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3 CONTINUATION HEARING ON:

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5 SB515 - AMENDMENTS TO THE CLASS ACT

6 REGARDING SUPPLEMENTAL

7 GENERAL STATE AID

8 AND CAPITAL OUTLAY STATE AID

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12 TRANSCRIPT

13 OF PROCEEDINGS,

14 beginning at 8:03 a.m. on the 23rd 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 Senator Masterson,

18 Chairman; Senator Denning, Senator Kelly, Senator

19 Fitzgerald, Senator Kerschen, Senator Arpke,

20 Senator Melcher, Senator Powell, Senator Tyson and

21 Senator O'Donnell.

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1 CHAIRMAN MASTERSON: The committee will  
2 come to order. As you all are aware, this is a  
3 continuation of a hearing we opened up yesterday  
4 on 515. I believe we are ready for Mr. Penner.  
5 If you are ready, Eddie?

6 MR. PENNER: Yes.

7 CHAIRMAN MASTERSON: He's going to walk  
8 us through some of the data as to what the bill  
9 would do.

10 MR. PENNER: Thank you, Mr. Chairman,  
11 members of the committee. I direct your  
12 attention, I believe three pages have been handed  
13 out with the Kansas Legislative Research  
14 Department on top. The first page is a bar graph,  
15 the second page is a set of numbers that are  
16 titled mills required to generate non-state  
17 portion of 25 percent adopted LOB, and then the  
18 third page is three pie charts.

19 The first page is a bar graph that is made  
20 based upon the data in the second page. So I'm  
21 going to kind of go over both of those at the same  
22 time because it is essentially the same  
23 information.

24 What this is, is if every school district had  
25 adopted a 25 percent local option budget, how many



1 mills would it have required those school  
2 districts to have funded their local portion,  
3 essentially the entire portion that is not  
4 provided by state aid.

5 And then what I did was I broke those school  
6 districts into the wealthiest 20 percent, the next  
7 20 percent, the middle 20 percent, the next 20  
8 percent and then the least wealthy 20 percent.  
9 And then I've displayed four years there. 2013  
10 and '14 is the actuals that happened prior to the  
11 enactment of 2506 in the 2014 legislative session.

12 2014 is the first year of the -- of the  
13 formula that was enacted via House -- via Senate  
14 Bill 7 last year. 2015-16 is the current year,  
15 and then 2016-17 is what they would be if Senate  
16 Bill 515 were to pass. And so as you can see, the  
17 wealthiest 20 percent of school districts, that's  
18 by and large the districts that historically have  
19 not received any local option budget state aid.  
20 Obviously, about 1.2 percent of that 20 percent  
21 certainly have received that aid would have had to  
22 have levied 14.66 mills in 2013-14 in order to  
23 have funded an LOB, if they elected to adopt a 25  
24 percent LOB.

25 A lot -- there is, obviously, you see a



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1 wealth of mill levy disparity when you look simply  
2 at the total mill levy, much of that disparity is  
3 due to the fact the different school districts  
4 adopted different LOBs. But so what this does is  
5 it removes that wealth disparity.

6 And you can see that that number, it remains  
7 relatively flat across the years, but it is 15.51  
8 under the estimated effects of Senate Bill 515.  
9 The -- I would also -- the next three groups, I'm  
10 just kind of moving along steadily, so then I draw  
11 your attention to the poorest 20 percent which  
12 prior to the enactment of 2506 would have had to  
13 have levied 30.51 mills in order to fund a 25  
14 percent adopted LOB.

15 And moving on along the -- along the data,  
16 that number has declined to 18.66 mills in the 16-  
17 17 school year for this current plan.

18 And then the number at the bottom of that  
19 chart is the disparity between the wealthiest 20  
20 percent and the poorest 20 percent in terms of how  
21 many mills they would have had to have levied if  
22 they had adopted the same percentage LOB, in this  
23 case it being a 25 percent LOB. So you can see  
24 that that was 15.855 mills difference in 13-14,  
25 4.25 mills difference in 14-15, 5.456 mills



1 difference in 15-16. And if this bill were to  
2 pass, that would be 3.148 mills difference in 16-  
3 17. And -- and then that is graphically  
4 represented on the chart that I believe was  
5 actually the top page that was -- the bar graph  
6 that was at the top page that was provided to you.  
7 In that bar graph I did omit school year 14-15.  
8 That was just because the bar graph got a little  
9 bit cumbersome if you include that, but the data  
10 for school year 14-15 is present in the numbers on  
11 the second page for your review.

12 And at this point I would stand for questions  
13 for this, unless the Chairman would like me go to  
14 straight to --

15 SENATOR MASTERSON: We'll take it as they  
16 come. Committee, questions on this graph?

17 Eddie, this is graphically trying to  
18 represent what the courts were trying to hone in  
19 on as it pertained to a relatively similar taxing  
20 effort. Am I correct?

21 MR. PENNER: What this is, is if each  
22 school district adopted the same local option  
23 budget. So I guess, in essence, that would be a  
24 kind of a proxy for similar educational  
25 opportunity. And so what we have done is set the



1 educational opportunity, the percent LOB adopted,  
2 equal to each other across all school districts  
3 and then this chart represents the disparity in  
4 tax effort, the number of mills they would have to  
5 levee in order to have that same so-called  
6 educational opportunity.

7 CHAIRMAN MASTERSON: I think that's what  
8 I'm trying to understand. You see a great  
9 reduction in disparity 14 to 15, but then a slight  
10 increase again in 15-16. So the stage -- can you  
11 talk to me about what caused that?

12 MR. PENNER: Yeah, so the -- that the  
13 cost between 14-15 and 15-16, the difference there  
14 or even that increase because, as you recall, the  
15 amount of supplemental general state aid for those  
16 two years was the exact same based upon the block  
17 grant. And so that disparity is a result of --  
18 that increase in disparity from 14-15 to 15-16, is  
19 essentially a result of the weighted assess  
20 evaluation and enrollment in schools have changed  
21 and nothing else. Because it isn't the result at  
22 all of the amount of state aid that was provided  
23 to those districts.

24 So it just so happened that between 14-15 and  
25 15-16, the wealthiest 20 percent of school



1 districts in the state got, relatively speaking, a  
2 little wealthier and the poorest 20 percent of  
3 school districts in the state, got relatively,  
4 speaking a little poorer than they were the prior  
5 year and that caused that disparity to extend.

6 If that had happened kind of the other way,  
7 so to speak, where the wealthiest 20 percent  
8 worked their way back towards the middle on  
9 average or the poorest 20 percent worked their way  
10 back towards the middle on average, that disparity  
11 would have shrunk from 14-15 to 15-16 without any  
12 effects of the state law itself, just by the  
13 effects of the economy.

14 CHAIRMAN MASTERSON: Senator Kelly.

15 SENATOR KELLY: Thank you, Mr. Chair.  
16 Can you explain then from 13-14 to 14-15 the two  
17 lowest, the 20 percent and the poorest 20 percent  
18 have a significant shift. What's that about?

19 MR. PENNER: That was essentially the  
20 effects of House -- House Bill 2506 that was  
21 passed in 14-15. That moved the state away from  
22 the old proration that had been in place prior to  
23 2506. And so that is the -- the old proration  
24 system resulted in the large disparity that you  
25 see in 13-14 and moving away from that



1 substantially less in that disparity.

2 CHAIRMAN MASTERSON: That was the  
3 130,000,000, 140,000,000 that was added that year  
4 for equalization purposes.

5 MR. PENNER: And so when that's described  
6 as property tax relief, that property tax relief  
7 is that 30 mills going to 19 mills.

8 CHAIRMAN MASTERSON: Senator Denning.

9 SENATOR DENNING: Thank you, Mr.  
10 Chairman. I want to make sure I understood what  
11 you just told the committee. I think you are  
12 referring to the second page where we have our  
13 columns.

14 MR. PENNER: Yes.

15 SENATOR DENNING: And in '14 it was  
16 15.855 and then it significantly reduces to 4.225,  
17 and that was the result of the block grant?

18 MR. PENNER: No, that was the result of  
19 2506.

20 SENATOR DENNING: 2506. So we narrowed  
21 the difference significantly.

22 MR. PENNER: Yes.

23 SENATOR DENNING: And then when we come  
24 to 15-16, we jump back up to 5.456?

25 MR. PENNER: Yes.





1 SENATOR DENNING: And is that the result  
2 of local effort or is something else driving that?

3 MR. PENNER: What the driver behind that  
4 was that we were continuing to use the assessed  
5 valuation per pupils from -- from the previous  
6 year. As you recall, the supplemental general  
7 state aid for all school years under the block  
8 grant was calculated based upon the assessed  
9 valuation per pupils of the first year of the  
10 block program.

11 And since we were continuing to use old  
12 AVPPs, but in reality the AVPPs of those districts  
13 did change over time. That is what resulted in  
14 that change.

15 SENATOR DENNING: And then the 16-17  
16 estimate, is that based on the bill we are  
17 discussing right now?

18 MR. PENNER: Yes. This is what that  
19 disparity would look like if this bill were to  
20 become law.

21 SENATOR DENNING: So we, again, narrowed  
22 again down to 3.148 if this bill should go  
23 forward?

24 MR. PENNER: Yes.

25 SENATOR DENNING: And would any -- could



1 anything spike that on a local level?

2 MR. PENNER: I'm hesitant to conclusively  
3 say that nothing could spike that, but off the top  
4 of my head I don't know what would.

5 SENATOR DENNING: Thank you. Thank you,  
6 Mr. Chairman.

7 CHAIRMAN MASTERSON: Senator Fitzgerald.

8 SENATOR FITZGERALD: Thank you, Mr.  
9 Chairman. Eddie, I appreciate the chart and the  
10 breakout. In understanding this, I assume that a  
11 smaller number has more goodness than a larger  
12 number?

13 MR. PENNER: I don't want to opine on  
14 goodness, but I just would like the committee to  
15 understand that a smaller number is a smaller  
16 disparity in the property taxing effort required  
17 to get to the same adopted percentage of LOB.

18 SENATOR FITZGERALD: And, therefore, a  
19 better equalization?

20 MR. PENNER: It is a more, more equitable  
21 equalization, I guess.

22 SENATOR FITZGERALD: The -- Mr. Chairman,  
23 if I might, the 2506, the effort that the  
24 legislature made of 130,000,000, I think it was,  
25 that resulted in, as Senator Denning says, a



1 significant improvement in that number,  
2 equalization. Did the Court have an opinion upon  
3 that?

4 MR. PENNER: I believe the Court said  
5 that 2506 -- if the estimates of 2506 as -- as it  
6 were in place, the Court did initially dismiss the  
7 equity portion of that, but later re-entered it  
8 when it became apparent that the estimates were  
9 not accurate.

10 SENATOR FITZGERALD: Mr. Chairman, just  
11 to conclude, then we would think that a 4.225  
12 disparity satisfied equalization requirements, at  
13 least as far as the Court was concerned at that  
14 time?

15 MR. PENNER: The caveat I would add there  
16 is that when the estimates were in place, it is  
17 possible that that disparity may have looked  
18 smaller than 4.225 when it was still just  
19 estimates. I don't know what this would have  
20 looked like based purely on the estimates. This  
21 is what the actuals were in 2014-15.

22 SENATOR FITZGERALD: Thank you. Thank  
23 you, Mr. Chairman.

24 CHAIRMAN MASTERSON: Committee, I might  
25 note quickly we again have a transcriptionist with



1 us today. I want everybody to be aware of that.

2 So we are taking record for the Court's case and I  
3 wanted to make sure that was noted.

4 I have one quick question on -- in this bill,  
5 what used to be described as the extraordinary  
6 needs account transitions from the State Finance  
7 Council to the Department of Education. It also  
8 allows equity concerns to be addressed with that.  
9 What would happen to this disparity if they were  
10 to choose to use that? For example, just drain  
11 the entire account with those poorest groups.

12 MR. PENNER: That 3.148 would shrink  
13 because the 18.658 that is in the bottom line  
14 there would become a smaller number, as well. I  
15 was actually trying to -- trying to do the math on  
16 getting an estimate of what that might shrink to.  
17 If I had been a later conferee, I might have been  
18 able to have that for the committee.

19 CHAIRMAN MASTERSON: On that note,  
20 committee, untraditional, just like a  
21 transcriptionist, once I have come through the  
22 conferees, I'm actually going to allow any of them  
23 that may want to readdress us to come back or if  
24 you have any questions for any of them, it's not  
25 typical, but neither is the situation we are in so



1 I'm going to allow as much conversation as we can  
2 have.

3 Further questions for Eddie? Senator  
4 Francisco.

5 SENATOR FRANCISCO: Thank you, Mr. Chair.  
6 Again, I understand these numbers are based on the  
7 proposal in Senate Bill 515?

8 MR. PENNER: Yes.

9 SENATOR FRANCISCO: Do we have similar  
10 numbers for the proposal from 512?

11 MR. PENNER: I -- I could do that for  
12 you. I don't have those in front of me right now,  
13 but I could do that.

14 SENATOR FRANCISCO: Mr. Chair, we are  
15 making a choice. We've had another bill before us  
16 and it might be interesting to see, although I  
17 don't know how much math time goes into this.

18 CHAIRMAN MASTERSON: On that note, Eddie,  
19 can you tell, without running exact numbers, would  
20 the other positions narrow or widen?

21 MR. PENNER: I would imagine that it  
22 could be narrower, but I -- without having the  
23 numbers in front of me, I wouldn't be able to  
24 speculate.

25 CHAIRMAN MASTERSON: Any further



1 questions for Eddie? Senator Denning?

2 SENATOR DENNING: Thank you, Mr.  
3 Chairman. Eddie, while you're here, could you  
4 just refresh my memory on the total spend on  
5 education between SGF and local effort and  
6 equalization and so forth?

7 MR. PENNER: Actually, if you'll turn to  
8 the -- turn to the third page, that is three pie  
9 charts representing the total amount of state  
10 funds that go into K-12 education. The first is  
11 FY 16 current law. The second one is, which is  
12 off to the right, is FY 17 current law. And then  
13 the bottom one is FY 17 proposed law. And so as  
14 you can see, the total amount on FY 17 under  
15 current law is going to be, doing the addition in  
16 my head quickly, it looks like it will be about  
17 4,000,000,000 and \$4,000,000, of which 477.8  
18 million is equalization.

19 SENATOR DENNING: So that would be -- so  
20 that would be about 25 percent?

21 MR. PENNER: I think that is -- that's  
22 lower than 25 percent. I think that's closer to  
23 about 12 percent. Once again, that's just doing  
24 the math in my head. 477 -- 478 of about  
25 4,000,000,000 is going to be a little over --



1 SENATOR DENNING: Close to 25, isn't it?

2 MR. PENNER: No, because if it was  
3 400,000,000 out of 4,000,000,000, that would be  
4 exactly 10 percent and so --

5 SENATOR DENNING: Gotcha. Gotcha.

6 MR. PENNER: And so it's 480, which would  
7 come out to be about 12 percent.

8 SENATOR DENNING: Thank you, Mr.  
9 Chairman.

10 CHAIRMAN MASTERSON: And to follow up on  
11 that just so everybody understands really what we  
12 are looking at as far as change, for example, even  
13 in 512, which we believe to be the cleanest  
14 obvious answer to the Court, it transferred about  
15 37,000,000, I believe, was the fiscal number on  
16 that. So even if this entire pot of equalization  
17 gets distributed, we are talking about the  
18 difference in how that was distributed. So we are  
19 really having a conversation over less than 1  
20 percent of the pie.

21 MR. PENNER: My recollection is that the  
22 equalization amount proposed in 512 was about  
23 515,000,000 total dollars and the equalization  
24 amount proposed in this bill is about  
25 \$495,000,000. And so that's a \$20,000,000



1 difference between those two, which \$20,000,000 of  
2 that 4,000,000,000 would be about half of a  
3 percent.

4 CHAIRMAN MASTERSON: Okay. So I wanted  
5 to be clear, that our primary concern is the  
6 closing of the schools and we are having this  
7 conversation over less than 1 percent of the  
8 distribution, so I just need that to be clear. So  
9 we need -- and I would also note this is a one-  
10 year solution to finish the block grant. We  
11 really have a much larger and pressing issue to  
12 get to, which is the new formula.

13 Further questions for Eddie? Seeing none,  
14 thank you, Eddie.

15 MR. PENNER: Thank you.

16 CHAIRMAN MASTERSON: And again,  
17 committee, he will be available.

18 First up on my proponent list is Todd White.  
19 Welcome to the committee and congratulations on  
20 your new position.

21 MR. WHITE: Thank you very much.  
22 Chairman Masterson and members of the committee,  
23 thank you for the opportunity to appear before you  
24 today as a proponent for Senate Bill 515.

25 We are mindful of the challenge that you are





1 facing as you seek an appropriate and short-term,  
2 as was just mentioned, solution that will allow us  
3 to continue our goal of providing the quality  
4 education for the students that we serve. We  
5 thank you for your hard work and the very long  
6 hours that you have spent on this legislation. We  
7 also want to thank you for listening to the  
8 concerns that were brought before this committee  
9 previously, which is clearly demonstrated by  
10 providing that all districts will be held harmless  
11 and will not lose funding from their general  
12 operating budgets.

13 Further, we are grateful that you have  
14 honored the spirit of the class act which was to  
15 provide budget certainty for school districts in  
16 the two-year time period so that we might work on  
17 a new finance formula and develop it for all  
18 children throughout this state.

19 Blue Valley is a district that remains  
20 committed to providing a quality education for our  
21 students and being good stewards of our taxpayer  
22 dollars. To that end, we want to work with you to  
23 develop a solid school finance formula that  
24 provides stability and appropriately accounts for  
25 the very needs of the students throughout our



1 state.

2 We do appreciate your challenges you are  
3 facing and we continue to want to work with you to  
4 solve those K-12 challenges and promote the best  
5 outcomes for all the students that we serve in the  
6 State of Kansas.

7 We are happy to stand for any questions at an  
8 appropriate time.

9 CHAIRMAN MASTERSON: Committee, questions  
10 for Mr. White? Senator Denning.

11 SENATOR DENNING: Thank you, Mr.  
12 Chairman.

13 Mr. White, from conversations we had with  
14 your predecessor, now your testimony today, it  
15 appears that you're conditionally supporting 515  
16 on the grounds that, again, we are trying to honor  
17 the block grant fixed funding for two years to  
18 give you some stability in your budgeting process  
19 in our unstable budget time. Would that be  
20 correct?

21 MR. WHITE: That is absolutely correct.

22 SENATOR DENNING: And then the hold  
23 harmless, the way 515 is structured, it brings  
24 back the funding source to almost identically to  
25 what it was in the block grant and has no effect



1 on your operating budget, that is to say we are  
2 not forcing you to go out and raise mill levels.  
3 We are actually keeping your operating budget  
4 stable in 515. So I didn't know if you knew that  
5 or not, but that is the way the bill was  
6 structured. We are not going to force any school  
7 district to go out and raise property taxes, we  
8 are going to hold harmless the operating budget  
9 itself based on the clear intent of Senate Bill 7,  
10 which was to give two years of budget stability.  
11 I just want to make that clear in case you weren't  
12 aware of that.

13 MR. WHITE: Thank you for the  
14 clarification. That is our understanding, but I'd  
15 also say that's the appreciation that we hold for  
16 this body and the work that you are doing. It is  
17 budget certainty for the school districts, but  
18 also time for us to communicate and to work  
19 together on developing a long-term formula of  
20 this.

21 SENATOR DENNING: Thank you. Thank you,  
22 Mr. Chairman.

23 CHAIRMAN MASTERSON: So your -- your  
24 testimony is in line with what we heard in the  
25 findings of fact in earlier days that hold



1 harmless is called, or hold harmless aid, all the  
2 Kansas Association of School Boards, the  
3 Commissioner of Education, the Deputy, all  
4 consider hold harmless an appropriate action to  
5 take. And I think from what I'm hearing from you,  
6 you consider a critical action to take.

7 MR. WHITE: Not only critical, but the  
8 best available option that we have, given the  
9 circumstances that the Court has mandated.

10 CHAIRMAN MASTERSON: Further questions  
11 for the superintendent? Seeing none, thank you  
12 for coming in. Again, I appreciate you being  
13 available later if someone would have questions.

14 MR. WHITE: Certainly.

15 CHAIRMAN MASTERSON: Mike O'Neal.

16 MR. O'NEAL: Thank you, Mr. Chairman,  
17 members of the committee. On behalf of the Kansas  
18 Chamber, we rise in support of your efforts in  
19 Senate Bill 515.

20 Just -- and just a little bit of a review in  
21 terms of the unique circumstances that you find  
22 yourself in. You -- you have worked on a number  
23 of equity types of -- of arrangements with school  
24 finance. You have learned from the Court that the  
25 latest iteration of that is not acceptable. So



1 there is one wrong answer, but the Court has said  
2 that there are any number of right answers. And  
3 so we applaud the efforts of the committee in --  
4 in the circumstances that you're in in trying to  
5 make a good faith response to your understanding  
6 of what the Court is going to find acceptable.  
7 And what I hope to be able to do in the brief time  
8 I have today is point out from the Court's own  
9 language in Gannon how Senate Bill 515 does meet  
10 that expectation and with some degree of  
11 predictability that the Court would find this to  
12 be acceptable.

13 I appreciated the Chairman pointing out the  
14 uniqueness of this is that we are literally under  
15 threat of school closure, albeit over an amount of  
16 money that seems to represent 1 percent, maybe a  
17 tiny bit over 1 percent of the entire budget. It  
18 also is involving school districts that are not  
19 involved in the litigation, nor were they affected  
20 one way or another with a particular equalization  
21 infirmity that the Court found. Yet, those  
22 children who do not have any really stake in this,  
23 so to speak, may indeed be denied a Constitutional  
24 right to a public education if we don't get this  
25 right. And so I appreciate all the time that the



1 Chairman and the committee have taken to try to  
2 get it right.

3 One of the things that we would also applaud  
4 is the fact that what we have found in the course  
5 of school finance litigation is the courts do  
6 things differently than the legislature does. You  
7 spend a great deal of time taking testimony,  
8 looking at data and doing all sorts of analysis,  
9 and yet that does not translate very well into a  
10 Court record. And what we found is not so much  
11 the Court having a fundamental difference of  
12 opinion with you over equalization, is that  
13 technically the finding in Gannon was that the  
14 state had failed to meet its burden of showing  
15 that what you had done was equitable. And so it's  
16 really a burden, and a lack of information in the  
17 record. Not that you didn't have the information,  
18 not that you didn't do all the right analysis,  
19 it's that it didn't get into a Court record such  
20 that the Court had it available to it to make an  
21 informed decision.

22 So in terms of the process that you have  
23 devised this session on the equity phase, and I  
24 assume it would carry over when the Court gets to  
25 the adequacy phase, is that you are making an



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1 extra effort to make sure that everything does get  
2 in the record in a way that the Court is used to  
3 -- used to seeing it.

4 The other thing that's a little bit awkward.  
5 And then I'll talk about the bill, is that equity  
6 is not a math equation. It is a concept by which  
7 you want a reasonable educational opportunity and  
8 access to educational opportunities. So it's not  
9 a math equation. Yet, the Court has decided, and  
10 I don't have any particular problem with it, but  
11 it does present a challenge for the legislature in  
12 that most would look at this as you get -- you get  
13 to the adequacy question first. And once you get  
14 to that question, then the distribution of an  
15 adequate amount of funding is done in an equitable  
16 manner. Unfortunately because of the timing and  
17 how this was bifurcated, you are having to deal  
18 with equity before we get to the issue of  
19 adequacy, and to a certain extent that's getting  
20 the cart before the horse. Nevertheless, that's  
21 the posture that the case is in and this is what  
22 you're faced with, and so you need to -- the time,  
23 the deadline is on the equity phase.

24 So we applaud the efforts of you to protect  
25 and take time to devise an equity formula that's





1 going to protect schools beyond June 30th, and I  
2 think that you have done that.

3 Despite the fact that in Gannon the Court did  
4 suggest a preference, and I'll talk about that in  
5 a second. It's key to point out that the Court  
6 said, quote, the equalization infirmity, quote,  
7 can be cured in a variety of ways at the choice of  
8 the legislature. And I do take the Court at its  
9 word on that; that there isn't just one way to  
10 solve this, it is uniquely a legislative question  
11 and it is inherently a political question. You're  
12 going to have to find something that at least 63  
13 and 21 will voluntarily agree to vote for. And so  
14 it's -- the Court has given the legislature the  
15 deference that its due in that you can solve this  
16 in a variety of ways.

17 In terms of the preferred way, the Court has  
18 said, quote, one obvious way the legislature could  
19 comply with Article 6 would be to revive the  
20 relevant portions of the previous school funding  
21 system and fully fund them within the current  
22 block grant system, end quote. That's important  
23 because there had been a little bit of a  
24 misinformation when the Court decision came out  
25 that somehow the block grants had been overturned





1 or ruled unconstitutional. Nothing could be  
2 further from the truth.

3 The equity part that the Court found an  
4 infirmity with that the state had failed to meet  
5 its burden of proof on the equity part can be  
6 solved by resurrecting one or more of the equity  
7 provisions in the prior law and funding it within  
8 the current block grant system, which is what  
9 Senate Bill 515 is doing.

10 There have been questions and there may be  
11 questions raised as to whether or not the Court  
12 would require new or additional funding in this  
13 equity phase. And again, I would repeat equity is  
14 not a math equation. It does not in and of itself  
15 require additional funds, but the Court did speak  
16 to that as well. The Court stated, quote, school  
17 districts must have reasonably equal access to a  
18 substantially similar educational opportunity  
19 through similar tax effort, end quote. The Court  
20 did not define what that meant other than to say  
21 that that formula, if you will, that definition of  
22 that came from the State of Texas, and there may  
23 be further clarification of what that means if we  
24 research Texas. But the equity definition is in  
25 the statute.



1           As the Chairman is aware when we had the  
2 joint informational hearing, no witness who  
3 testified Monday before the Joint Committee, in  
4 response to questioning by legal counsel, was able  
5 to articulate or knew of a metric for determining  
6 how this test is satisfied. And this really comes  
7 as no surprise. That's not a shocker because the  
8 Court itself, when looking at that very issue  
9 said, quote, we acknowledge there was no  
10 testimonial evidence that would have allowed the  
11 panel to assess relative educational opportunities  
12 statewide, end quote. In other words, as you sit  
13 here today, there is not a single bit of evidence  
14 that we don't have equal opportunity statewide in  
15 Kansas as we speak.

16           The problem has been that the legislature has  
17 devised certain methods of allocating funds to  
18 equalize, and in the last iteration failed to meet  
19 the Court's burden of proof on whether that is  
20 truly equitable, not that there is a single  
21 student who is not getting an equal educational  
22 opportunity.

23           I was -- I found comforting what Dale Dennis  
24 said the other day about his wife's study. We've  
25 got smaller school districts in the state that



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1 actually have maybe less resources, less  
2 curriculum, maybe less overall opportunities, and  
3 yet the findings are, and I'm living proof of  
4 this, I felt like my educational opportunities in  
5 a 3A school exceeded the educational opportunities  
6 my children got at a 6A school. All great  
7 opportunities, but they are just different.

8 And in terms of whether or not there is a  
9 significant difference in achievement once you get  
10 to the post high school, post secondary phase, I  
11 don't think there is a study that says, at least  
12 in Kansas, that there is not equal educational  
13 opportunity.

14 The Court did speak to the issue of funding,  
15 as I indicated. First, the Court acknowledged  
16 that, quote, equity does not require the  
17 legislature to provide equal funding for each  
18 student or school district, end quote. The Court  
19 went on to say that the test of the funding scheme  
20 becomes a consideration of, quote, whether it  
21 sufficiently reduces the unreasonable wealth-based  
22 disparity so the disparity then becomes  
23 Constitutionally acceptable, not whether the cure  
24 necessarily restores funding to the prior levels,  
25 end quote. The Court went on to say that, quote,



1 equity is not a needs-based determination, rather,  
2 equity is triggered when the legislature bestows  
3 revenue-raising authority on school districts  
4 through a source whose value varies widely from  
5 district to district, such as with the local  
6 option mill levy on property, end quote. So it's  
7 not a matter of needs, it's just a matter of the  
8 function of having disparity with your tax -- with  
9 your tax authority.

10 So given the Court's own language, it would  
11 have been perfectly acceptable for you to pass  
12 Senate Bill 512, by the way, because what you have  
13 done is you have taken equity in its purest form.  
14 You've resurrected those equalization formulas and  
15 then you just -- you've redistributed, creating,  
16 if you will, in districts that by virtue of that  
17 would get more money and districts -- some  
18 districts would get left. It's the purest form of  
19 equity. It's the example of you're pouring one  
20 can of pop for your two kids and you're pouring it  
21 and it's not exactly equal. Nobody's first  
22 thought is to go back to the refrigerator and get  
23 another can of pop and keep pouring. You take --  
24 you take some from the larger cup and you pour it  
25 into the smaller cup until they are equal, and



1 that's essentially what Senate Bill 512 did.

2 Well, as can be predicted, it was a little  
3 bit surprising that districts that gained didn't  
4 come in and say they liked it, but it was  
5 predictable, of course, that you would -- you  
6 would have school districts that are ringing their  
7 hands and gnashing their teeth over the prospect  
8 of having winners and losers, even though that  
9 would have satisfied the Court's -- the Court's  
10 test. And this is where we get to, I think, a  
11 nice good faith effort in a step-wise fashion to  
12 get to where we are today and that's Senate Bill  
13 515.

14 Given the Court's own language again,  
15 reallocation of funds utilizing an approved method  
16 of calculating equalization, in this case using  
17 capital outlay, is proposed, no distinct -- no  
18 district is losing any funds. That's the hold  
19 harmless part.

20 There is a slice of language in Gannon that  
21 says that you need to fix the equity, but keep in  
22 mind -- keep in mind adequacy. You could have  
23 possibly had some adequacy -- adequacy arguments  
24 from districts who ended up being losers because  
25 of getting less. You've solved that with hold



1 harmless. Hold harmless, as the Chairman has  
2 pointed out from the witnesses who have testified  
3 previously, is a known and acceptable method of  
4 dealing with school finance issues in an  
5 inherently political process. As Assistant  
6 Commissioner Dennis testified on Monday, in his  
7 experience hold harmless is necessary to get votes  
8 sometimes. But it's also important from the  
9 standpoint of what you just heard. It provides  
10 predictability. The beauty of the block grant  
11 system is that you provided budget stability. You  
12 preserve and protect that budget stability by  
13 doing what you did with Senate Bill 515.

14 With regard to the provisions where you're  
15 now sending money from -- under the purview of the  
16 Finance Council for the Kansas State Department of  
17 Education, as I mentioned previously, you're a  
18 part-time legislature, your time is very valuable  
19 and it's very difficult to get your arms around  
20 these issues from time to time. Invariably when  
21 you have a question, you pick up the phone and you  
22 call the Kansas State Department of Education to  
23 do the calculations and do the runs. It makes  
24 perfect sense that you would have an amount of  
25 funds, in this case the extraordinary needs, being



1 handled by Kansas State Department of Education  
2 which has the expertise, not only of this, but  
3 also other aspects of school finance as you -- as  
4 you move forward to do a plan.

5 And lastly, and I think I mentioned this, is  
6 the overall stability that you provide in 515 to  
7 the districts that desperately look forward to  
8 that stability and the reason why many supported  
9 the block grant in the first place.

10 I would be happy to stand for questions at  
11 the appropriate time.

12 CHAIRMAN MASTERSON: Thank you, Mike.  
13 Real quickly, committee, you should have at your  
14 position we have actually printed out the  
15 transcript from earlier so you guys have time to  
16 review the comments from the department and  
17 association. I just want to make sure everybody  
18 is aware you have an actual printed copy of the  
19 transcript.

20 Questions, Senator Melcher.

21 SENATOR MELCHER: Thank you, Mr.  
22 Chairman. And thank you, Mr. O'Neal, for being  
23 here. I appreciate your perspective.

24 In the earlier part of your testimony, you  
25 referred to the Court's speaking that we should





1 have similar educational opportunity for I think  
2 it was similar local tax effort, and I think this  
3 may have come from a Texas case. Could you repeat  
4 that because I had a question about it, but I  
5 couldn't write as fast as you were talking.

6 MR. O'NEAL: And this particular court  
7 reporter has admonished me on prior occasions, we  
8 go back a ways, and she's had to stop me a time or  
9 two in my past history, so I apologize.

10 Quote, school districts must have reasonably  
11 equal access to substantially similar educational  
12 opportunity through similar tax effort.

13 SENATOR MELCHER: So when you say through  
14 similar tax effort, could you help me understand  
15 that?

16 MR. O'NEAL: That's an excellent  
17 question. I believe Jason was asked that question  
18 the other day. I don't have any better answer  
19 than what Jason had. The courts, and I don't know  
20 whether -- that's why I mentioned Texas, but may  
21 need a little bit more of a flushing out of what  
22 they meant in the records in Texas.

23 The concept, I think, goes back to the  
24 overall requirement that the legislature make  
25 suitable provision for the finance of the





1 education interests of the state. Although the  
2 Court has interpreted that to include adequacy,  
3 it's essentially the legislature's responsibility  
4 to create a funding mechanism. And your mechanism  
5 is a combination of state and general fund dollars  
6 and property tax dollars. You provided the  
7 ability for local districts to raise taxes, and  
8 you've done it in a way that is -- has uniform  
9 application, but it has districts being able to  
10 make choices at the local level as to whether they  
11 raise property taxes or not. And as they do and  
12 if they do, that then creates the equity issues  
13 that you need to address and equalize.

14 And so it is -- I think it's saying that you  
15 need to have similar tax effort. And when you  
16 have that similar tax effort, you then measure  
17 that under the rubric of -- and as a result of  
18 that, do you end up with reasonable -- reasonably  
19 equal educational opportunity district by  
20 district.

21 Senator, that's the best I can do because the  
22 Court did not -- did not give further illumination  
23 to what they mean by that.

24 SENATOR MELCHER: Okay. So if we are  
25 talking about similar tax effort, and we have the



1 21 1/2 mill as a state portion of property tax, 20  
2 mills of that goes to education, and that would be  
3 thought to be similar across the board, but then  
4 we have statutorily decided to treat agricultural  
5 property valuation much differently to where we  
6 statutorily undervalue that. So wouldn't we need  
7 to have some sort of an adjustment upward for any  
8 of those properties that are intentionally  
9 undervalued to be able to give the similar tax  
10 burden across the board? Because without that,  
11 don't we have an inequity in similar tax burden  
12 that exists?

13 MR. O'NEAL: If, if that were an  
14 essential component of the school finance formula,  
15 I might tend to agree. I think what you're  
16 getting at is the 20 mills or even the local  
17 option budgets based upon a correct valuation of  
18 the property that is -- as established by the 20  
19 mills in the LOB. Is that what your -- is that  
20 your question?

21 SENATOR MELCHER: We treat all property,  
22 we value all property similarly, it's fair market  
23 value, with the exception of agriculture, which is  
24 a very large -- most of the property in the state.  
25 So when you have agricultural areas which would



1 have a low valuation per pupil, it actually makes  
2 them look poorer because we have statutorily  
3 undervalued that land so they are really not as  
4 poor as they look on paper. Doesn't that really  
5 skew that formula to provide equalization to a  
6 seemingly poor area when they are really not as  
7 poor as they look?

8 MR. O'NEAL: Keep in mind that the key  
9 component of the rule on equity is educational  
10 opportunity, not equal, not equal taxation.

11 SENATOR MELCHER: I was just speaking to  
12 the portion you said about the similar taxation  
13 piece because I wasn't aware that the courts had  
14 stated that, and then I kind of thought back to  
15 some discussions we had had about valuation and it  
16 appears that that inequity would then produce a  
17 school funding inequity.

18 MR. O'NEAL: That would be subject to  
19 Court interpretation. Again, it's -- the key is  
20 whether or not at the end of the day, through  
21 whatever mechanism you have devised, you end up in  
22 a position where children, whether they are in  
23 Johnson City or Johnson County, have an equal  
24 educational opportunity. I don't know it's so  
25 much about the amount. The Court has said it's



1 not about equal funding, it's about equal  
2 educational opportunity. So again, I don't -- I  
3 can't predict how a Court would look at that.

4 SENATOR MELCHER: Thank you.

5 CHAIRMAN MASTERSON: Committee, further  
6 questions? Seeing none, thank you, Mike.

7 Dr. Hinson, welcome back to the committee.

8 DR. HINSON: Thank you. Good morning,  
9 Chairman Masterson, members of the committee.

10 Jim Hinson, Superintendent of Shawnee Mission  
11 School District. I'm here as a proponent of this  
12 bill. I've also been chastised for talking too  
13 fast, so I will slow down. I saw that look.

14 We are a proponent of this bill for several  
15 reasons. This bill holds all school districts  
16 harmless. You've heard about that this morning.  
17 It doesn't create a system of winners and losers.  
18 One of the runs we saw, there would be about 79  
19 school districts in the state that would actually  
20 be losers. This bill allows all districts to be  
21 held harmless. It also truly allows this money to  
22 go to classrooms, not just property tax relief.

23 We believe this bill benefits school  
24 districts in relation to capital outlay  
25 equalization. Shawnee Mission School District



1 does not benefit from capital outlay equalization,  
2 but we do support this provision in the bill.  
3 This is a short-term solution that allows schools  
4 to stay open and allows all of us to work on a  
5 long-term solution.

6 We also believe this bill allows for  
7 stability during very uncertain financial times.

8 In conclusion, it's March 23rd, and this bill  
9 is by far, in our opinion, the best bill to  
10 address the issue that's before us for a one-year  
11 solution. I'll pause right there. You have my  
12 written testimony. I'll be happy to stand for  
13 questions.

14 CHAIRMAN MASTERSON: Thank you.  
15 Committee, questions for Dr. Hinson?

16 Senator Denning.

17 SENATOR DENNING: Thank you, Mr.  
18 Chairman.

19 Dr. Hinson, how far along are you in  
20 preliminary planning for your second year of  
21 budget based on Senate Bill 7?

22 DR. HINSON: Normally, we would be  
23 finished, except for negotiations as required for  
24 our employees, but all the other budgetary  
25 components of our budget would be finished.



1           SENATOR DENNING: So if we can get 515  
2 out of here intact, then you're -- all of your  
3 work on the budget would be preserved and  
4 worthwhile to this point?

5           DR. HINSON: Currently what we are going  
6 through in the Shawnee Mission School District, we  
7 have all kinds of different budget scenarios. In  
8 those budget scenarios there is a wide range  
9 depending on what might happen.

10           A part of our budget scenario includes will  
11 we have the same number of employees starting July  
12 1 or not that we currently have, depending on  
13 certainly what occurs here. So the timing for us  
14 is really crucial. We would absolutely love for  
15 this bill, if it could, to get through this week  
16 because for a school district, the budgetary time  
17 frame, we are already behind in trying to prepare.

18           We are certainly also looking at the, I'm  
19 going to call uncertainty in a different way, the  
20 uncertainty of what might happen in relation to  
21 potential allotments in May and June. So from a  
22 school district perspective, our financial  
23 uncertainty is extremely high. The quicker we can  
24 know what's going on here, it's very important for  
25 us and it's very important in working with our



1 employees on whether they are going to have  
2 employment from July 1 on.

3 SENATOR DENNING: And Dr. Hinson, I'm  
4 probably going to put you on the spot here, with  
5 the Senate Bill 7, will you, and the steady  
6 funding, were you planning any staff reductions  
7 because of your current level of funding? Were  
8 you able to keep your current level?

9 DR. HINSON: With Senate Bill 7, two  
10 answers to your question. One of the things that  
11 we appreciate is being able to have a two-year  
12 budget that would be predictable, even though it  
13 was not additional money for us. That was very  
14 beneficial.

15 The other component is we've continued to  
16 make reductions in the Shawnee Mission School  
17 District even during this process because as all  
18 of my costs continue to go up, we've had to cut  
19 other expenditures just to address the issue  
20 that's before us today.

21 SENATOR DENNING: When you say cut, you  
22 are talking about non teacher salaries? You just  
23 found some efficiencies, I think you mentioned in  
24 your printing area at one point in time.

25 DR. HINSON: We've been working on





1 efficiencies. We've cut administrative costs.  
2 Certainly for us we totally changed what we are  
3 doing in relation to printing costs, out-sourced a  
4 lot of the printing costs, as well. We are  
5 reducing administrative space, currently square  
6 footage in facilities from 500,000 square feet to  
7 70,000 square feet. So we are in the process of  
8 those efficiencies.

9 This last year we rolled out an early  
10 separation incentive plan, called an early  
11 retirement package, if you will, to save us money  
12 in the school district as well. Because in the  
13 Shawnee Mission School District there are a lot of  
14 long-term employees, beneficial to them, but  
15 beneficial for us financially. So we have been  
16 trying to find every way we possibly can to cut  
17 costs during this process, as well.

18 SENATOR DENNING: Thank you,

19 DR. HINSON: Thank you, Mr. Chairman.

20 CHAIRMAN MASTERSON: Senator Melcher.

21 SENATOR MELCHER: Thank you, Mr.

22 Chairman. Thank you, Dr. Hinson, for being here.

23 So you talked about many of the things that  
24 you changed about some changing some printing  
25 costs, consolidating of administration buildings.



1 Are those all good policy to do regardless of  
2 funding levels?

3 DR. HINSON: Yes, sir.

4 SENATOR MELCHER: Okay. So those were  
5 done just as a matter of good, efficient use of  
6 dollars, not necessarily related to funding.

7 DR. HINSON: They are good, efficient use  
8 of taxpayer dollars, but at the same time with I'm  
9 going to call it flat funding, my costs continue  
10 to increase. We increased in student enrollment.  
11 We did not request from the extraordinary needs  
12 fund. My energy costs are increasing rapidly. My  
13 transportation costs, which we contract for, are  
14 increasing rapidly.

15 So really two things: One, those are best  
16 practices. The other component is to continue to  
17 move the teacher salary schedule. That's not a  
18 raise, but you work another year just to move the  
19 salary schedule. We had to make adjustments in  
20 how we are spending our dollars. We call that  
21 reallocation of resources.

22 SENATOR MELCHER: So, transportation  
23 costs, I would think with the dramatic falling  
24 prices in fuel, that you would be able to recover  
25 some savings in transportation. But the -- any of



1 those reductions that you make that create any  
2 excess, is that money then that can be allocated  
3 to be used within the classroom?

4 DR. HINSON: Yes, sir.

5 SENATOR MELCHER: Okay. And, I  
6 appreciate that work that you've done. Thank you.

7 DR. HINSON: Thank you.

8 CHAIRMAN MASTERSON: Senator Kerschen.

9 SENATOR KERSCHEN: Thank you, Mr.  
10 Chairman. I think you answered my question. I  
11 was going to ask you do you have an increase in  
12 enrollment from the previous year, and you said  
13 you did, but you didn't have any extraordinary  
14 needs. If that continues next year, is that an  
15 issue for you or how do you address that?

16 DR. HINSON: I'll try to make the answer  
17 make sense. So, for us in the Shawnee Mission  
18 School District, we have about 1,900 teachers.  
19 So, 1,900 classrooms, if you will. So, if I  
20 picked up 190 students, 380 students, you take the  
21 1,900 teachers, if they were distributed equally  
22 across the district, they're usually not, but if  
23 they were distributed equally, in most cases with  
24 those numbers I would not need to hire new  
25 teachers because of the number of classrooms we



1 have and we can just absorb those students into  
2 the pupil/teacher ratio that we already have in  
3 place.

4 SENATOR KERSCHEN: Thank you.

5 CHAIRMAN MASTERSON: Actually, my  
6 understanding is you have quite good outcomes, as  
7 well. Do you, off the top of your head, know your  
8 percentage of students that meet or achieve all  
9 state assessments?

10 DR. DENNING: We have good outcomes now.  
11 We're looking for great outcomes. We have work  
12 yet to do; we need to do better.

13 CHAIRMAN MASTERSON: Fair enough.  
14 Further questions? Seeing none, thank you.

15 Committee, you are further proponent witness  
16 testimony. That's the end of the oral conferees.  
17 I would open with the opponents.

18 Dr. Lane, welcome to the committee.

19 DR. LANE: Thank you very much. Good  
20 morning, everyone. It's great to be here and we  
21 appreciate the opportunity to share a little bit  
22 different perspective on Senate Bill 515, but let  
23 me just say we too appreciate the efforts of this  
24 committee to be thoughtful and to put forth a  
25 reliable formula that holds districts harmless,



1 all districts. That's always been important to us  
2 to make sure not only students in Kansas City,  
3 Kansas public schools receive quality education,  
4 but it's important that the entire state does, as  
5 well.

6 But, let me speak to the hold harmless piece  
7 first, if I may. Hold harmless has been a very  
8 important strategy over time, as the legislative  
9 body has worked on school finance formulas. What  
10 is different with this hold harmless portion is  
11 that it is holding us harmless to levels of  
12 funding that, frankly, have been deemed not  
13 equitable. So, in past times, you've held  
14 harmless after you corrected the deficiencies in  
15 the formula. So, we want to celebrate the hold  
16 harmless piece, we think that's critically  
17 important so there aren't consistent winners and  
18 losers in the process, but we encourage you to do  
19 so after correcting the challenges.

20 So, but let me speak to the other pieces of  
21 the Senate bill. And we heard from Mr. O'Neal  
22 it's not a math problem, but I'm going to take you  
23 back to algebra class, if you will, and talk with  
24 you about the transitive property. You may  
25 remember that, that we were taught that A is equal



1 to B. And if A is equal to B and we add C, that  
2 A and B are equal, therefore, C is equal. So, how  
3 does that apply to this particular deal? Well, if  
4 you think of A as the equity portion of Senate  
5 Bill 7, if it is equal to B, which has been termed  
6 or deemed by the Court to be unconstitutional, the  
7 equity portion of Senate Bill 7 unconstitutional  
8 as equal to B, and if Senate Bill 515 is a  
9 redistribution of funding that has already been  
10 deemed inequitable, C, then, therefore, this does  
11 not resolve the equity issue. From our  
12 perspective, it redistributes the same amount of  
13 funding that was determined to not to be  
14 equitable. So, we encourage you to truly think  
15 about that.

16 We are held harmless in KCK. We appreciate  
17 the reliability, the predictability, is the word  
18 that's been used. However, this funding level  
19 still does not resolve the equity issue, does not  
20 allow us to provide equal education opportunities  
21 with similar tax benefit.

22 So, those are the two main points, that we  
23 want to share with you today. We appreciate the  
24 effort. Frankly, we want to support you and  
25 encourage you to continue. We must resolve this



1 issue. As Einstein reminded us, nothing changes  
2 until something moves, and we see that you all are  
3 trying to move the dial and resolve the issue.  
4 Appreciate that, but we feel like if it's just a  
5 redistribution of the same level of funding that  
6 is in the block grant, it does not resolve the  
7 issue. So, I'll pause there for questions.

8 CHAIRMAN MASTERSON: Thank you for coming  
9 again, by the way. Actually, in that math  
10 problem, every bill that has come before us, A  
11 plus B has equaled C. And I think that has been  
12 some of the difficulty in all because some out  
13 there believe B should be a different number. The  
14 fact remains that A plus B equals C in every  
15 proposition.

16 DR. LANE: So, without additional  
17 enhancements to that number in B, we still remain  
18 at the level of unconstitutional funding. That's  
19 our point, Senator.

20 CHAIRMAN MASTERSON: I think, then, I  
21 think, that's the -- if you read the actual  
22 opinion -- at this point we are now having an  
23 opinion of an opinion. Because if you read the  
24 actual opinion, the excerpts thereof, that is not  
25 what the Court decided and it was about the





1 distribution between A and B. And equity by  
2 definition, equalization by definition, has givers  
3 and takers, or givers and receivers might be a  
4 better term. That is, by definition, what equity  
5 does, it redistributes a pot.

6 DR. LANE: What it does for us is it  
7 allows us to provide those opportunities that  
8 every child in Kansas deserves. And, so, if I can  
9 talk specifically about our level of state aid on  
10 the local option budget, our total budget  
11 expenditure is around 49,000,000. 38,000,000 of  
12 that comes from equalization state aid. It's  
13 critically important to us. Without that, our  
14 community would not be able to provide the kinds  
15 of education that you all are demanding and  
16 expecting and that we want for our children.

17 CHAIRMAN MASTERSON: So, the hold  
18 harmless would be critical and that's your  
19 opinion --

20 DR. LANE: It is critical, but holding  
21 harmless at a level that allows for that  
22 opportunity to occur.

23 CHAIRMAN MASTERSON: Do you believe your  
24 students then -- trying to go with the Court's  
25 opinion, do you believe your students do not have



1 reasonable access or do not have a similar  
2 opportunity to other schools?

3 DR. LANE: I believe that we're very  
4 challenged to ensure that, when 40 percent of our  
5 students speak languages other than English, when  
6 90 percent of our children come from poverty  
7 backgrounds, they require additional resources and  
8 we are not always able to provide that, and that  
9 is evident. We celebrated Shawnee Mission's  
10 performance, and I appreciate Dr. Hinson said we  
11 need to get better; we all do. Certainly in KCK  
12 we've improved, but not nearly at the level that  
13 we need to to ensure that our students graduate  
14 diploma plus, they exit with a college experience  
15 and technical credentials so they can immediately  
16 contribute to our economy. For me, this is about  
17 our kids --

18 CHAIRMAN MASTERSON: I might need you to  
19 slow down and make sure --

20 DR. LANE: Thank you. Superintendents  
21 like to talk fast. I apologize.

22 But, this is about our kids, but it's also  
23 about adding value to the economy. So, I do  
24 believe that we are very challenged to meet the  
25 needs of our individual students.



1 CHAIRMAN MASTERSON: So, do you have a  
2 metric for us for reasonably similar access and  
3 opportunity?

4 DR. LANE: We believe that the prior  
5 process was as fair and equal as it could get  
6 under the -- the, and, so, you're going back to  
7 that mechanism that's helpful, but the amount of  
8 funding that is available within that needs to be  
9 increased. That's our point.

10 CHAIRMAN MASTERSON: So, it's a dollar  
11 value for you, the reasonable access and  
12 reasonable opportunity is solely a dollar value?

13 DR. LANE: Not solely, but without  
14 additional resources, redistribution does not help  
15 us get to that level of expectation.

16 CHAIRMAN MASTERSON: Committee, further  
17 questions for Dr. Lane?

18 Senator Denning.

19 SENATOR DENNING: Thank you, Mr.  
20 Chairman. Dr. Lane, on Monday we had depositions  
21 in this room for about six hours, and we had  
22 revisors, research and all experts in deposition  
23 fashion discuss the equity portion of the Court  
24 ruling, and it was clear in my mind that the Court  
25 simply didn't like our quintile approach to



1 supplemental state aid and they merely recommended  
2 that we either go with capital or that the old  
3 81.2 ruler method. So, they weren't asking us to  
4 do anything other than that, according to -- and,  
5 I think, it's 200 pages, and I'm sure we can give  
6 you a copy. But the way the testimony sorted out  
7 in my mind was the Courts didn't care for the  
8 quintile approach, even though I personally think  
9 it was very thoughtful and had a lot of algebra in  
10 it. So, it made a lot of sense to me, but Senate  
11 Bill 515, we just come back down to the capital  
12 outlay approach and it is coming up with the same  
13 number, but it appears that they -- and maybe they  
14 were just more comfortable with that because it's  
15 simpler in, you know, sorting high/low and moving  
16 your ruler up to the medium. Pretty simple, not  
17 much algebra in that, but, it doesn't - I think,  
18 what 515 does is satisfy the Court's thinking of  
19 what they think is the best formula at this point  
20 in time. I think that's what 515 does.

21 And then the hold harmless, to a person that  
22 testified, that was -- you know, it's routine in  
23 this process and very necessary. So, I think, we  
24 have satisfied the Court's request to us based on  
25 all of the testimony we sat through for almost six



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1 hours.

2 DR. LANE: You know, Senator, I  
3 appreciate that. I learned over time never to try  
4 to determine what the Court meant; that they need  
5 to speak to that. But using the capital outlay  
6 equalization is a much lower level of support and  
7 funding than using the LOB level that had been in  
8 previous formulas. So it does make a difference  
9 in terms of the amount of resources available for  
10 districts to do their work.

11 SENATOR DENNING: Thank you. Thank you,  
12 Mr. Chairman.

13 CHAIRMAN MASTERSON: Would you agree that  
14 if 515 narrows the poles, if you will, lessens the  
15 disparity and creates a more similar taxing  
16 effort, that it would be taking steps towards what  
17 the Court had asked us to do?

18 DR. LANE: You know, Senator, again, I  
19 will leave the Courts to reflect on whether it  
20 meets the test or not. But from our perspective,  
21 just redistribution of the current amount of  
22 funding that is in the formula of the block grant  
23 does not resolve the issue.

24 CHAIRMAN MASTERSON: It doesn't appear to  
25 me you leave the question of adequacy, though, to



1 the Court.

2 DR. LANE: The interpretation --

3 CHAIRMAN MASTERSON: I'm asking about the  
4 equity piece. If we are narrowing the poles,  
5 would you believe that complies with what the  
6 Court is asking us to do on equity then?

7 DR. LANE: I don't know that. The Court  
8 will have to review it and decide. I really  
9 hesitate to speak for the Court, but from our  
10 lens, until additional resources are added to this  
11 pool, the equity issue will continue to be  
12 problematic for all districts in Kansas.

13 CHAIRMAN MASTERSON: Thank you. Further  
14 questions? Senator Melcher.

15 SENATOR MELCHER: Thank you, Mr.  
16 Chairman, and thank you, Dr. Lane, for being here.

17 It appears that through the testimony we are  
18 doing our best to try to achieve the goals the  
19 Court has outlined for us, which may not result in  
20 the increased monies that you would desire. Do  
21 you have -- have you thought of going through a  
22 similar exercise that Dr. Hinson described in  
23 finding those efficiencies so that you can  
24 redirect some of those savings in the classroom to  
25 benefit the students?



1 DR. LANE: A couple of points I'd like to  
2 remind the panel and also, Senator Melcher,  
3 specifically to your question, in terms of the  
4 amount of funding in the classroom, we have  
5 analyzed the actual funding in KCK's classroom  
6 using more broad definitions than the one that's  
7 in the accounting handbook that limits it to,  
8 frankly, teachers and a few other things.

9 When you look at all of the kinds of support  
10 needed to actually function in the classroom,  
11 we're over 82 percent of our resources now  
12 directly expended in that arena and the board  
13 wants to improve that more. So, I -- one of the  
14 things I always ask us to do is really think about  
15 what do we need, how do we clearly define  
16 expenditures into the classroom. So, we have  
17 analyzed that.

18 The other piece is that you may recall that I  
19 volunteered our school district for the first  
20 legislative post audit that occurred three years  
21 ago. We want to be transparent. We opened  
22 ourselves up to say what are we missing? Are  
23 there strategies we might put into place?

24 Some of what you heard Dr. Hinson talk about  
25 is similar in terms of what we have done. There





1 were some recommendations that we implemented from  
2 that process, but there were others that just  
3 didn't meet what we wanted to do locally. For an  
4 example, at that time we -- it was suggested that  
5 we close one of our eight middle schools because  
6 it appeared as if we were under capacity. Well,  
7 we're a growing school district. We've grown 500  
8 students a year on average for the last five  
9 years. And, if we had done -- chosen to  
10 implement that efficiency strategy, today I would  
11 have 600 students without a school.

12 So, yes, we are looking at efficiencies and  
13 trying to ensure that we are running our operation  
14 the best as we can, ensuring that our classrooms  
15 are fully supported. But sometimes things that  
16 are deemed efficient also are not helpful in terms  
17 of meeting our bottom line, which is educating  
18 kids.

19 Our class sizes are enormously high in KCK  
20 right now. The average is 28 students per  
21 teacher, and that is really unacceptable at the  
22 elementary level. So, there is more that we need  
23 to do in terms of resolving those issues.

24 SENATOR MELCHER: Well, those class sizes  
25 are really hard for me to comprehend since your



1 funding per student is so much higher than many of  
2 the other schools that have such dramatically  
3 lower class sizes. So how do you -- how do you  
4 square that?

5 DR. LANE: Our funding per student is  
6 high because we have high numbers of kids with  
7 special needs, high numbers of students who speak  
8 languages other than English, a high numbers of  
9 kids from poverty. And, so, we have resources  
10 that come from many sources to try to help us  
11 resolve that.

12 We use that funding to provide tutoring. In  
13 some cases we try to lower class sizes with that,  
14 but there is a lot intensity that goes around  
15 trying to get students up to grade level when they  
16 come in significantly behind. 34 percent of our  
17 children enter kindergarten kindergarten ready.  
18 So, from the get-go almost 70 percent of our kids  
19 require additional support.

20 So that -- you know, if you look only at  
21 numbers, that's a great question, but when you  
22 look at the needs of my kids, there are -- they're  
23 significant.

24 SENATOR MELCHER: You talked about you  
25 were the one that raised the class size number,



1 but then you talked about this litany of classroom  
2 resources that you have. So, I'm still having a  
3 difficult time understanding how the class sizes  
4 could be so high with all of that enormous amount  
5 of resources.

6 DR. LANE: Those resources don't  
7 necessarily go in to reduce the numbers of pupils  
8 that are assigned to a teacher.

9 SENATOR MELCHER: So you have chosen to  
10 have the large classrooms in lieu of having  
11 smaller classrooms with less of those people in  
12 it?

13 DR. LANE: The choice is based on a  
14 cumulative cut in state aid and increased costs  
15 that were mentioned earlier that districts adjust  
16 to. For Kansas City, Kansas, over the last six  
17 years, we have had a decrease of \$55,000,000 in  
18 state funding and increases in costs. So,  
19 \$55,000,000 less to operate today than we had six  
20 years ago, leaves us with difficult choices about  
21 how to supports our young people and one of those  
22 choices has been that our class sizes had to grow.

23 CHAIRMAN MASTERSON: Dr. Lane, that  
24 confuses me because that number is not anywhere in  
25 the paperwork that I've seen as it pertains to



1 your district. Are you telling me you received  
2 \$55,000,000 less now than you received dollar for  
3 dollar two or three years ago?

4 DR. LANE: That number is less state aid  
5 plus increased costs since 2009-10 school year.

6 CHAIRMAN MASTERSON: So, you have had a  
7 subsequent year in the last few years that you  
8 have received less dollar for dollar state aid  
9 than you did the prior year? That's also runs  
10 counter to the data that I have been provided on  
11 your district.

12 DR. LANE: We will be glad to break that  
13 out for you and the committee if that's helpful.

14 CHAIRMAN MASTERSON: So, the question,  
15 have you received less dollars --

16 DR. LANE: Absolutely less.

17 CHAIRMAN MASTERSON: -- in a sequential  
18 year?

19 DR. LANE: Well, not necessarily  
20 sequential, sir, but since 2009-10 less state aid,  
21 increased costs, yes.

22 CHAIRMAN MASTERSON: So, that would have  
23 happened after the crash of 08-09, so that would  
24 have been a single incident that 08-09. Have you  
25 received more since then?



1 DR. LANE: 08-09 we had an \$11,000,000  
2 cut and we've had cumulative cuts since then.

3 CHAIRMAN MASTERSON: That would again fly  
4 in the face -- against the face of the information  
5 the department has provided me regarding your  
6 district.

7 DR. LANE: We can look at that and be  
8 glad to provide follow-up for you.

9 CHAIRMAN MASTERSON: Thank you. One  
10 final question. Assuming your position on 515  
11 prevails and this bill fails and the legislature,  
12 since it is a body of consensus, fails to reach a  
13 conclusion then, do you think it's an appropriate  
14 action to close the schools over a disagreement of  
15 how 1 percent of our funding is distributed.

16 DR. LANE: It would be catastrophic for  
17 our students and our communities in the state to  
18 close public schools. So, no, we don't think  
19 that's appropriate and we stand ready to support  
20 you in any way that we can in order to make sure  
21 that doesn't happen.

22 CHAIRMAN MASTERSON: Thank you. Thank  
23 you for your time. Sorry, I think we had one more  
24 question. Senator Francisco.

25 SENATOR FRANCISCO: Thank you, Mr. Chair.



1 I'm looking at the way that the estimated payments  
2 are made for the hold harmless dollars. So, it  
3 takes in consideration the capital outlay aid and  
4 then an increase or decrease in LOB aid and then  
5 adds those together. So, my understanding is that  
6 your district would receive capital outlay aid,  
7 and, then, that would be subtracted from the hold  
8 harmless payment you would otherwise get to make  
9 up your LOB aid. So, how do those, the different  
10 -- and you have been given different or more  
11 capital outlay, but you will get less tax help for  
12 LOB, how does putting it in those two different  
13 pots affect your ability to educate children?

14 DR. LANE: You know, I tell my staff a  
15 story about my Aunt Thelma who was a small  
16 business owner in Southeast Kansas. And, she  
17 loved to carry a big pocketbook and frequently you  
18 would see her moving her money from one side of  
19 her purse to the other side of her purse, but  
20 never in that did I hear her say she had more  
21 money. And, so, to respond, Senator, is that we  
22 are flat. It doesn't matter what pool that comes  
23 into, it doesn't provide any additional resources  
24 that we can utilize to educate our kids.

25 CHAIRMAN MASTERSON: A follow-up then.



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1 We did, through the block, tear down some of the  
2 silo walls, if you will, so did that or did that  
3 not give you some flexibility with your  
4 operations?

5 DR. LANE: It gave us flexibility in  
6 conversation, but not in decision making because  
7 we have buildings that average 60 years or more,  
8 significant maintenance issues, and so we do not  
9 cross-mingle that. In fact, we just had a study  
10 completed that identified 80 -- \$800,0000,000  
11 worth of maintenance that will need to occur in  
12 our district over the next decade in order to keep  
13 those buildings moving. So, we appreciate the  
14 flexibility, but we did not utilize it.

15 CHAIRMAN MASTERSON: Thank you. Mr.  
16 Freeman?

17 DR. LANE: Thank you very much.

18 CHAIRMAN MASTERSON: Welcome to the  
19 committee.

20 MR. FREEMAN: Thank you. Chairman  
21 Masterson, members of the committee, thank you  
22 very much for allowing me the opportunity to be  
23 here today.

24 And again, I want to reiterate what you've  
25 been hearing. We really do appreciate the efforts





1 being made to try and resolve an issue that could  
2 be catastrophic to our students in terms of  
3 closing down schools. So, again, it's one of  
4 those where, you know, we've got to come to some  
5 sort of resolution to this so we can move forward,  
6 at least, on the -- until we get a new school  
7 finance formula bill and move into some other  
8 area.

9 But, that being said, I stand here and  
10 respectfully believe that this plan does not meet  
11 the needs that we have. And, Dr. Lane mentioned a  
12 couple of them, and I would just reiterate that  
13 the equity portion of it, the redistribution of  
14 funds that she was talking about, we don't really  
15 see that as a viable means. And I understand the  
16 definition of equity and that sort of thing, but I  
17 have to go back to what we see in our district  
18 with regard to the funding levels that we've seen  
19 from the previous year, this year and projected  
20 out to the next year. And, so, the equity part of  
21 it for us is not a single year item, it's a multi-  
22 year item. And, so, that's the other piece of it  
23 for us is that we believe that -- that addressing  
24 only fiscal year '17 does not really answer all of  
25 the question.



1 Now, I realize the challenges that the  
2 legislature has. We have the same sort of  
3 challenges in school districts in terms of  
4 balancing the budget and that sort of thing. So,  
5 I appreciate the efforts that you have to go  
6 through to try and get to a good resolution.  
7 However, I, you know, I think -- I'm not sure that  
8 this will pass muster, is, quite frankly, what I  
9 think we may be seeing.

10 Now, that doesn't mean that it isn't --  
11 doesn't have some benefits to us, but at the same  
12 time there are certainly some drawbacks for us in  
13 terms of us planning and building a budget. Our  
14 budgets are flat budgets, and increasing costs  
15 makes it more difficult for us to move into a new  
16 fiscal year knowing that we're going to have to  
17 reduce, reallocate within our budget because we  
18 are not having any additional funds coming to us.  
19 So, it makes it a challenge for us.

20 And, I look back at the prorations and things  
21 that we've had over the last several years and  
22 have to think about where we would be if that  
23 hadn't happened, if we had the revenue streams  
24 coming in that we really need.

25 But anyway, my general calculations, if we're



1 looking at the prorations, the LOB prorations and  
2 capital outlay aid that we've kind of lost through  
3 equalization changes is about \$26,000,000  
4 projected out to fiscal year 17. And those are  
5 dollars that we have had to find within our budget  
6 to be able to maintain the levels that we tried to  
7 do. And we've done a lot of work on efficiencies.  
8 You've heard others talk about that, but -- and  
9 we've done similar measures there. And, we're in  
10 the process now of trying to build next year's  
11 budget and having to look at those reallocations  
12 as we move forward.

13 So the hold harmless piece of it is, you know  
14 -- again, we appreciate that and we've talked,  
15 I've had a lot of discussions in a lot of areas  
16 about moving to new formulas and that sort of  
17 thing. There is always going to be some hold  
18 harmless provisions. I think the difference is  
19 that what I'm used to seeing in years past when  
20 they've done this is you've set the formula, built  
21 that and then looked to see who was winners and  
22 losers on that. And the losers you try to hold  
23 harmless, but with additional dollars, and I think  
24 that's the one piece of it that's a little bit  
25 different for me in terms of looking at that. I



1 understand the concept of how you're looking at  
2 the equalization formula, so I don't -- I don't --  
3 I just disagree that we're doing the best job that  
4 we can in terms of funding the formula as it is.

5 The one thing that I would indicate that  
6 hasn't been really talked about, too, and, you  
7 know, Senator Francisco kind of brought this up.  
8 When you look at Wichita, we're going to get some  
9 additional state aid for capital outlay. We're  
10 losing state aid from the LOB side, again, because  
11 the formula changed and the capital outlay which  
12 dropped us about \$9,000,000, something like that.  
13 But, then, we are held harmless. Okay, so we're  
14 flat. But, it is going to require us to put that  
15 capital outlay state aid some way into the LOB,  
16 along with the hold harmless, to keep my LOB  
17 budget high enough so that I don't have to raise  
18 property taxes. So, I'm still working the  
19 mechanics of that, still trying to flush through  
20 how all of that works. Because my first look at  
21 it, when I looked at that and saw that LOB drop  
22 and I thought, well, if I'm going to keep my LOB  
23 where I need it to be at our 30 percent, I'm  
24 either going to have to raise property taxes or  
25 put all of the capital outlay money and the -- and



1 the hold harmless into the LOB in some way to keep  
2 that level up.

3 The other thing, too, that I don't -- whether  
4 people have thought about, is when your LOB legal  
5 max budget drops, your state aid drops because  
6 it's a calculation there. So unless I keep that  
7 up high enough, then I'm going to lose even a  
8 little bit more perhaps. Like I said, I haven't  
9 worked all the mechanics on that and what that's  
10 going to actually look like when we get down to  
11 the end of it.

12 Pardon me, I have a cold. And just, you've  
13 got the written testimony that is here, but -- and  
14 again, I'd like to say thank you for spending the  
15 time to try and find a solution to this problem.  
16 We -- we are -- we are -- with everybody else, we  
17 want to work together with the legislature to find  
18 the best way to make all of this happen. Perhaps  
19 this is it, perhaps not, but as we read it, as we  
20 look at this, we don't think this will be a viable  
21 way for us to do this.

22 But again, I appreciate this. I understand  
23 the legislative process is a process and we are  
24 working through that and I appreciate your  
25 efforts. I stand for questions.



1 CHAIRMAN MASTERSON: Thank you for coming  
2 in, especially consideration you're not feeling  
3 100 percent. Questions for Mr. Freeman?

4 Senator Denning.

5 SENATOR DENNING: Thank you, Mr.  
6 Chairman.

7 When we passed out Senate Bill 7 and we had  
8 consistent funding for two years, did you start  
9 working on basically a two-year budget --

10 MR. FREEMAN: Yes.

11 SENATOR DENNING: -- back then.

12 MR. FREEMAN: Yes.

13 SENATOR DENNING: Were you contemplating  
14 any teacher layoffs because of that steady funding  
15 a year ago?

16 MR. FREEMAN: Not in the first year. In  
17 this year of it I think we are going to be looking  
18 at teacher layoffs. And what we did last year,  
19 because of when it came out, how late it was  
20 coming out, we really didn't have time to respond  
21 on the staffing side of it, so we used contingency  
22 reserve funds to fill a hole and we did some other  
23 things within the budget, which is kind of normal  
24 practice, but we used about \$3,000,000 of our  
25 contingency reserve to balance the budget. And I



1 told the board at that time that we weren't going  
2 to be able to do that again next year; we would  
3 probably have to look at staffing reductions in  
4 some fashion.

5 And as everybody else, every other school  
6 district in the state, we are always looking for  
7 efficiencies and that sort of thing. So we look  
8 within our budget to see what we can reduce to  
9 minimize that staffing reduction. But it looks  
10 like this year we're not going to make it without  
11 having to reduce some sort of staff.

12 SENATOR DENNING: So your peer schools  
13 appear to be able to accomplish that without any  
14 staff reductions, but you're planning on actual  
15 staff reductions?

16 MR. FREEMAN: Well, we're looking at  
17 those options right now. As a matter of fact, I  
18 met with the board this Monday, and we have a lot  
19 of options out on the table and we have a lot of  
20 reductions in the budget that are non-personnel.  
21 We have some personnel items too, it just depends  
22 on the direction the board wants us to go.

23 SENATOR DENNING: And, then, Mr. Freeman,  
24 were you involved in the school district when we  
25 passed the original formula that we sunset last





1 year, the one that was in place? Were you around  
2 at that point in time?

3 MR. FREEMAN: I was -- this is my third  
4 year in Wichita public schools, but I have been in  
5 the Kansas schools since the nineties, so --

6 SENATOR DENNING: So you remember when  
7 this body passed the original formula?

8 MR. FREEMAN: Uh-huh.

9 SENATOR DENNING: So during testimony  
10 this summer on the special K-12 Committee, the  
11 reason why that formula was funded in the first  
12 place is that they put a .1 percent cap on KPERS.  
13 So, that was to only fund KPERS at a maximum of  
14 \$4,000,000 over the prior year. So the formula  
15 never would have even gotten launched without that  
16 maneuver. So, to put it into perspective, we fund  
17 KPERS 10 times the amount trying to catch up from  
18 the damage that was done from that maneuver, and  
19 we have a long ways to go. But, you're well aware  
20 of the budget situation and I think you're asking  
21 this body to come up with additional funding and  
22 there is -- the state that we're in right now,  
23 there is no additional funding available unless we  
24 would do the similar maneuver, that is to say put  
25 a cap on KPERS, fund it at one-tenth of what it



1 should be, which was the prior approach. Is that  
2 something that you would support?

3 MR. FREEMAN: Well, no, I don't think so,  
4 because that just serves to move us backwards.  
5 And that's why I said, I appreciate the dilemma  
6 that you have, but I guess I have to characterize  
7 it this way: When I look at my budget, I have a  
8 set revenue amount. Okay? I have no way to  
9 adjust that revenue amount. So I build my budget  
10 based on revenue to start with. So whatever the  
11 legislature decides they can appropriate for me is  
12 what I use. When you're balancing the state  
13 budget, you have the revenue side of it to work  
14 with, too, and I'm not going to go anywhere down  
15 the path of suggesting anything there, but I don't  
16 have the ability to adjust my revenue side, where  
17 the legislature does to some extent.

18 Now, I know your limitations and I understand  
19 all of that, but I -- it is a dilemma. I just  
20 don't believe that 512 addresses everything that  
21 we need for it to address. That doesn't mean that  
22 it's unusable, but it just doesn't address quite  
23 what we need to arrive at this.

24 SENATOR DENNING: And Mr. Chairman, one  
25 more.



1 CHAIRMAN MASTERSON: I have one break  
2 announcement. The House had scheduled a hearing  
3 at 9:30. For those that are concerned about  
4 conflict and maybe conferring, they are going to  
5 open on a different hearing first. So, we should  
6 have about 20 to 30 minutes and we'll try to get  
7 that accomplished so there is no conflict. We'd  
8 like you all to be present for both.

9 Senator Denning.

10 SENATOR DENNING: Thank you, Mr.  
11 Chairman. This will be my last comment.

12 I have been working with the school districts  
13 on healthcare costs because of the A&M study.  
14 Obviously, they're all over the place and I think  
15 there was a slide that was presented at some  
16 meeting that shows yours as being a big outlier  
17 and we sorted that out yesterday. The bottom line  
18 is, because you pay for almost 100 percent of the  
19 healthcare costs of your employees, that is to say  
20 the employee, the family and the spouse, that your  
21 costs are about \$2,000 per employee higher than  
22 your peer, which is about 25 percent. So, if you  
23 take that 25 percent and just lay it on top of  
24 your total spend, it's about \$15,000,000 higher.  
25 Would there be something that you could do there



1 to help your budget issue?

2 MR. FREEMAN: As a matter of fact, we --  
3 that is one of the -- one of the things we are  
4 looking at. And we knew several years ago that we  
5 were headed towards having to change our plan and  
6 make some changes in that. But years ago the  
7 teachers preferred that we keep money going into  
8 the health plan rather than their salaries. So  
9 that \$15,000,000 that you are talking about, and I  
10 don't have a calculator so I'll just use your  
11 number, had it not been in the health insurance  
12 plan probably would have been in the teacher  
13 salaries. That was a choice that they made  
14 through negotiations.

15 So, but to answer your question directly, one  
16 of our big cost drivers for next year that we have  
17 to address is that health care issue and we will  
18 be changing that plan and looking at different  
19 things and perhaps starting to charge for  
20 premiums. I don't know at this point, they'll  
21 have to go through negotiations, but it's  
22 something we are looking at.

23 SENATOR DENNING: Mr. Chairman, I guess I  
24 didn't tell you the truth. I have one more  
25 question that just popped in my head.



1 But if the Cadillac tax stays intact in any  
2 fashion, you'll have to address that because you  
3 are right in the cross-hairs of that.

4 MR. FREEMAN: Right, Exactly. Well, one  
5 of the things about our plan, too, that's a little  
6 bit different. When you look at our plan, the  
7 dental insurance is all included in that, as well.  
8 So one of the first things we are going to do is  
9 carve out the dental side of it. So that will  
10 bring the actual health care plan down and give us  
11 a few more years on that before we hit that  
12 Cadillac tax. That's another plan we are looking  
13 at.

14 SENATOR DENNING: Thank you, Mr.  
15 Chairman.

16 CHAIRMAN MASTERSON: There was a recent  
17 article about some of the proposals the district  
18 had on deficiencies and cuts. I didn't see that  
19 in the list, what Senator Denning mentioned,  
20 changing what was somewhat an extraordinary  
21 lucrative benefit down to what would just be a  
22 normal benefit. That wasn't listed. It seemed to  
23 me the things listed in the paper were much more  
24 painful options.

25 MR. FREEMAN: And, well, part of that is



1 because what you saw most recently -- I was just  
2 talking about the cuts. A couple of board  
3 meetings before that we talked about the health  
4 insurance plan and some of the options that we had  
5 at that time. We got those over on the cost  
6 increase side and are trying to address those. So  
7 we have been talking about it, but we have some  
8 negotiation issues that go along with that. So we  
9 don't have resolution of that yet, but we have a  
10 couple of different options that that will take a  
11 look at that. So it is being addressed.

12 CHAIRMAN MASTERSON: Another comment that  
13 struck me is your comment that you had no control  
14 on your revenue side at the local level. Are you  
15 30 or 33 percent?

16 MR. FREEMAN: 30.

17 CHAIRMAN MASTERSON: So you could move to  
18 33 percent?

19 MR. FREEMAN: Yeah.

20 CHAIRMAN MASTERSON: So there is some --

21 MR. FREEMAN: There would be, yes.

22 CHAIRMAN MASTERSON: Also, it struck me,  
23 in information provided by the Kansas Association  
24 of School Boards, that Kansas actually is a high  
25 contributor compared to the states -- state



1 contribution to schools, the Federal IS  
2 comparative was very low. Do you have a similar  
3 effort going at the federal level? Have you taken  
4 any legal action with the Federal government or  
5 done anything to draw down the portion of that pie  
6 that appears to believe lacking?

7 MR. FREEMAN: We would not be taking any  
8 legal action. We -- since we house our own  
9 special ed department, we actually draw federal  
10 money directly, Title VI (B) money directly, and  
11 we have done things within our budget to maximize  
12 that draw-down there. But, but other than that,  
13 we haven't taken any other action.

14 CHAIRMAN MASTERSON: Have you seen the  
15 data from KASB on that proportion that goes to our  
16 educational system which is local, state and  
17 federal? They broke it down in comparative states  
18 and the state is comparatively high. Locals was  
19 similar and I think a little lower than our  
20 competitive states or comparison states, and the  
21 Federal significantly lower, but it strikes me  
22 that we are focusing on that entity which is  
23 already the largest giver to expand.

24 MR. FREEMAN: I think I have seen that  
25 data, but I haven't really researched it. I don't





1 have any detail on it.

2 CHAIRMAN MASTERSON: It seems to me the  
3 concerns from the opponents, yourself and Kansas  
4 City, are adequacy issues more than equity issues.  
5 Your concern is we need more money, is I think the  
6 theme I'm hearing.

7 MR. FREEMAN: Well, I think the two are  
8 certainly tied together, but -- and that's why I  
9 said from the onset I understand what you're doing  
10 to balance the equity, and -- but our position is  
11 that rather than equalizing down, we need to  
12 equalize up.

13 CHAIRMAN MASTERSON: Further questions?  
14 Senator Melcher.

15 SENATOR MELCHER: Thank you, Mr.  
16 Chairman.

17 I'm actually astounded to learn that anybody  
18 would be funding health benefits near 100 percent  
19 for individual and family. I don't know how one  
20 could ever agree to some terms like that, but  
21 that's kind of an aside the point of my question,  
22 which is there was reference was made to laying  
23 off teachers. Does that include layoff of  
24 administrative staff and what's the -- what would  
25 be the ratio of teacher layoffs compared to



1 administrative layoffs?

2 MR. FREEMAN: Well, first of all, we  
3 haven't made any decisions yet at all. We've just  
4 laid out some options to the board about what that  
5 might look like. Yes, it does include  
6 administrative staff, as well as teaching staff.  
7 But most of the things that are on the list are  
8 support staff that have teacher contracts that are  
9 support staff, those types of things. There is  
10 very little classroom teacher options in here.  
11 And we've got a pretty good size of hole to fill.  
12 We are going to do a big chunk of it through the  
13 non-personnel side, but we think there probably  
14 will have to be some staff layoffs. And the  
15 position the board has always taken in the past is  
16 to try and keep those cuts as far away from the  
17 classroom as they can, and I'm sure they will  
18 continue to do that. I can't really give you a  
19 number because we are just looking at some options  
20 and proposals. I don't have any solid numbers on  
21 what our recommendations will be yet.

22 SENATOR MELCHER: It sounds maybe some  
23 layoffs are in the future for your district, but  
24 would you be inclined to skew more of those  
25 layoffs on the administrative side or the side



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1 that goes into the classrooms?

2 MR. FREEMAN: Well, we have to look at  
3 still being able to do the work. Since 2008-9,  
4 we've -- we've dropped our central administration,  
5 this would be the district level staff,  
6 administrative staff has dropped by about 20  
7 percent, while our teachers over that same time  
8 period has actually come up about 6 percent. So  
9 we have already been pulling back on that  
10 administrative side through over the last five  
11 years. So we don't have a lot of room to go in  
12 that, but there are some administrator staff in  
13 there.

14 But in terms of FTE that we might be  
15 dropping, I can't tell you what that might be at  
16 this point because there will probably about some  
17 administrators involved in there.

18 SENATOR MELCHER: Because I looked at  
19 your per pupil funding. It was high, similar to  
20 Kansas City, and actually I think yours may be  
21 higher. It sounds like you probably have quite a  
22 bit of room to go.

23 MR. FREEMAN: Well again, we have some of  
24 the same issues that Kansas City does in terms of  
25 demographics of students that we have. We are 70,



1 75 percent free and reduced, we have 34 percent  
2 Hispanic/English second language people. We have  
3 90 languages in our district. So we have a lot of  
4 special needs, I guess, special academic needs.  
5 So the funding level provides support. We've got  
6 classroom -- our class sizes aren't near as high  
7 as Kansas City is, fortunately, but we do provide  
8 a lot of additional support in the buildings and  
9 in the classrooms, either through instruction  
10 support, people we put in there, paras or just  
11 extra staff that helps with those various  
12 programs. We have a pretty good sized bilingual  
13 programmed. It's staffed and supports all of  
14 those classes that need that support. So that's  
15 generally why some of those expenses get a little  
16 bit higher that way is because of the needs that  
17 are actually in the classrooms.

18 SENATOR MELCHER: I would think with such  
19 a high Hispanic population, I think you said, one  
20 would think you would achieve some level of  
21 economies of scale because you have so many that  
22 you would be able to achieve those, where maybe a  
23 district that has a much smaller component would  
24 have to have probably more people on a per capita  
25 basis just because they aren't able to achieve



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1 those economies. So I think that doesn't  
2 necessarily work against you, but thank you for  
3 your comments.

4 MR. FREEMAN: Certainly.

5 CHAIRMAN MASTERSON: Actually, a final  
6 question. Assuming 515 were to fail and no  
7 conclusion would come, do you think it's an  
8 appropriate action to close the schools over a  
9 disagreement of less than 1 percent of the  
10 distribution.

11 MR. FREEMAN: No, sir, I don't. I really  
12 don't.

13 CHAIRMAN MASTERSON: Thank you. Thank  
14 you, Jim. I only had the two listed opponents. I  
15 don't have any written opposition. I do have one  
16 final neutral conferee, and then I will ask if  
17 there is anyone else present wishing to speak.

18 My neutral is Mr. Trabert.

19 MR. TRABERT: Good morning, Mr. Chairman,  
20 members of the committee. For the record, my name  
21 is Dave Trabert. I'm President of the Kansas  
22 Policy Institute.

23 I want to also thank the committee for the  
24 hard work on this bill and other bills. There has  
25 been an, obviously, a very strong effort to try to



1 resolve this issue and avoid the unnecessarily  
2 closure of schools over a half a percent of  
3 funding, which, frankly, I think is absurd.

4 But let me start by saying that we generally  
5 concur with certainly concur -- with everything  
6 that you heard from Mr. O'Neal -- excuse me, from  
7 Mr. O'Neal, from Dr. Hinson, from Dr. White. I  
8 won't bother reiterating a lot of that.

9 We are neutral on this bill for one reason:  
10 It's not the only good way to resolve equity  
11 without spending more money. That's clearly what  
12 the Court said can be done. I won't reiterate the  
13 reasons that Mr. O'Neal explained, but it is an  
14 option. It's one of many options. You had a good  
15 option last week. You had a good option last  
16 year, frankly, in Senate bill 71. That's the only  
17 reason that we are neutral. I want to also touch  
18 on the fact, because adequacy has been raised here  
19 several times by two of the opponents, that there  
20 should be a concern about whether this would  
21 create an adequacy issue, for several reasons.  
22 First of all, the Supreme Court said adequacy is  
23 first determined by whether or not schools are  
24 meeting or exceeding the Rose capacities. Now, we  
25 have school districts and the Department of



1 Education and the Kansas Association of School  
2 Boards all on record as saying that they don't  
3 know how to define or measure the Rose capacities.  
4 So it begs credulity to say that they don't know  
5 basically where home is but they don't have enough  
6 money to get there.

7 Further, their own records show that they  
8 have not spent all of the money that has been  
9 provided over the last 10 years. My testimony  
10 shows that \$385,000,000 of aid that was provided  
11 between 2005 and 2015 to run schools has been used  
12 to increase cash reserves, clearly indicating that  
13 they didn't need that money to operate schools  
14 and, therefore, another reason it shouldn't create  
15 an adequacy issue.

16 They are also on record testifying that they  
17 choose to operate inefficiently and be organized  
18 inefficiently. In fact, there -- just this  
19 legislative session school districts have and  
20 unions have opposed every single legislative  
21 effort to try to reduce the costs for school  
22 districts, whether it be for procurement or other  
23 reasons, that would allow more money to be used in  
24 classrooms. So we think there is ample reason to  
25 not be concerned about the adequacy issue.





1           There is one new thing in my testimony that I  
2   wanted to point out from last time, and that's in  
3   response to a -- and this is just a very partial,  
4   it's not a full response to a school district --  
5   Kansas Association of School District claim that  
6   no state spends more -- or spends less and gets  
7   more. I just went through the, you know, the  
8   Cadillac gold standard of student achievement, the  
9   National Assessment of Educational Progress. If  
10   you look at page 4 of your testimony, there is a  
11   table there that shows the fourth grade and eighth  
12   grade reading and math scores for low income kids  
13   and not low income kids. And what you see is that  
14   of those 16 measures -- I'm sorry, of the eight  
15   measures, Florida -- we're comparing Kansas, Texas  
16   and Florida. And I think Texas and Florida  
17   because they spend significantly less per pupil  
18   than Kansas does. Kansas -- and this is 2013  
19   census spending. It's on a head count basis, so  
20   it's not going to be the same per pupil number you  
21   would see in KSDE's numbers because they use an  
22   FTE. But in 2013 census data, Kansas spent  
23   \$11,496 per pupil. Texas spent \$10,313 per pupil.  
24   Florida spent \$9,420 per pupil. Now, if you go  
25   down through the scores, you see that of the eight



1 scores here, Florida wins on four of them, Texas  
2 wins on three of them, Kansas wins on one. If you  
3 do a composite of all eight scores, you find that  
4 Florida would be, of these three states, would be  
5 in first place, Texas would be in second place and  
6 Kansas would be in third place.

7 Completely the opposite of what the school  
8 board association would like to have you hear.  
9 Because this -- there is ample evidence, and we  
10 can spend all day on this, frankly, demonstrating  
11 that just spending more does not do anything to  
12 change achievements. Money matters, certainly,  
13 but it's how many is spent that matters, not how  
14 much money is spent.

15 Now, I'd like to also address a couple of the  
16 comments that were made here by the opponents.  
17 You know, I'm a -- as you probably know, a bit of  
18 a math geek. My -- I think my favorite high  
19 school teacher in a public school, by the way, was  
20 Miss Clara Siedler (spelled phonetically). She  
21 was a strict by-the-book teacher, no nonsense.  
22 And that was back in the days when you could make  
23 your feelings clear known to students as a  
24 teacher. She held no truck with nonsense, with  
25 someone trying to pull her leg on something.



1           So, for example, Miss Siedler, when you --  
2   the question was asked to clarify by Dr. Lane, did  
3   you get less money? Now, she tried not to answer  
4   the question. She eventually said no, we got less  
5   money, but Miss Siedler would call foul on that.  
6   Let me read you the state aid from the Kansas --  
7   or Kansas Department of Education. This is the  
8   state dollar aid in 2009. It was -- I will just  
9   round it, 168,000,000. Now, in 2010, because of  
10   the recession, the state aid did go down to  
11   149,000,000. What she didn't tell you is that it  
12   was almost all replaced by federal dollars. You  
13   had money from the feds that you could use to  
14   backfill. That was the whole purpose. So while  
15   you saw a \$19,000,000 decline in state aid, you  
16   also saw a \$13,000,000 increase in federal aid.  
17   So it was almost held harmless. The next year  
18   state aid went from 149 to 156 million, and then  
19   it went to 167 million - we are in 2012 now. Then  
20   it went to 169 million, then it went to 178  
21   million, and last year it was 205 million. So  
22   Miss Siedler would call foul on the claim that the  
23   Kansas City School District got less money.

24           Now, they have their own way of trying to get  
25   to that, and it's more of a matter of we didn't



1 get as much as we want and so we are going to call  
2 that a cut. That's not a cut. It's getting --  
3 they actually got more money. I'd also point to  
4 part of the testimony from Dr. Lane, Miss Siedler  
5 would say the transitive property doesn't apply  
6 here. And what she would actually say is what Dr.  
7 Lane implied, the policy that she is using here is  
8 called logical fallacy. The transitive poverty  
9 had nothing to do. She's trying to make a case  
10 that was clearly outlined here. It was outlined  
11 here on Monday. It was outlined here again  
12 earlier by Mr. O'Neal. The Court did not say that  
13 equity was a matter of not enough money, it was  
14 that it was not distributed the way it should be.  
15 She's trying to turn that into an adequacy issue  
16 by applying the policy of logical fallacy. It  
17 does not apply.

18 Now, let's also take a look at where she was  
19 saying that there was basically a lack of  
20 adequacy, that it's not enough money. So I would  
21 direct you to another report. This is -- this is  
22 on the Kansas opengov website and I would be happy  
23 -- I will send you each a copy of this when we get  
24 out of here. It's an online report.

25 Just for the record, according to the



1 financial statements for the Kansas City School  
2 District, over the last 10 years, keep in mind  
3 inflation was 21 percent, according to the  
4 Consumer Price Index for a Midwest urban city, and  
5 that's on a fiscal year basis. So we've matched  
6 inflation up to the school years. With 21 percent  
7 inflation, the Kansas City School District has  
8 increased their spending per pupil by 58 percent  
9 over that period. The Kansas City School District  
10 has seen a 60 percent increase in total aid per  
11 pupil. Their carryover cash -- remember we talked  
12 about some districts not even spending all of the  
13 money they receive. Their carryover cash in their  
14 operating funds, not capital, not debt, just their  
15 operating funds went up 136 percent. They took  
16 roughly \$35,000,000 of the money they were given  
17 to operate schools and put it in the bank.

18 They talk about not having enough teachers  
19 and aides and so forth, but amazingly the Kansas  
20 City School District, over a 10-year period, which  
21 had a 7 percent increase, not even a 1 percent  
22 gain in enrollment each year, a 7 percent increase  
23 in enrollment over 10 years, they increased their  
24 staff by 24 percent, three times the amount of  
25 enrollment.



1           They have a very large administrative  
2     footprint. They have 125 students -- in 2015, 125  
3     students per manager. Now, manager includes  
4     superintendents, assistant superintendents,  
5     anybody with a director title, a principal, an  
6     assistant principal, an assistant superintendent,  
7     anybody who is a curriculum specialist or  
8     instruction coordinator, they have 125 students  
9     per manager.

10          You heard from Doctor Hinson this morning who  
11     has made some real efforts to try to make his  
12     district more efficient. Last year he had 215  
13     students per manager. Now, I know everybody says  
14     my district is different. And when I was running  
15     private sector companies, every time I would go in  
16     I heard the same thing: Well, we are different.  
17     There might be some differences, some nuances, but  
18     the basic management structures and administrative  
19     principles still apply. And in every single case  
20     you can find things where we are different turns  
21     out to be an excuse for and translated to we don't  
22     want to change. That's what I found in every  
23     case.

24          I'd also address some of the comments made by  
25     the other opponent from Wichita. The -- they



1 presented you with a lot of false choices.  
2 Everything tends to be laid out in terms of, well,  
3 if this happens, then that must happen. Or if you  
4 do this, then we must do that; you're forcing us  
5 to do those things. Those are false choices. The  
6 list of changes that they outlined at their school  
7 board meeting on Monday night, quite frankly, put  
8 kids and teachers at the top of the target list.  
9 That's -- and that's pretty common. That's,  
10 obviously, what gets communities outraged. That's  
11 what gets teachers outraged and puts pressure on  
12 citizens to put pressure on you to tax somebody  
13 else more so they don't have to change.

14 Administrative, he, Mr. Freeman said that  
15 they've cut their district staff by 20 percent.  
16 That's like saying I have 20 percent fewer nickels  
17 in my pocket, but I'm not going to tell you that I  
18 have a lot more dimes and quarters in that same  
19 pocket because district staff is only one tiny  
20 component of the administrative footprint for a  
21 school district. In fact, they have increased the  
22 number of managers that they've had. They had --  
23 and in this past year, the current year, 2016,  
24 they added 37 more managers. They have more  
25 managers than they have in history. They -- they





1 maybe did -- they maybe did take a couple of  
2 nickels out of this pocket, but they have put them  
3 in the other pocket. They certainly have a lot  
4 more coins and dollars, so --

5 CHAIRMAN MASTERSON: Mr. Trabert, I'm  
6 running on time here and I think we are getting  
7 somewhat off topic. I think the opponents, as  
8 well. We are shifting to an adequacy deal. This  
9 hearing is intended to be on 515.

10 MR. TRABERT: All right. I -- I would --  
11 I'll just close there and be happy to stand for  
12 questions at any point.

13 CHAIRMAN MASTERSON: Questions for Mr.  
14 Trabert? Seeing none, thank you.

15 Is there anyone else present wishing to speak  
16 to this bill, proponent, opponent or neutral? I  
17 will note you would not be required to submit  
18 written testimony because we are transcribing  
19 every word.

20 Seeing none, I'm going to close the hearing  
21 on 515. And I would note to those that are  
22 interested, the House recessed their committee to,  
23 I think, 9:55. That will let everybody get  
24 postured, if you will, down there and ready to go.  
25 So with nothing further, committee, we are



1 adjourned.

2 (THEREUPON, the hearing concluded at

3 9:53a.m.)

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## CERTIFICATE

STATE OF KANSAS

SS:

COUNTY OF SHAWNEE

I, Lora J. Appino, 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  
24th day of March, 2016.



Lora J. Appino, C.C.R. No. 0602

