

MINUTES OF THE HOUSE EDUCATION BUDGET COMMITTEE

The meeting was called to order by Chairman Joe McLeland at 3:30 p.m. on March 10, 2009, in Room 531-N of the Capitol.

All members were present.

Committee staff present:

Theresa Kiernan, Office of the Revisor of Statutes
Reagan Cussimano, Kansas Legislative Research Department
Dee Heideman, Committee Assistant

Conferees appearing before the Committee:

Eric Stafford, Director of Government Affairs, Association of General Contractors of Kansas, Inc.
Jim Modig, Dir of Facilities, University of Kansas
Eric King, Director of Facilities, Kansas Board of Regents
Jeff King, State Representative
Dr Walt Chappell, Kansas State Board of Education
Mark Tallman, Assistant Director, Kansas Association of School Boards
Steve Shogren, George K Baum & Co
Diane Gjerstad, Director Government Relations, Wichita Public Schools
Bill Reardon, Kansas City, Kansas School District
Chuck Schmidt, Superintendent of Schools, USD 446
Gary George, Assistant Superintendent, USD 233
Trudy Aron, American Institute of Architects
Jack Deyoe, Director of Operations, USD 232

Others attending:

See attached list.

SB 9 - State educational institutions; capital improvements totally financed with non-state moneys.

The meeting opened and Theresa Kiernan, of the Revisor's office briefly gave a synopsis of **SB 9** (Attachment 1)

Speaking as a proponent, Eric Stafford, Association General Contractors of Kansas, Inc., stated these new statutes would essentially mirror the language in existing bidding and alternative delivery statutes in place for state construction, but also, allow Regents' institutions the flexibility of using a "procurement committee" as a timely alternative to the State Building Advisory Committee which only meets once a month, and sometimes slows the process for the selection of a construction manager by choosing to utilize the alternative delivery procurement method. (Attachment 2)

Another proponent, Jim Modig, University of Kansas, thinks the bill is a more time efficient and cost effective way to manage projects at the Regents' State Educational Institutions which are built with non-state funding (Attachment 3).

Eric King, University of Kansas, spoke favorably for **SB 9** because he felt it would afford efficiencies in construction projects by allowing design and construction projects to move faster than current requirements while providing fair, open and competitive procedures. (Attachment 4)

Written testimony favoring the proposed regulations was submitted by Trudy Aron, American Institute of Architects, pointing to providing a fair, open and competitive process. (Attachment 5)

No opponents appeared before the committee.

After each conferee answered all the questions they were asked, the chairman closed the hearing on **SB 9**.

CONTINUATION SHEET

Minutes of the House Education Budget Committee at 3:30 p.m. on March 10, 2009, in Room 531-N of the Capitol.

HB 2280 - School districts; capital improvement and capital outlay state aid.

Theresa Kiernan of the Revisor's office gave a brief explanation of the bill. ([Attachment 6](#))

Jeff King, State Representative, offered an amendment to **HB 2280** which would change the trigger date for the reduction of capital outlay state aid from the date of bond issuance to the date of the election authorizing these bonds because he felt basing the state funding change on the issuance of bonds is ripe with problems. ([Attachment 7](#))

Walt Chappell, Kansas State Board of Education, spoke to the committee members in support of this bill because it would let local districts decide for themselves if these new facilities are actually needed and whether they are willing to pay the short and long term costs. ([Attachment 8](#))

As an opponent, Mark Tallman, Kansas Association of School Boards, related KASB believes the quality of a child's education is the responsibility of the whole state and this bill would invite litigation which he believes the state would lose. ([Attachment 9](#))

Next was Steve Shogren, George K. Baum and Company, opposing this bill because he felt the changes from this bill were negative and blatantly unfair to local voters and taxpayers because in this period of economic challenges, Kansas needs projects that put people to work, and also provide learning environments for thousands of children now, and in the future as citizens. ([Attachment 10](#))

The Wichita Public Schools was represented by Diane Gjerstad who urged the committee to reject **HB 2280**, because school districts in Kansas made decisions based on a law which includes property tax equalization for school bond construction. Wichita taxpayers have helped build schools across the state and now Wichita taxpayers are asking for the same consideration. ([Attachment 11](#))

Eric Stafford, Associated General Contractors of Kansas opposes this bill because of the negative impact it would have on the construction industry in Kansas. He attached a report outlining the economic impact on investment in Kansas. ([Attachment 12](#))

Another opponent, Bill Reardon, Kansas City, Kansas Public Schools, said the bill would have a chilling affect on the passage of all new school construction projects except projects in wealthy USD's that do not qualify for state assistance. ([Attachment 13](#))

Chuck Schmidt of USD 445, Independence, Kansas, summarized his opposition by saying, **HB 2280** would hurt those school districts that are most in need, and would actually cost the state more in the short term. ([Attachment 14](#))

Dr Gary George, USD 233, Olathe, is against **HB 2280** because it would make capital outlay funds ineligible for state aid after the effective date of this bill, and bond issues after the effective date would be ineligible for state assistance. ([Attachment 15](#))

Trudy Aron, American Institute of Architects, does not want this bill to advance further because she feels the State of Kansas needs the new and renovated schools these bond elections provide, and the State needs to continue to meet their obligations in this area. ([Attachment 16](#))

Jack Deyoe, USD 232, opposes this bill because it is detrimental to local taxpayers and by reducing or eliminating the state's contribution to bond principal and interest payments would result in local property tax increases for patrons or failure of future bond issue votes. ([Attachment 17](#))

The next meeting is scheduled for March 11, 2009.

The meeting was adjourned at 5:30 p.m.

**GUEST SIGN-UP SHEET
HOUSE EDUCATION BUDGET COMMITTEE**

March 10, 2009
3:30 P.M. 531-N

NAME	AFFILIATION
ERIC KING	KBOR
Freddy Abse	Amc Inst of Architects
Eric Stafford	AGC of KS
Walt Whappell	WICHITA CITIZEN
WARREN GORMAN	UNIV. OF KANSAS
Jim Modig	Univ. of Kansas
Gary George	Olathe Public Schools
Jack Deyoe	De Soto Public Schools
KAB MENLY	KENNEY & ASSOC.
Joe Mosmann	Hein Law
Corey Peterson	AGC of KS
Kathleen Littlyn	KGC
Mark Tallman	KASB
Diane Gjerstad	USD 259
STEVE SHOGREN	WICHITA USD 259 + OTHERS
BILL Brady	SFFF
BILL REARDON	K.C. Ks. PUBLIC SCHOOLS

MARY ANN TORRENCE, ATTORNEY
REVISOR OF STATUTES

JAMES A. WILSON III, ATTORNEY
FIRST ASSISTANT REVISOR

GORDON L. SELF, ATTORNEY
FIRST ASSISTANT REVISOR



OFFICE OF REVISOR OF STATUTES
KANSAS LEGISLATURE

Legal Consultation—
Legislative Committees and Legislators
Legislative Bill Drafting
Legislative Committee Staff
Secretary—
Legislative Coordinating Council
Kansas Commission on
Interstate Cooperation
Kansas Statutes Annotated
Editing and Publication
Legislative Information System

TO: House Education Budget Subcommittee
FROM: Theresa Kiernan, Senior Assistant Revisor of Statutes
RE: Senate Bill No. 9
DATE: March 10, 2009

Senate Bill No. 9 was introduced by the Legislative Educational Planning Committee at the request of the State Board of Regents (Board). The bill would establish the State Educational Institution Project Delivery Construction Procurement Act. The bill would exempt certain construction projects and construction project services at state universities from many of the requirements imposed on other state agencies when obtaining the services of architects, engineers, and contractors for construction projects. The bill would apply to construction projects and construction project services financed totally with non-state moneys. Non-state moneys include funds received from any source other than the State of Kansas or any state agency, and could include funding sources such as tuition, fees or federal funds.

The bill would allow state universities to use an alternative project delivery process. "Alternative project delivery" would be defined as an integrated comprehensive building design and construction process. This alternative process would use a "construction management at-risk procurement process" which is defined as a construction manager or general contractor hired by the university to manage a project.

The bill would require that all contracts for construction projects and construction services be let by the university to the lowest responsible bidder based upon plans and specifications prepared for the project after receiving approval by the Board and the Secretary of the Department of Administration, unless the use of the alternative project delivery process is determined appropriate as provided in the bill. The bill would require that a competitive bid process be used.

The bill would allow the Board to adopt rules and regulations necessary for implementation and administration of the bill.

The fiscal note indicated that the fiscal effect of the bill was unknown, but did note that the Board of Regents stated that the bill would create efficiencies by allowing design and construction to move more quickly, saving inflationary costs over the prolonged period of time required with current requirements.

RS- C:\My Files\Docs\sb9expr.wpd (tkiernan)

House Education Budget Committee
300 SW TENTH AVE - STE 010-E, Statehouse—TOPEKA, KANSAS 6 Date: 03-10-09
PHONE (785) 296-2321 FAX (785) 296-6668 E-mail: Revisor's Of Attachment #: 1



Building a Better Kansas Since 1934
200 SW 33rd St. Topeka, KS 66611 785-266-4015

**TESTIMONY OF
ASSOCIATED GENERAL CONTRACTORS OF KANSAS
BEFORE HOUSE COMMITTEE ON EDUCATION BUDGET
SB 9**

March 10, 2009

By Eric Stafford, Associated General Contractors of Kansas, Inc.

Mister Chairman and members of the committee, my name is Eric Stafford. I am the Director of Government Affairs for the Associated General Contractors of Kansas, Inc. The AGC of Kansas is a trade association representing the commercial building construction industry, including general contractors, subcontractors and suppliers throughout Kansas (with the exception of Johnson and Wyandotte counties).

The AGC of Kansas supports Senate Bill 9 and asks that you recommend it favorably for passage.

After lengthy negotiations, the AGC of Kansas, Board of Regents, and the University of Kansas have agreed to a compromise position for Regents projects financed with non-state moneys.

The new language in SB 9 establishes new hard-bid and alternative delivery statutes for Regents projects financed with non-state moneys. These new statutes would essentially mirror the language in existing bidding and alternative delivery statutes in place for state construction, but would allow Regents institutions the flexibility of using a "procurement committee" as a timely alternative to the State Building Advisory Committee which only meets once per month, sometimes slowing the process for the selection of a construction manager if they choose to utilize the alternative delivery procurement method.

Again, the AGC of Kansas respectfully requests that you recommend SB 9 favorably for passage.

Thank you for your consideration.

House Education Budget Committee
Date: 03-10-09
Attachment #: 2

**House Education Budget Committee
Testimony in Support of Senate Bill #9
March 10, 2009**

Presented by Jim Modig, Campus Director

I want to thank you for the opportunity to present an overview of Senate Bill #9 and briefly describe how the bill will result in more cost effective and time efficient procedures for capital improvement projects. The bill addresses projects that are funded from non state tax dollars and are not classified as a private gift through the Endowment Associations.

Working with the Secretary of Administration, AIA, AGC and ACEC organizations we have developed processes that all parties have accepted. The Secretary of Administration will continue to review plans and specifications for code compliance, issue building permits and participate in final inspections. The proposed bill sets up a procurement committee chaired by the Board of Regents that will meet within two weeks of the closing date for qualification statements, to select consultants and construction managers. The bill maintains procedures such as public advertisements, submittal of statements of qualifications and qualifications-based selection of professional design services. It maintains open public bidding processes for construction projects. The objective is to reduce the amount of time it takes to go through the consultant selection and bidding processes. These time savings result in quicker implementation of the project and with inflation, improved time efficiency results in financial savings for the project.

One example;

Existing - The advertising of the project is done through the Kansas Register. The ad is due by noon on Wednesday and is published and released by Thursday of the following week. This step is used once during the A/E and competitive bid processes and is used three times during the CM-at-Risk process.

Proposed - The proposed bill allows institutions to post the ad on the local campus web site. The ad is posted immediately, saving a minimum of one week each time the process is utilized. For most projects this process is used twice.

Brief summary of time savings;

Short listing of consultants, interviews and selection of firms – minimum of four week savings.

Competitive bid process – minimum savings of two weeks

CM-at-Risk process – minimum of eight weeks savings for all three phases of the process.

On a \$10 million project, every month saved is approximately \$50,000 savings in project costs, assuming an annual inflation rate of 6%. Depending on which construction process is utilized the time saved on a project may range from eight to twelve weeks. This would be a savings to the project of \$100,000 to \$150,000.

In brief the proposed bill is a more time efficient and cost effective way to manage projects at the Regents State Educational Institutions which are built with non-state funding. I would appreciate your positive consideration of Senate Bill # 9. I would be happy to respond to any questions you may have.

House Education Budget Committee

Date: 03-10-09

Attachment #: 3



KANSAS BOARD OF REGENTS

1000 SW JACKSON • SUITE 520 • TOPEKA, KS 66612-1368

TELEPHONE – 785-296-3421
FAX – 785-296-0983
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**House Education Budget Committee
March 10, 2009**

Testimony in Support of Senate Bill 9

**Eric King
Director of Facilities**

Good afternoon Chairman McLeland and members of the Committee. Thank you for the opportunity to provide testimony in support of Senate Bill 9.

Senate Bill 9 would afford efficiencies related to construction projects financed with non-state monies. These efficiencies would be created by allowing design and construction processes to move quicker than current requirements, thereby saving inflationary costs.

The processes outlined in Senate Bill 9 have the potential to save several weeks in the procurement of professional design services and construction services while providing fair, open and competitive procedures.

Considerable input was received from all primary stakeholders affected by Senate Bill 9, but it appears that there is unanimous support of the bill in its current form.

Thank you for allowing me to testify on this matter. I would be pleased to answer any questions that you may have.

House Education Budget Committee

Date: 03-10-09

Attachment #: 4



AIA Kansas

*A Chapter of the American
Institute of Architects*

March 10, 2009

TO: House Education Budget Committee

FROM: Trudy Aron, Executive Director

RE: Support for SB 9

President
David S. Heit, AIA
Topeka
President Elect
J. Michael Vieux, AIA
Leavenworth
Secretary
Hans Nettelblad, AIA
Overland Park
Treasurer
Nadia Zhiri, AIA
Lawrence

Richard Brown, AIA
Wichita
Christie Carl, AIA
Abilene
Randle L. Clark, AIA
McPherson
Keith Diaz-Moore, AIA
Lawrence
Dale R. Duncan, AIA
Olathe
Gwenda S. Gigous, AIA
Topeka
David Livingood, AIA
Lawrence
Peter Magyar, Assoc, AIA
Manhattan
Katherine Nichols, Assoc. AIA
Gary Nevius, AIA
Overland Park
C. Stan Peterson, FAIA
Topeka
Daniel Sabatini, AIA
Lawrence
Charles Smith, AIA
Topeka
Daniel (Terry) Tevis, AIA
Lenexa
Jason VanHecke, AIA
Wichita

Good Afternoon Chair McLeland and Members of the Committee. I am Trudy Aron representing the American Institute of Architects in Kansas. Thank you for allowing me to provide this written testimony.

AIA Kansas is a statewide association of architects and intern architects. Most of our 700 members work in over 120 private practice architectural firms designing a variety of project types for both public and private clients. Our members are designing tomorrow's building today. These buildings meet the triple bottom line: environment and energy efficient, healthy people and economy.

AIA Kansas supports SB 9 that will allow the Kansas Regents to use non-state funds for capital construction in the same manner they now use for endowment projects.

We thank the Regents and representatives from the University of Kansas for meeting with us to write rules and regulations that the Regents intend to use for their procurement of design services. These proposed regulations will provide a fair, open and competitive process and alleviates the concerns we originally had with SB 9.

AIA Kansas supports SB 9 and hopes you will pass it favorably out of committee.

Thank you for allowing us to provide this testimony.

Executive Director
Trudy Aron, Hon. AIA, CAE
info@aiaks.org

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House Education Budget Committee

Date: 03-10-09

Attachment #: 5

MARY ANN TORRENCE, ATTORNEY
REVISOR OF STATUTES

JAMES A. WILSON III, ATTORNEY
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GORDON L. SELF, ATTORNEY
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OFFICE OF REVISOR OF STATUTES
KANSAS LEGISLATURE

Legal Consultation—
Legislative Committees and Legislators
Legislative Bill Drafting
Legislative Committee Staff
Secretary—
Legislative Coordinating Council
Kansas Commission on
Interstate Cooperation
Kansas Statutes Annotated
Editing and Publication
Legislative Information System

TO: House Education Budget Subcommittee
FROM: Theresa Kiernan, Senior Assistant Revisor of Statutes
RE: House Bill No. 2280
DATE: March 10, 2009

House Bill 2280 was introduced by the Committee on Appropriations at the request of Representative McLeland. The bill concerns state aid for capital improvements and capital outlay paid to school districts.

Under the bill, capital outlay state aid would be paid only for capital outlay levies imposed pursuant to resolutions which either were not protested or were protested and approved at an election held prior to the effective date of the act. In addition, bond and interest state aid only would be paid on bonds that would be issued prior to the effective date of the act.

The fiscal note indicates that capital outlay state aid would decrease approximately \$4,520,000 each year, beginning in FY 2011. Capital improvement state aid would decrease approximately \$3.0 million each year beginning in FY 2012.

House Education Budget Committee

Date: 03-10-09

Attachment #: 6

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TOPEKA

HOUSE OF
REPRESENTATIVES

JEFF KING

REPRESENTATIVE, 12TH DISTRICT

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INDEPENDENCE, KANSAS 67301
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TOPEKA, KANSAS 66612
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1-800-432-3924COMMITTEE ASSIGNMENTS
VICE CHAIR: TAXATION
MEMBER: TRANSPORTATION
JUDICIARY**Testimony Offering an Amendment to HB 2280****Representative Jeff King****March 10, 2009**

Chair McLeland & Members of the House Education Budget Committee;

Thank you for this opportunity to testify before you to offer an important amendment to HB 2280. The balloon amendment attached to this testimony would make one vital change to HB 2280. It would change the trigger date for the reduction of capital outlay state aid from the date of bond issuance to the date of the election authorizing the bonds.

This change, while small in text, is substantial in importance. Basing the state funding change proposed in HB 2280 on the issuance of bonds is ripe with problems, some of which include:

- **Breaking Legislative Promises to Kansans** – Many thousands of Kansans went to the polls over the last year relying on promises from the Kansas Legislature as to the amount of State aid their School districts would receive if voters approved bond questions. HB 2280, as written, would break these promises by stripping these projects of state funding or increasing their cost by raising the cost of debt service.
- **Breaking School District Promises to Their Voters** – When School districts call bond elections, they almost always give voters a projected mill levy and/or sales tax rate for the repayment of the bonds. To keep state aid, HB 2280 will force the early issuance of many bonds. As shown below, the immediate issuance of these bonds will raise property taxes substantially above the projected mill levy promised to local voters.
- **Substantial Increase in Interest Costs Based on Early Bond Issuance** – Most finance plans for school district bonds call for the gradual issuance of bonds as needed over an 18-24 month period following a successful bond election. If passed as written, HB 2280 will force school districts to issue all of their bonds much earlier than anticipated to preserve state aid. By selling the bonds much earlier than expected (and well in advance of when funds are needed), school districts will incur significant additional interest expense. For the Independence School District (USD 446) alone, this additional interest expense is estimated to be \$1,875,000. Since the State pays 32% of USD 446's debt service, the State would pay an additional \$600,000 for USD 446 alone due to accelerated bond sales.

House Education Budget Committee

Date: 03-10-09Attachment #: 7

- **Increased Interest Costs from Forced Bond Issuance at Times of High Interest Rates**
Current financial turmoil has created dramatic fluctuations in municipal bond interest rates. This volatility has placed added importance on properly timing bond sales to avoid periods of reduced investor demand and higher interest rates. Basing state aid upon the bond issuance date would significantly increase the cost to state and local taxpayers by forcing premature bond sales at higher interest rates in an unfavorable bond market.
- **Bond Interest Increases from a Glut of School District Bonds** – HB 2280 would create a rush of districts selling bonds prior to its final enactment. This action would dramatically increase the supply of Kansas school bonds in the market. Current estimates suggest that as many as \$1 billion in Kansas school bonds would hit the market in the next few months under HB 2280. This unusually high supply of similar bond issues, combined with static bond demand from investors, would substantially raise the interest rates on all school bonds.
- **These Interest Hikes Would Have Grave Financial Costs** - The cost of these interest hikes would be substantial. An increase of as little as 50 basis points (0.50%) would increase debt service costs by about \$5 million. The State pays on average 25% of all school bond debt service. Even with this relatively minor interest rate hike, therefore, the State would pay \$1.25 million per year (or \$16.25 million in present dollars over the life of the bonds) in additional state aid from passage of HB 2280 as written.
- **These Problems Would Impact Many School Districts** - Given the extended timeline typical for issuing bonds for school construction projects, HB 2280 as written would harm virtually all school districts that passed bond questions over the last year. These affected school districts include: Manhattan Ogden USD 383, Garden City USD 457, Sterling USD 376, Basehor-Linwood USD 458, DeSoto USD 232, Leavenworth USD 453, Wichita USD 259, and Independence USD 446.

My proposed balloon amendment would avoid all of these problems by changing the trigger date for the reduction of capital outlay state aid in HB 2280 from the date of bond issuance to the date of the election authorizing the bonds. This change would ensure that the State of Kansas keeps its promise to voters who have already approved school bond questions and preserve the flexibility of school districts to issue bonds when they are cheapest and the most needed. I appreciate your consideration of this important amendment.

HOUSE BILL No. 2280

By Committee on Appropriations

2-5

9 AN ACT concerning school districts; relating to state aid for capital im-
10 provements and capital outlay; amending K.S.A. 2008 Supp. 72-8814
11 and 75-2319 and repealing the existing sections.
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 2008 Supp. 72-8814 is hereby amended to read as
15 follows: 72-8814. (a) There is hereby established in the state treasury the
16 school district capital outlay state aid fund. Such fund shall consist of all
17 amounts transferred thereto under the provisions of subsection (c).

18 (b) In each school year, each school district which levies a tax pur-
19 suant to K.S.A. 72-8801 et seq., and amendments thereto, shall be entitled
20 to receive payment from the school district capital outlay state aid fund
21 in an amount determined by the state board of education as provided in
22 this subsection. The state board of education shall:

23 (1) Determine the amount of the assessed valuation per pupil (AVPP)
24 of each school district in the state and round such amount to the nearest
25 \$1,000. The rounded amount is the AVPP of a school district for the
26 purposes of this section;

27 (2) determine the median AVPP of all school districts;

28 (3) prepare a schedule of dollar amounts using the amount of the
29 median AVPP of all school districts as the point of beginning. The sched-
30 ule of dollar amounts shall range upward in equal \$1,000 intervals from
31 the point of beginning to and including an amount that is equal to the
32 amount of the AVPP of the school district with the highest AVPP of all
33 school districts and shall range downward in equal \$1,000 intervals from
34 the point of beginning to and including an amount that is equal to the
35 amount of the AVPP of the school district with the lowest AVPP of all
36 school districts;

37 (4) determine a state aid percentage factor for each school district by
38 assigning a state aid computation percentage to the amount of the median
39 AVPP shown on the schedule, decreasing the state aid computation per-
40 centage assigned to the amount of the median AVPP by one percentage
41 point for each \$1,000 interval above the amount of the median AVPP,
42 and increasing the state aid computation percentage assigned to the
43 amount of the median AVPP by one percentage point for each \$1,000

1 interval below the amount of the median AVPP. Except as provided by
2 K.S.A. 2008 Supp. 72-8814b, and amendments thereto, the state aid per-
3 centage factor of a school district is the percentage assigned to the sched-
4 ule amount that is equal to the amount of the AVPP of the school district,
5 except that the state aid percentage factor of a school district shall not
6 exceed 100%. The state aid computation percentage is 25% for levies
7 imposed by a school district pursuant to a resolution adopted and pub-
8 lished under this section prior to the effective date of this act and such
9 resolution either was not protested or that it was protested and an election
10 has been held prior to the effective date of this act;

11 (5) determine the amount levied by each school district pursuant to
12 K.S.A. 72-8801 et seq., and amendments thereto;

13 (6) multiply the amount computed under (5), but not to exceed 8
14 mills, by the applicable state aid percentage factor. The product is the
15 amount of payment the school district is entitled to receive from the
16 school district capital outlay state aid fund in the school year.

17 (c) The state board shall certify to the director of accounts and reports
18 the entitlements of school districts determined under the provisions of
19 subsection (b), and an amount equal thereto shall be transferred by the
20 director from the state general fund to the school district capital outlay
21 state aid fund for distribution to school districts. All transfers made in
22 accordance with the provisions of this subsection shall be considered to
23 be demand transfers from the state general fund.

24 (d) Payments from the school district capital outlay state aid fund
25 shall be distributed to school districts at times determined by the state
26 board of education. The state board of education shall certify to the di-
27 rector of accounts and reports the amount due each school district enti-
28 tled to payment from the fund, and the director of accounts and reports
29 shall draw a warrant on the state treasurer payable to the treasurer of the
30 school district. Upon receipt of the warrant, the treasurer of the school
31 district shall credit the amount thereof to the capital outlay fund of the
32 school district to be used for the purposes of such fund.

33 (e) Amounts transferred to the capital outlay fund of a school district
34 as authorized by K.S.A. 72-6433, and amendments thereto, shall not be
35 included in the computation when determining the amount of state aid
36 to which a district is entitled to receive under this section.

37 Sec. 2. K.S.A. 2008 Supp. 75-2319 is hereby amended to read as
38 follows: 75-2319. (a) There is hereby established in the state treasury the
39 school district capital improvements fund. The fund shall consist of all
40 amounts transferred thereto under the provisions of subsection (c).

41 (b) Subject to the provisions of subsection (f), in each school year,
42 each school district which is obligated to make payments from its capital
43 improvements fund shall be entitled to receive payment from the school

1 district capital improvements fund in an amount determined by the state
 2 board of education as provided in this subsection. The state board of
 3 education shall:

4 (1) Determine the amount of the assessed valuation per pupil (AVPP)
 5 of each school district in the state and round such amount to the nearest
 6 \$1,000. The rounded amount is the AVPP of a school district for the
 7 purposes of this section;

8 (2) determine the median AVPP of all school districts;

9 (3) prepare a schedule of dollar amounts using the amount of the
 10 median AVPP of all school districts as the point of beginning. The sched-
 11 ule of dollar amounts shall range upward in equal \$1,000 intervals from
 12 the point of beginning to and including an amount that is equal to the
 13 amount of the AVPP of the school district with the highest AVPP of all
 14 school districts and shall range downward in equal \$1,000 intervals from
 15 the point of beginning to and including an amount that is equal to the
 16 amount of the AVPP of the school district with the lowest AVPP of all
 17 school districts;

18 (4) determine a state aid percentage factor for each school district by
 19 assigning a state aid computation percentage to the amount of the median
 20 AVPP shown on the schedule, decreasing the state aid computation per-
 21 centage assigned to the amount of the median AVPP by one percentage
 22 point for each \$1,000 interval above the amount of the median AVPP,
 23 and increasing the state aid computation percentage assigned to the
 24 amount of the median AVPP by one percentage point for each \$1,000
 25 interval below the amount of the median AVPP. Except as provided by
 26 K.S.A. 2008 Supp. 75-2319c, and amendments thereto, the state aid per-
 27 centage factor of a school district is the percentage assigned to the sched-
 28 ule amount that is equal to the amount of the AVPP of the school district.
 29 The state aid percentage factor of a school district shall not exceed 100%.
 30 The state aid computation percentage is ~~5%~~ *Five percent* for contractual
 31 bond obligations incurred by a school district prior to ~~the effective date~~
 32 ~~of this act, and July 1, 1992; and 25% for contractual bond obligations~~
 33 ~~incurred by a school district on or after the effective date of this act July~~
 34 ~~1, 1992, and prior to the effective date of this act;~~

35 (5) determine the amount of payments in the aggregate that a school
 36 district is obligated to make from its bond and interest fund and, of such
 37 amount, compute the amount attributable to contractual bond obligations
 38 incurred by the school district prior to ~~the effective date of this act and~~
 39 ~~July 1, 1992; and the amount attributable to contractual bond obligations~~
 40 ~~incurred by the school district on or after the effective date of this act~~
 41 ~~July 1, 1992, and prior to the effective date of this act;~~

42 (6) multiply each of the amounts computed under (5) by the appli-
 43 cable state aid percentage factor; and

if the issuance of such bonds has been approved by
 the electors of the school district at an election held

1 (7) add the products obtained under (6). The amount of the sum is
2 the amount of payment the school district is entitled to receive from the
3 school district capital improvements fund in the school year.

4 (c) The state board of education shall certify to the director of ac-
5 counts and reports the entitlements of school districts determined under
6 the provisions of subsection (b), and an amount equal thereto shall be
7 transferred by the director from the state general fund to the school
8 district capital improvements fund for distribution to school districts. All
9 transfers made in accordance with the provisions of this subsection shall
10 be considered to be demand transfers from the state general fund ~~except~~
11 ~~that all such transfers during the fiscal year ending June 30, 2007, shall~~
12 ~~be considered to be revenue transfers from the state general fund.~~

13 (d) Payments from the school district capital improvements fund shall
14 be distributed to school districts at times determined by the state board
15 of education to be necessary to assist school districts in making scheduled
16 payments pursuant to contractual bond obligations. The state board of
17 education shall certify to the director of accounts and reports the amount
18 due each school district entitled to payment from the fund, and the di-
19 rector of accounts and reports shall draw a warrant on the state treasurer
20 payable to the treasurer of the school district. Upon receipt of the warrant,
21 the treasurer of the school district shall credit the amount thereof to the
22 bond and interest fund of the school district to be used for the purposes
23 of such fund.

24 (e) The provisions of this section apply only to contractual obligations
25 incurred by school districts pursuant to general obligation bonds issued
26 upon approval of a majority of the qualified electors of the school district
27 voting at an election upon the question of the issuance of such bonds.

28 (f) Amounts transferred to the capital improvements fund of a school
29 district as authorized by K.S.A. 72-6433, and amendments thereto, shall
30 not be included in the computation when determining the amount of
31 state aid to which a district is entitled to receive under this section.

32 Sec. 3. K.S.A. 2008 Supp. 72-8814 and 75-2319 are hereby repealed.

33 Sec. 4. This act shall take effect and be in force from and after its
34 publication in the Kansas register.

TESTIMONY IN SUPPORT OF HB2280

By
Dr. Walt Chappell

It is time to stop the bleeding.

This law was passed as part of the 1992 school finance compromise. It was designed to help equalize the needs of school districts with limited tax base to build new facilities. Instead, it has helped special interest groups sell going into debt to local voters without verification that the buildings are needed or that student achievement will improve as a result of spending millions of local and state tax dollars.

Adults often behave like kids. If you take them into a candy store and ask if they would like some free candy, they will fill each hand without thinking about who or how it is going to be paid. As long as these building projects can be sold to voters as being paid with “free” money from the State, there is limited thought given to what is really needed.

In Kansas, we have too many school districts. The boundaries of most of these districts do not contain enough assessed valuation for them to raise the money needed to build a new school or gymnasium on their own without an enormous increase in property tax. So, rather than do a needs analysis or share resources with their neighboring school districts, a small group will form and sell the rest of the voters on having the State pay a major share of the cost.

In too many cases, these groups are made up of sports boosters who have seen a new gym or football facilities at another school where they have played and want one just like it. They get an architect to draw up some plans to show how their new facilities will look even better than the ones down the road. Consequently Kansas taxpayers are now paying for hundreds of sport complexes which have little to do with educating all high school graduates with employable skills to compete for 21st Century jobs in the global economy.

Yes, new classrooms are needed in some districts. But too often, these projects are more like wish lists put together to satisfy various competing interests. Rather than scale back the projects to what is affordable or needed, to keep every member of the planning committee happy, they just put each piece of candy into the sack and ask the State to pay a large share of the construction costs. Neither the State Board of Education nor the State Legislature has any say in what is built or why. Then to help make sure this “wish list” is approved by “the voters” these elections are often held in April. The election campaigns are funded by architects, contractors and wealthy sports boosters—not the parents and taxpayers. Consequently, only 15% to 25% of the local registered voters make principle and interest commitments on bonds which will take 20 years or more to repay.

This practice of uncontrolled spending has got to STOP. The State Legislature and taxpayers in other districts across Kansas should not be at the mercy of small groups of special interests and the architectural firms who receive 6% to 7% of the construction costs in fees. Now more than every, we must end this unsustainable spending.

Many of the Superintendents in these school districts will be long gone before the bonds are paid. In the past 5 years, 20% have retired or left their district. During the next 5 years, 67% of superintendents plus 50% of building principals in Kansas are eligible to retire. So both the school administrators and sports boosters who sold these bond issues to the taxpayers will be long gone—but the huge and growing debt remains. Last November, over \$800 million in new bonds were “sold” to local voters who were told they needed to vote YES to collect their 25% or more in State money. “Free candy” must end this session.

I urge you to support HB2280 and let local districts decide for themselves if these new facilities are actually needed and whether they are willing to pay the short and long term costs.

Dr. Walt Chappell
3165 N. Porter
Wichita, KS 67204
(316)831-
House Education Budget Committee
Date: 03-10-09
Attachment #: 8

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

1420 SW Arrowhead Road • Topeka, Kansas 66604-4024
785-273-3600

Testimony before the
House Education Budget Committee
on
HB 2280

by
Mark Tallman, Assistant Executive Director/Advocacy
Kansas Association of School Boards

Also Representing
Kansas National Educational Association

March 10, 2009

Mr. Chairman, Members of the Committee:

HB 2280 would make any capital outlay resolution adopted by school districts after the effective date of the bill ineligible for capital outlay state aid, and any bonds issued by school districts for capital improvements after the effective date of the bill would be ineligible for capital improvement state aid, also known as bond and interest state aid. KASB opposes this bill for the following reasons:

First, KASB strongly believes the quality of a child's education is the responsibility of the state as a whole. The physical plant and equipment of a school district affects the quality of education. Because of the vast disparities in the taxable wealth per student across Kansas districts, the elimination of state assistance will make educational quality and opportunity much less equal. We can think of no public policy served by this disparate treatment of Kansas students.

Second, Kansas courts have repeatedly articulated these same principles under the Kansas Constitution, which says the responsibility for suitable finance for public education rests with the Legislature, and that responsibility is owed to each child under Article Six. State aid for bond payments was created following court cases in 1991-92. State aid for capital outlay was created after the *Montoy* decisions in 2005-06. In both cases, these actions were part of judicial settlements. To eliminate these aid programs would invite litigation, and we believe it is highly likely the state would lose.

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Third, eliminating these programs would require higher property taxes in lower-wealth Kansas school districts in order to maintain current levels of capital outlay expenditures for technology, equipment, repair and remodeling; and to adopt future projects addressing concerns of growth, safety, energy-savings, consolidation and modernization. Shouldn't the state be *encouraging* these activities? Furthermore, at a time of growing concerns about the property tax burden, does it make sense to increase property tax reliance in many communities?

For example, last session the Legislature passed a proviso directing all districts to conduct a tornado safety evaluation. That action – which imposed an additional unfunded mandate – certainly indicates the Legislature's concern over safety issues. Yet this bill would make it harder for many districts to address safety issues that have been identified.

Fourth, if the lack of state funding and corresponding property tax requirements reduce the ability of districts to finance the kind of projects identified above, it will reduce demand for construction and other capital purchases. Given the state's economic situation, this seems highly counterproductive. Shouldn't we be encouraging investments in infrastructure?

Fifth, there may be tendency for some to take the position that this bill will only affect other, less wealthy districts. We urge caution. Any district's circumstances can change over time. Your district may, in the future, find itself needing support from the state that will no longer be available if this bill passes.

Sixth, because this bill would impact school bond issues which have been passed but not yet issued, it will either force districts to move up their schedule for issuing bonds or scale back projects – or increase property taxes beyond the formula promised in current law. None of those options reflect prudent management decisions.

Seventh, we are deeply concerned that proposals to terminate state aid for bonds will have a negative impact on Kansas bond ratings and interest rates – ultimately costing the state and taxpayers more and offsetting any savings under this bill.

Thank you for your consideration. I would be happy to respond to questions.

**Testimony Regarding
Proposed House Bill 2280
March 10, 2009**

My name is Steve Shogren. I am a resident of Sedgwick County, Kansas and a parent, patron and taxpayer in the Great State of Kansas. Professionally I am a Senior Vice President with the firm of George K. Baum & Company serving as a financial advisor to various Kansas school districts as well as other cities, counties, healthcare providers, and other issuers of bonds for public purpose projects. I have been involved in assisting communities and school districts with their capital improvement projects and bond issues for more than 35 years.

George K. Baum & Company is currently the financial advisor of improvement bond issues for Wichita USD 259, De Soto USD 232, Eudora USD 491, Sabetha USD 441, Hugoton USD 210, Goddard USD 265, Harper-Anthony USD 361, Renwick USD 267, Blue Valley USD 229, Erie USD 101 and others.

Other Kansas school districts negatively affected by this proposed legislation are Garden City USD 457, Manhattan-Ogden USD 383, Piper USD 203, Baldwin City USD 348, Sterling USD 376, Mulvane USD 263, Ell-Saline USD 307, Ft. Larned USD 495 and Liberal USD 480.

I am here to oppose House Bill 2280 which proposes to halt the current legislation that offers state aid to local school districts to help pay principal and interest payments on voter approved bond projects.

I believe that our K-12 education system is one of, if not the most important infrastructure asset in the State of Kansas. Quality education for our most important asset—our children—is vital for both their future and all our economic futures.

I also believe that quality classrooms, labs, libraries, and other support spaces, as well as modern technology are vital for our teachers to teach and for our children to reach their educational potential.

In the early 1990's, the Kansas Legislature determined that all Kansas children regardless of location, regardless of urban or rural background, had the right to and deserved equal educational opportunities. In order to attempt to levelize opportunities as to facilities and learning, legislation created a program where additional state aid was offered to local school districts to subsidize bond payments with local voter approval. The percentage of state aid for a voted bond is based on certification of a local district's enrollment and district wealth as compared to all other Kansas school districts. A district that falls at the median of a grid of all districts is currently eligible for 25% state aid to help retire a bond issue and the percentage of state aid adjusts up or down by 1% for each \$1,000 of district wealth per pupil based on the annual certification of the grid by the State Department of Education.

This program has been a very positive one as it has motivated communities throughout the State of Kansas to build, upgrade, modernize, expand and provide technology improvements to schools in all parts of our state. The program has provided enhanced educational opportunities for today's children, but also for decades of students to come in the future. The program has also resulted in significant employment and economic activity in many communities and counties for several years at a time during construction of approved projects.

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I am opposed to House Bill 2280 as it would end a program that has been very beneficial for so many Kansans in many ways.

I am adamantly opposed to Bill 2280 as it is, in my opinion, blatantly unfair to numerous school districts that have received local voter approval for improvement projects but have not, as of yet, marketed their bond issues. Approval of the proposed House Bill would shift the state aid portion of the bond payments onto the backs of local taxpayers resulting in significantly higher local taxes in many cases. To change the rules of the game in the middle of the game is very unfair, and especially when it results in higher taxes often in communities or areas of lesser wealth.

One prime example of how the proposed Senate Bill 2280 will cause real challenges for a local school district and its Board of Education is in USD 491 in Douglas County. In 2007, USD 491 district voters approved the issuance of \$45 million in bonds for new schools and other improvements. The district is currently eligible for 39% state aid to help retire the bonds. The plan was to issue the total bond issue amount in 4 equal installments over 4 years to allow the district's valuation to continue to grow and phase-in the mill levy. To date, only \$11.25 million of the bonds have been sold. The second phase is scheduled for sale in coming weeks. The District has entered into construction contracts for approximately 86% of the total amount. Construction is underway and continuing on two new facilities. Without the state aid, a shift of approximately \$28 million (39% of both the principal and interest) in property taxes to local taxpayers will occur. Without the state aid program, local taxes for retirement of the bonds will be approximately 8 to 9 mills above what voters believed they approved. Without the state aid program, some projects may have to be abandoned. District voters may get less projects and improvements but with significantly higher taxes.

Wichita Schools USD 259 would also be negatively affected by the proposed legislation. Voters in November of last year approved the issuance of \$370 million in bonds for new schools as well as other improvements in the state's largest district. Federal law requires that an issuer certify to be able to expend the borrowed amount within 36 months of the borrowing. The district's architects estimate that this volume of work will require approximately 6 years to complete as contracting firms are simply limited in any certain jurisdiction. The plan, as with Eudora Schools, was to issue bonds in 4 phases over a 3-year period to comply with federal regulations yet still construct quality projects. Without the state aid program, local taxes would have to be higher to support the portion of the bonds issued after the proposed legislation.

As a financial advisor to not only school districts but a variety of other issuers of bonds for capital improvement projects, I am also concerned about the proposed Bill's impact on our markets. The proposed legislation already is resulting in bond issues being rushed to market to beat a potential deadline and provide inclusion in the state aid program. Our tax-exempt bond market, like most markets, is orderly based on reasonable supply and demand. There is traditionally only so many investment dollars to purchase these types of bonds and provide the capital for projects. This legislation could flood our market with tremendous supply in a period of less demand for tax-exempt bonds due to the national and state economy. More supply and less demand could mean higher interest rates for issuers. Unreasonable supply could result in some issuers not receiving bids at all for their bonds. This legislation could result in higher interest costs for all bond issues in Kansas—not just school districts—but all entities that borrow via the bond markets.

Our country is in a period of recession. Kansas is not immune to the economic challenges of the day. To get our economy back on track will require jobs and economic activity. Bond issue projects provide exactly that. The Wichita Schools projects of 2000 provided a major portion of economic activity in Sedgwick County during the last recession in 2001 and 2002. To halt or reduce school construction projects already approved or planned will enhance or prolong the economic recession for Kansas.

A bond is a promise or a contract. The state many years ago encouraged local school districts to improve education and their schools with a promise to pay on average 25% of the resultant bond payments with voter approval. On average, local taxpayers committed to the larger portion-- 75% of the bond payments. For the State of Kansas to break their bond has far reaching consequences for local boards of education, your taxpayers, and the State's credibility. Once your credibility is damaged with a broken promise, it is difficult or impossible to reestablish. The resultant long term costs of House Bill 2280 need to be considered very carefully.

To summarize, the state aid program for school bond issues has been very positive for Kansas and especially for Kansas children. Modern schools enhance learning and education and provide positive future adults that will be the core of our leaders, workers and taxpayers. School bond projects, financed with bond issues, have put thousands of people to work through extended construction periods. The proposed change in this program would be very negative and blatantly unfair to local voters and taxpayers. In this period of economic challenges, Kansas needs projects that not only put people to work, but provide learning environments for thousands of children and the future citizens they are to become.

I encourage you not to approve House Bill 2280 for the future of our children and the future of Kansas.

Sincerely,

Stephen E. Shogren



**House Education Budget Committee
Representative McLeland , Chair**

H.B. 2280 – Suspend Bond State Aid

*Presented by: Diane Gjerstad
Wichita Public Schools*

March 6, 2009

Mr. Chairman, members of the Committee:

H.B. 2280 breaks trust with the voters by changing the rules of the game **after** voters in Wichita and many other school districts approved bonds.

Currently school districts receive bond state aid based on the property wealth of the district. State aid, and many other factors, is a consideration school boards and voters weigh. On November 4th, voters in ten school districts across the state entered the voting booth and made their decision – either for or against – based on the current rules of the school finance formula. Most voted to raise their taxes in support of their community's school district. To now change the rules, after voters have made their decision, breaks faith with voters and will result in increased property taxes.

School districts are required to certify that funds borrowed for school construction can be spent within three years. This bill would cause schools to rush to market to protect their property tax payers. A rush to market would likely cause interest rates to increase and would strain construction by condensing too many projects within a shortened timeline.

Mr. Chair, school district patrons in Wichita and across Kansas made decisions based on a law which includes property tax equalization for school bond construction. Schools across this state have been built with the support of Wichita taxpayers – now Wichita taxpayers who are now asking for the same consideration other districts have had for decades. We urge the committee to reject H.B. 2280

House Education Budget Committee
Date: 03-10-09
Attachment #: 11



**TESTIMONY OF
ASSOCIATED GENERAL CONTRACTORS OF KANSAS
BEFORE HOUSE COMMITTEE ON EDUCATION BUDGET
HB 2280**

March 10, 2009

By Eric Stafford, Associated General Contractors of Kansas, Inc.

Mister Chairman and members of the committee, my name is Eric Stafford. I am the Director of Government Affairs for the Associated General Contractors of Kansas, Inc. The AGC of Kansas is a trade association representing the commercial building construction industry, including general contractors, subcontractors and suppliers throughout Kansas (with the exception of Johnson and Wyandotte counties).

The AGC of Kansas opposes House Bill 2280 and asks that you do not recommend it favorably for passage.

Last November, Kansas citizens across the state passed over \$800 million in bond issues for K-12 school construction. HB 2280 would eliminate state aid for any capital outlay project adopted after the passage of the bill. Additionally, any project underway that has not issued all bonds will no longer be eligible to receive state aid for that plan. For example, a school district in Topeka which has not sold all of its bonds for the construction of a new school would no longer be eligible to receive state aid for that project.

Constituents passed their respective bond issues under the assumption that they would be responsible for a certain percentage of the cost, depending on if the district qualified for state aid. To change the rules of the game after the construction process has started in some cases would be unfair to the taxpayer.

The removal of state aid for future projects would surely impact the ability for school districts to make the improvements necessary to maintain a sound network of infrastructure, resulting in a backlog of maintenance and repair of construction projects. It would also devastate the Kansas building construction industry.

The construction industry is counting on those projects to survive a sharp economic downturn that has resulted in an unemployment rate of 18% nationwide in the construction industry. While we have not yet seen this significant of a downturn in Kansas, it may happen, especially with legislation that deters infrastructure investment.

Nationally, infrastructure investment has been recognized as valuable economic stimulant. At the same the US government is pouring investment dollars into infrastructure, this bill would do just the opposite. Attached is a report on the economic impact on investment in Kansas. While this refers to the stimulus package, it illustrates the value of this investment to Kansas.

Again, the AGC of Kansas respectfully requests that you do not recommend HB 2280 favorably for passage. Thank you for your consideration.

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Date: 03-10-09
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The Construction Industry in Kansas

The Economic Impact of Stimulus Investment in Kansas:

- An additional \$1 billion in nonresidential construction spending would add about \$2.2 billion to the state's Gross Domestic Product (GDP), about \$646 million to personal earnings and create or sustain 21,000 jobs.
 - 7,100 of these jobs would be on-site construction jobs located within Kansas.
 - 3,400 of these jobs would be direct and indirect jobs associated with construction supply materials and services. The majority of these jobs would be located within the state but there would be some out of state jobs supported.
 - 10,500 of these jobs would be created when construction, supplier and service providers spend their incomes. These jobs would be based in Kansas and throughout the economy.

Construction Employment:

- In 2007, a total of 113,000 jobs were supported by the direct and indirect outlays associated with the state's nonresidential construction spending.
- The construction industry (residential plus nonresidential) employed 65,000 workers in October 2008, a decrease of 2,200 (3.3%) from January 2000 when construction employment in Kansas peaked.

Nonresidential Construction Spending:

- Nonresidential construction spending in Kansas totaled an estimated \$5.4 billion in 2007.
- This direct construction spending in the state contributed a total of \$12.0 billion (10.3%) to state GDP of \$117.3 billion.
- Direct construction spending in the state added \$3.5 billion in additional personal earnings to the benefit of Kansas residents working in the state.

Construction Industry Pay:

- In 2007 annual pay of all construction workers in Kansas averaged \$41,200, 9.6% more than the average for all private sector employees.

Small Business:

- Kansas had 8,000 construction firms in 2006, of which 91.2% were small businesses employing fewer than 20 workers.

Source: Ken Simonson, Chief Economist, AGC of America, simonsonk@agc.org, from Prof. Stephen Fuller, George Mason University, and U.S. Government sources

Updated: December 12, 2008

Eric Stafford

12-2



Kansas City, Kansas Public Schools

Unified School District No. 500

HOUSE EDUCATION BUDGET COMMITTEE

HB 2280

March 10, 2009

HB 2280 would eliminate a key component of the current school finance law in Kansas. The provision for state assistance on USD bond issuances was first implemented as part of the 1992 School Finance Law. When Kansas agreed to assist in the cost of bonding for new construction in low wealth districts, we were one of only a handful of states with similar programs. Today, a number of states have followed our lead!

In the recent *Montoy* case, the Kansas Supreme Court referenced this provision of our law as evidence of equity in our formula. If, or how, the Court might respond to the removal of this provision is uncertain.

Another unknown is the potential reaction by the bond market to the removal of state assistance. I won't hazard a guess how this proposed change might possibly impact bond interest rates, but I do believe that prudence would dictate a thorough study of these possible negative consequences before HB 2280 is seriously considered.

The Kansas City, Kansas District does not have any immediate plans for a bond election. We are currently benefiting, however, from state assistance on bonds approved by our voters several years ago for a renovation of many of our schools. (The average age of all of our schools is 55 years.)

I am fearful that the passage of HB 2280 would have a chilling affect on the passage of all new school construction projects except projects in wealthy USDs that do not qualify for state assistance. Creating an environment that reduces Kansas construction jobs is precisely the wrong approach for a nation (or a state) attempting to lift itself and its people out of the worst recession in more than a half century.

For these reasons, the Kansas City, Kansas Public Schools must oppose the passage of HB 2280.

Bill Reardon, KCKPS Lobbyist

House Education Budget Committee

Date: 03-10-09

Attachment #: 13

**Testimony to House Education Budget Committee
March 10, 2009**

**Chuck Schmidt
Superintendent
Independence USD446**

Speaking on behalf of Independence USD 446 and Schools For Fair Funding

Mr. Chairman,

Thank you for the opportunity to address this committee about a critical issue to Kansas schools. I am here to speak in opposition to HB2280. I am speaking on behalf of Independence USD 446 and Schools For Fair Funding, of which Independence is a charter member. This bill would eliminate state aid for capital outlay and school bonds. There are three reasons I believe HB2280 is harmful to Kansas schools and the state in general. I will be brief and outline these reasons.

1. The issue of state aid for school construction is part of a concept of equalized purchasing power in school finance from the early 1990's and re-affirmed in 2006. The formula to provide state aid equalizes the opportunity for children to have modern, appropriate facilities regardless of where they live. Without state aid, the poorest districts would have substandard facilities or would pay the highest property tax to provide quality facilities. Please allow me to give you an example:

Using 2007 figures:

Independence USD 446 raises \$76,000 for each mill

Burlington USD 244 raises \$413,000 for each mill

If each district needs \$800,000 per year to service bond and interest payments, it would require 10.5 mills for the taxpayers of Independence and 1.9 mills for the taxpayers of Burlington.

This disparity is repeated throughout the school districts in Kansas, if there is no equalization formula to aid the poorer districts. Without this aid the students in poorer districts would be in substandard facilities. This is why the Supreme Court included the equalization concept in its 2006 ruling.

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2. If the state eliminates aid for bond and interest as of the publication of this bill, it will create a rush to sell bonds prematurely. This will increase interest rates as well as the total cost of interest because many districts, including Independence, will sell the bonds prematurely, causing them to pay interest costs before they need the money for construction. In the case of Independence, it is estimated there would be an increased interest cost of \$1,875,000. In turn, the state would be responsible for 32% of this amount. (\$600,000) Multiply this by the approximately 15 school districts whose voters have approved the sale of bonds but have not yet sold all of those bonds, and this would be a considerable increased cost to the state. HB2280 would actually cost the state more money in the short term.

3. This bill would place an undue burden on local taxpayers. When Independence began the 18 month process of developing a facilities improvement plan, part of the commission to our Community Strategic Direction Committee was to determine what level of cost the voters of Independence would support. This committee put together a creative financing plan involving city sales tax, local property tax and state aid. Voters were told that with this plan their property taxes would increase approximately 3.55 mills. The voters approved this plan by a 58% margin believing that the state would pay 32% of the cost. If the state aid is now eliminated, the local portion of property tax would increase to almost 10 mills. Even if the district sold all of the bonds before the publication date of this bill, the increased interest would raise the local mill levy significantly above the 3.55 mills they were promised.

In my packet is a brochure that clearly outlines the cost to Independence USD 446 taxpayers. This was distributed throughout the district and discussed publicly for many months. Also in this packet are the election results from the last four bond elections. Voters narrowly defeated the first three proposals, but resoundingly approved the last bond issue. They approved this question based on the funding information they were provided.

In summary, HB2280 would hurt those school districts that are most in need and would actually cost the state more in the short term. I urge you to vote against this bill. Allow me to close with a couple of quotes.

(from the office of Revisor of Statutes, July 10, 2008)
Funding provisions which the court held in disfavor:

“District based property tax measures which are: Desequalizing; not beneficial to all districts; or exacerbate district wealth-based disparities.”

“District-based measures because they demonstrate that the state is not meeting its constitutional duties.”

In closing I will quote a statement from the Supreme Court in the Montoy Case.

July 28, 2006 *Montoy* opinion:

“We must never again allow a funding scheme that makes the quality of a child’s education a function of his or her parent’s or neighbors’ wealth.”

14-4

Comparison of Four Bond Elections

Independence USD 446

Precinct / Ward, Township	February 3, 2009				June 6, 2006				October 4, 2005				April 5, 2005	
	Sales Tax		Property Tax		Sales Tax		Property Tax		Sales Tax		Property Tax		Property Tax	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1 Precinct, 1 Ward	73	29	72	28	71	44	71	44	63	50	63	50	83	51
2 Precinct, 1 Ward	109	64	109	65	100	68	101	66	110	82	110	82	117	102
1 Precinct, 2 Ward	46	34	46	34	21	34	23	32	41	34	39	36	40	38
2 Precinct, 2 Ward	25	25	25	25	24	33	24	33	23	45	26	42	31	55
1 Precinct, 3 Ward	61	70	60	72	62	70	62	70	62	96	58	101	62	103
2 Precinct, 3 Ward	22	26	22	27	23	34	22	35	31	33	29	35	35	41
1 Precinct, 4 Ward	92	47	91	48	75	62	75	62	90	78	89	79	92	87
2 Precinct, 4 Ward	29	52	31	52	23	64	21	66	29	83	26	86	39	78
1 Precinct, 5 Ward	38	44	39	43	39	41	41	40	47	57	47	59	53	61
2 Precinct, 5 Ward	107	91	108	91	87	112	87	113	97	111	95	113	130	111
1 Precinct, 6 Ward	152	90	152	90	135	135	135	136	124	148	126	147	163	146
2 Precinct, 6 Ward	270	95	270	95	265	121	256	127	253	151	253	153	256	189
Total City of Independence	1024	667	1025	670	925	818	918	824	970	968	961	983	1101	1062
Percentages	60.6%	39.4%	60.5%	39.5%	53.1%	46.9%	52.7%	47.3%	50.1%	49.9%	49.4%	50.6%	50.9%	49.1%
Drum Creek			44	34			28	46			24	45	28	48
Tyro Precinct, F.C.			2	5			0	10			3	13	1	10
1 st Precinct, Independence			258	212			149	200			165	247	199	262
2A Precinct, Independence			64	69			35	70			35	76	45	78
2C Precinct, Independence			20	11			22	19			16	18	24	19
Liberty			14	10			9	16			6	6	5	11
Louisburg			37	82			23	61			23	53	44	82
Rutland			5	39			3	30			0	33	11	34
Sycamore			100	88			64	97			65	100	83	110
West Cherry			21	23			13	14			14	18	14	24

Comparison of Four Bond Elections

Independence USD 446

Precinct / Ward, Township	February 3, 2009				June 6, 2006				October 4, 2005				April 5, 2005	
	Sales Tax		Property Tax		Sales Tax		Property Tax		Sales Tax		Property Tax		Property Tax	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Total Township			565	573			346	563			351	609	454	678
Percentages			49.6%	50.4%			38.1%	61.9%			36.6%	63.4%	40.1%	59.9%
Total Advance Vote	238	91	309	135	148	79	170	130	109	80	136	120	140	136
Percentages	72.3%	27.7%	69.6%	30.4%	65.2%	34.8%	56.7%	43.3%	57.7%	42.3%	53.1%	46.9%	50.7%	49.3%
GRAND TOTAL	1262	758	1899	1378	1073	897	1434	1517	1079	1048	1448	1712	1695	1876
Percentages	62.5%	37.5%	57.9%	42.1%	54.5%	45.5%	48.6%	51.4%	50.7%	49.3%	45.8%	54.2%	47.5%	52.5%



Olathe School District
Testimony provided by Dr. Gary George
House Bill 2280
March 10, 2009

I am present to speak in opposition to House bill 2280, which would make capital outlay funds ineligible for state aid after the effective date of this bill and, likewise, bond issues after the effective date of this bill would be ineligible for state assistance. We believe this is the wrong approach for the state to take.

Capital outlay aid and bond and interest assistance were established to create a measure of equalization among school districts in the state. Prior to this time, school districts with low assessed valuations per pupil found it very difficult to address facility and technology needs in their district.

The Olathe School District receives six percent capital outlay aid. Without capital outlay aid, the district would have to increase the levy or spend less maintaining the district's investment in schools.

We also receive six percent aid for new bond issues. We currently have \$156M in bond authority, most of which will be issued in the next 12 months. This bill would make these bonds ineligible for state aid. If this bill passes, it will create an immediate tax increase for local taxpayers as a result of legislative action. We, like other districts, made mill levy projections for our taxpayers. We estimated the costs for homes of selected values. If this bill passes, those projections will be invalid and the cost to our taxpayers increases, thus causing school districts to "break faith" with their communities. This is not good public policy as it reduces trust in state and local government. Further, this bill will significantly impact our community in the future. Olathe is a rapidly growing district that will continue to need many new schools to support its escalating student enrollment. Significant mill levy increases will have to be passed on to our local taxpayers without the bond and interest aid.

We recognize that the state must reduce its expenses, but these are not the areas in which to make cuts. We do not believe this bill should go forward.

Thank you.

House Education Budget Committee
Date: 03-10-09
Attachment #: 15



AIA Kansas
A Chapter of the American
Institute of Architects

March 10, 2009

TO: House Education Budget Committee
FROM: Trudy Aron, Executive Director
RE: Opposition to HB 2280

President
David S. Heit, AIA
Topeka
President Elect
J. Michael Vieux, AIA
Leavenworth
Secretary
Hans Nettelblad, AIA
Overland Park
Treasurer
Nadia Zhiri, AIA
Lawrence

Richard Brown, AIA
Wichita
Christie Carl, AIA
Abilene
Randle L. Clark, AIA
McPherson
Keith Diaz-Moore, AIA
Lawrence
Dale R. Duncan, AIA
Olathe
Gwenda S. Gigous, AIA
Topeka
David Livingood, AIA
Lawrence
Peter Magyar, Assoc, AIA
Manhattan
Katherine Nichols, Assoc. AIA
Gary Nevius, AIA
Overland Park
C. Stan Peterson, FAIA
Topeka
Daniel Sabatini, AIA
Lawrence
Charles Smith, AIA
Topeka
Daniel (Terry) Tevis, AIA
Lenexa
Jason VanHecke, AIA
Wichita

Good Afternoon Chair McLeland and Members of the Committee. I am Trudy Aron, Executive Director of American Institute of Architects in Kansas (AIA Kansas.) Thank you for allowing me to testify in opposition to HB 2280.

AIA Kansas is a statewide association of architects and intern architects. Most of our 700 members work in over 120 private practice architectural firms designing a variety of project types for both public and private clients. Our members are designing tomorrow's building today. These buildings meet the triple bottom line: environment and energy efficient, healthy people and economy.

AIA Kansas strongly opposes HB 2280. This bill removes the state's funding for capital improvements and outlays to school districts. In these economic times, the passage of bond issues by citizens for improvements to their schools is difficult enough. The state's portion of the funding was used as encouragement for citizens to pass these bond issues.

To renege on the state's commitment will severely compromise these projects where the bonds have not yet been sold. It could even make some projects no longer viable or voters may want another election.

If this weren't bad enough for the school district, this will have devastating effects on the communities where these projects would be located. These projects create much needed design and construction work. They will not create the jobs these communities were counting on. They will not create the turnover revenues created by each design and construction job.

The State of Kansas needs the new and renovated schools these bond elections provide. We also need the State to continue to meet their obligations in this area.

AIA Kansas asked you to not approve HB 2280 for passage. I will be happy to answer questions at the appropriate time.

Executive Director
Trudy Aron, Hon. AIA, CAE
info@aiaks.org

700 SW Jackson, Suite 209 · Topeka, KS 66603 · 800-444-9853 or 785-357-5308 · www.aiaks.org

House Education Budget Committee
Date: 03-10-09
Attachment #: 16



Unified School District 232

35200 West 91st Street
De Soto, Kansas 66018
Phone: 913/667-6220
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e-mail: jdeyoe@usd232.org

De Soto – Shawnee – Lenexa – Olathe
w w w . u s d 2 3 2 . o r g

Jack Deyoe
Director of Operations

The Honorable Joe McLeland Chairperson
House Committee on Education Budget
Statehouse, Room 503-N
Topeka, KS 66612

Dear Representative McLeland and Committee Members:

SUBJECT: Testimony in opposition of HB 2280

Unified School District 232, De Soto, Kansas, and its approximately 27,000 patrons would like to express opposition to HB 2280. USD 232 serves portions of Shawnee, Lenexa and Olathe as well as all of De Soto in Johnson County. While one of the six Johnson County school districts, USD 232 is a “bedroom” district and its taxes are paid by homeowners who came to the school district for its quality of K-12 education. The district has for over a decade been noted by the Department of Education and the Kansas Association of School Boards as the fastest growing (by percentage) district in the state. Since 1995, the district’s enrollment has grown from 2,100 students to over 6,300 students and the district patron population has grown from under 12,000 to over 27,000 persons.

To keep up with this growth, USD 232’s patrons have passed numerous bond issues for classrooms. Since each issuance was for 20-year bonds, none of these issues have been paid off fully, but the district still grows. In a down economy, USD 232’s enrollment grew by 370 students from 2007-08 to 2008-09.

Reducing or eliminating the state’s contribution to bond principal and interest payments would result in local property tax increases for patrons or failure of future bond issue votes. This current year, USD 232’s patron tax rate for schools of 74.018 mills is the second highest in the state, and of that, the local taxpayers pay 24.182 mills annually in principal and interest payments. In 2008-09 the state’s payment to USD 232 was \$1,505,545. To make up that size of state contribution, local property taxes would see a nearly 4 mill increase.

Of course these figures are based on bonds issued to date and HB 2280 would change law for state aid for capital improvement debt issued after 2010, but in November of 2008, district patrons approved a \$75million bond issue to add on to the two district high schools and to build a seventh elementary school. These bonds have not yet been sold so this new debt is not accounted for in the previous figures and a portion of the issuance will occur after 2010. The district will need additional classroom space and has no choice but to go forward with this construction project and projects for the future. HB2280 is detrimental to our local taxpayers.

Sincerely,

Jack W. Deyoe
Director of Operations

cc: Dr. Sharon Zoellner
Superintendent

The mission of De Soto Unified School District 232, a dynamic learning community, is to inspire the creative genius in each person by leading in educational innovation and academic excellence; building visionary, world-class educational opportunities; fulfilling the evolving needs of citizens as lifelong learners; integrating the heritage and promise of our diverse community; and respecting the importance of the individual while promoting the common good.

House Education Budget Committee
Date: 03-10-09
Attachment #: 17