434

