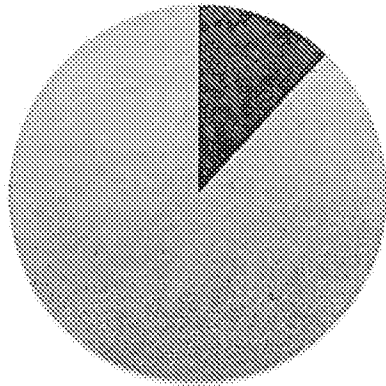


Mills Required to Generate Non-State Portion of 25% Adopted LOB

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17 Est.</u>
Wealthiest 20%	14.659	14.832	13.733	15.510
20%	22.160	20.802	20.673	20.125
Middle 20%	22.879	20.923	19.610	19.734
20%	23.169	18.238	18.213	17.999
Poorest 20%	30.514	19.058	19.190	18.658
Difference Between Poorest 20% and Wealthiest 20%	15.855	4.225	5.456	3.148

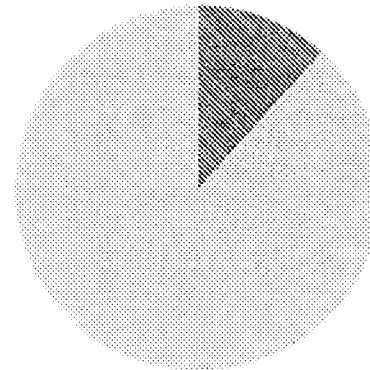
Total K-12 State Funds

FY 2016



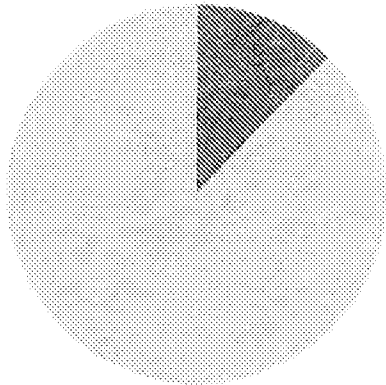
■ Equalization Amount
477,802,500
◐ Non-Equalization Amount
3,564,835,500

FY 2017 Current Law



■ Equalization Amount
477,802,500
◐ Non-Equalization Amount
3,603,203,500

FY 2017 Proposed



■ Equalization Amount
495,323,205
◐ Non-Equalization Amount
3,585,682,795



**Testimony before Senate Ways & Means Committee
SB 515 – K-12 Equalization response
Mike O’Neal, Kansas Chamber CEO
March 23, 2016
Testimony in support**

Mr. Chairman and members of the Committee

On behalf of the Kansas Chamber, I appreciate the opportunity to appear in support of SB 515, a legislative response to the Court’s latest equity decision in *Gannon*. The Kansas Chamber has a strong Board approved Education agenda for 2016 that includes a call for increasing the quality of education for tomorrow’s workforce and the efficient use of tax dollars through policies that:

- Support a suitable school finance system for K-12 education that ensures taxpayer dollars are adequately and efficiently invested toward instruction in order to provide students and teachers with the resources needed to fulfill the mission of the Department of Education.

The necessity for this legislation derives solely from the Kansas Supreme Court’s Feb. 11, 2016 ruling on the equity phase of the pending *Gannon* school finance litigation and the Court’s less than subtle threat of court-ordered school closure if its articulated equity concerns were not addressed by June 30, 2016. The Court has essentially bifurcated the case and is dealing with the “equity” phase first and the “adequacy” phase later. While this is certainly the Court’s prerogative, and can be dealt with separately, our interpretation of the Legislature’s responsibility, as determined by the Court in recent school finance litigation, is to make suitable provision for the finance of the educational interests of the state. Once it is determined what resources will be provided to that end, it is then the responsibility of the Legislature to allocate or otherwise see to it that the resources are allocated in a manner that is equitable, i.e., such that school districts have reasonably equal access to substantially similar educational opportunity through similar tax effort. With the question of “adequacy” still to be determined, a response to the Court’s equity decision appears to put the proverbial “cart before the horse”.



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

That said, an equity response is due and we applaud this Committee's effort to make a good faith effort to divine from the Court's opinion an acceptable response on the equity phase such that the threat of school closure is averted. (Regarding school closure we would refer the Committee to KSA 2015 Supp. 72-64b03(d) which prohibits such school closures) As an elected body that works closely with its respective constituents, it is prudent to take the steps this Committee has taken to reduce risk to Kansas taxpayers, families and children who, as the Court has previously held, have a constitutional right to a public education. One way or another, schools must remain open in the fall.

It is also prudent to take steps to protect school districts and school children who were not parties to the litigation and/or who were not affected either way regarding the perceived equalization infirmity or who may have lost resources as a result of the Court's suggestions regarding the prior equity formula. While it would appear to make no sense to threaten these schools with closure when they were not involved in this dispute, we applaud this Committee for taking steps to avoid the risk to these districts and their patrons.

Turning to the Court's language in what we'll call *Gannon II*, the Court, while appearing to state a preferred method of compliance, did acknowledge that the equalization infirmity **"can be cured in a variety of ways – at the choice of the legislature."**

As to the Court's implied preference, the Court noted: **"One obvious way the legislature could comply with Article 6 would be to revive the relevant portions of the previous school funding system and fully fund them within the current block grant system."** Of significance is the fact that the Court is clearly open to continuation of the block grant system and with arriving at an equity response "within" the current block grant system.

A question was raised in the informational hearing about whether the Court will require new or additional funds. First, equity is not a math equation. It is, as the Court has stated: **"School districts must have reasonably equal access to substantially similar educational opportunity through similar tax effort."** In this regard, no witness who testified Monday before the joint Committee in response to questioning by legal counsel was able to articulate or knew of a metric for determining how this test is satisfied. This comes as no surprise since even the Court noted that: **"We acknowledge there was no testimonial evidence that would have allowed the panel to assess relative educational opportunities statewide."**

The Court did, however, speak to the issue of funding. First, the Court acknowledged that: **"equity does not require the legislature to provide equal funding for each student or school district."** The Court went on to say that the test of the funding scheme becomes a consideration of **"whether it sufficiently reduces the unreasonable, wealth-based disparity so the disparity then becomes constitutionally acceptable, not whether the**

cure necessarily restores funding to the prior levels.” Finally, the Court made it clear that “need” is irrelevant. The Court held that **“equity is not a needs-based determination. Rather, equity is triggered when the legislature bestows revenue-raising authority upon school districts through a source whose value varies widely from district to district, such as with the local option mill levy on property.”**

Given what the Court said in *Gannon II*, it would have been perfectly acceptable to resurrect the capital outlay and LOB equalization formulae pre-SB7 and redistribute current funding accordingly. While that would have created so-called “winners” and “losers”, that is irrelevant to the Court since equity is equity and restoring prior funding is not required. Equity in its most basic form is illustrated by the example of sharing a bottle of pop with your kids. If you happen to pour more into one glass than another you equalize the glasses by pouring the contents of the one with more into the glass with less until they are equal. Equity does not require you to return to the refrigerator and open a new can. Unfortunately, the expectation with regard to school finance equalization has historically been that one is expected to always go back to the refrigerator for more, since a district that has been allocated funds now sees that as their entitlement. Any perceived reduction in an expectation is characterized as a “cut”. The concept of sharing, which we learned in Kindergarten, has been lost, even though, as the Court has ruled, “equity” is the law.

When this Committee considered a proposal (SB 512) that would restore equalization to the presumably Court-preferred method, which created winners and losers, no district that would have benefitted showed up in support and no district that would have lost funds showed up in opposition. Only neutral testimony was received. It would be difficult to garner the votes necessary to pass such a measure and, notwithstanding a preferred course by the Court, passage of legislation by a majority of willing elected lawmakers would still be necessary.

Turning now to SB 515, the bill, in our opinion, is a satisfactory response to the Court, given the Court’s own language and the bill’s response. Re-allocation of funds utilizing an approved method of calculating equalization (capital outlay formula) is proposed, with no district losing funds thanks to hold harmless provisions. Funds are included to cover minor changes in calculations due to actions taken subsequent to passage, and KSDE is given the balance of funds to allocate, as needed, in a manner consistent with the Court’s definition of “equity” and including the existing factors for approving additional funds for extraordinary needs.

As to the “hold harmless” provisions, testimony was presented to the Joint Committee Monday that these types of provisions are not uncommon and are part of the inherent nature of the political process by which school finance decisions are made. With regard to the KSDE provisions, given that the Legislature and this Committee are in session only part time, and

given that the Legislature relies on KSDE for equalization calculations and other technical data related to whatever formula may be in place, including block grants, it makes sense to have KSDE handle the “extraordinary needs” fund allocations.

Finally, SB 515 provides what we’ve heard districts requesting: as much budget certainty as possible, one of the key advantages of the current block grant system. We urge the Committee’s favorable consideration of SB 515.

**Senate Ways and Means Committee
Testimony: SB 515
USD 229 Blue Valley
March 23, 2015**

Chairman Masterson and Members of the Committee:

Thank you for the opportunity to appear before you today as a proponent of SB 515. We are mindful of the challenge you are facing, as you seek an appropriate short-term solution that will allow us to continue our goal of offering a quality education to the students we serve.

We thank you for your hard work and the long hours you have spent on this legislation. We also want to thank you for listening to the concerns of those who have come before this committee previously, which is clearly demonstrated by providing that *all districts will be held harmless* and will not lose funding from their general operating budgets.

Further, we are grateful that you have honored the spirit of the CLASS Act, which was to provide *budget certainty* to school districts for two years while a new school finance formula is being developed.

The Blue Valley district remains committed to providing a quality education for our students and to being good stewards of taxpayer dollars. To that end, we want to work *with* you to develop a solid school finance formula that provides stability and appropriately accounts for the varying needs of students across our state.

We do appreciate the challenges you are facing and we continue to want to work *with* you to solve the K-12 challenges before us in a way that promotes the best outcomes for the students we serve.

We are happy to stand for any questions you may have at the appropriate time.

Presented by: Todd White, Incoming Superintendent



Bonner Springs/Edwardsville
Unified School District 204

Teaching today's learners for tomorrow's challenges

Tuesday, March 22, 2016

The Honorable Ty Masterson
Kansas Senator, District 16

The Honorable Steve Fitzgerald
Kansas Senator, District 5

Dear Senator Masterson and Senator Fitzgerald,

I just returned to my office after attending the hearing on Senate Bill 515 this afternoon. I wanted to personally drop both of you a quick note and express my gratitude and appreciation for your efforts as well as the collective efforts of the Senate Ways and Means Committee members.

Based upon the manner in which Senate Bill 515 was crafted, the portion of the bill I appreciate the most is the fact that it has been structured in such a way that it holds all schools harmless from any potential future reductions in funding.

When compared to the other bills and potential options that have been developed thus far during the current legislative session, Senate Bill 515 is the most advantageous for Kansas school districts.

Thank you again for your efforts.

Sincerely,

Daniel J. Brungardt

Superintendent of Schools
USD 204 Bonner Springs / Edwardsville

*Superintendent – Dan Brungardt
Director of Business/Board Clerk – Eric Hansen*

2200 S. 138th St. P.O. Box 435 Bonner Springs, KS 66012-0435
Phone: (913) 422-5600 Fax: (913) 422-4193 www.usd204.net

March 23, 2016

Senate Ways and Means Committee

Senate Bill 515

Chairman Masterson and Members of the Committee,

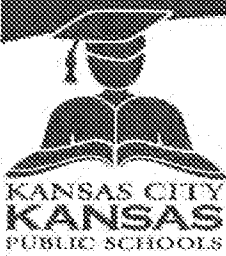
I am Dr. Jim Hinson, Superintendent of the Shawnee Mission School District in Johnson County. I appear as a proponent on Senate Bill 515. This bill appears to be one of the few solutions that has been proposed to the current school-funding situation that attempts to address the Court's demands and holds all districts harmless from loss.

The Shawnee Mission School District desire a solution to the short-term issues related to equity. In addition, we hope the Legislature is working toward addressing a long-term solution that will ultimately satisfy the Supreme Court with a new funding formula.

The bill as written funds the Shawnee Mission School District at a level we anticipated based on the block grants implement in House Substitute for Senate Bill 7 passed in 2015. Senate Bill 515 seems to satisfy the equity issue by funding a fully equalized formula related to LOB equalization. Rather than the prior LOB equalization formula, Senate Bill 515 uses the capital outlay equalization formula to fund LOB equalization. We are not plaintiffs in the current lawsuit but it appears fully funding this equalization formula addresses court concerns that there should either be no equalization or fully funded equalization to fulfill statutory obligations.

The equalization solution in Senate Bill 515 may disappoint some who glimpsed brief hope of a windfall by some earlier potential solutions. This bill, however, appears to satisfy exactly what the block grant intended: to provide budget stability and funding as expected for one more year while a school finance formula is written. We support Senate Bill 515 as a one-time, one-year solution to allow the Legislature time to draft a new formula. The principals of Senate Bill 515 based on a more uniform formula for equalization, however, may be valuable to include in a new formula.

I am happy to stand for questions at the appropriate time.



**Senate Ways and Means Committee
Testimony on SB 515**

**Dr. Cynthia Lane, superintendent
March 23, 2016**

My name is Dr. Cynthia Lane, and I have the privilege of serving as the superintendent of the Kansas City, Kansas Public Schools. I am here to testify in opposition to SB 515. This bill, which was printed yesterday afternoon, was ostensibly written to respond to the ruling of the Kansas Supreme Court on the *Gannon v. State of Kansas* school funding case. The Supreme Court found that SB 7 was unconstitutional, in that it did not meet the equity requirements of Article VI of the Kansas Constitution. The printout provided at the hearing on March 22 indicates that no district would receive less in Local Option Budget and Capitol Outlay equalization aid for FY 2017 than they received for the current fiscal year (a few districts benefited from the adjustments to the formula, and would collectively receive an additional \$2 million.)

To me, one of the first mathematical properties that we teach our students in Algebra, the Transitive Property, applies directly to this bill: if SB 7 is unconstitutional, and SB 515 does the same thing as SB 7, then SB 515 MUST be unconstitutional as well. Perhaps more importantly, SB 515 does nothing to remedy the equity test put forth by the Court: "school districts must have reasonably equal access to substantially similar educational opportunity through similar tax effort." (*Gannon, p.2*) In fact, rather than remedying identified inequities, it creates the potential to widen the gap between property rich and property poor districts, by reducing equalization aid for LOB by \$82.9 million.

I applaud the fact that this bill attempts to "hold harmless" districts, so that they do not receive less than last year. Doing what is right for the children in Kansas City, Kansas should not come at the expense of children elsewhere in the state, who also deserve schools that are equitably and adequately funded. In fact, the notion of holding districts harmless during a change in the school funding formula has been a practice in Kansas for the past 20 years. However, in the past, the idea of "holding districts harmless" was only used AFTER legislation had been developed to remedy an identified deficiency in the formula. This bill, rather than fixing identified problems in SB 7, simply changes the formula in order to spend the amount of money the legislature is willing to spend, with no regard to the needs of individual students or districts. In doing so, it exacerbates the deficiencies contained in SB 7, which was found unconstitutional by the Shawnee District Court.

I recognize the difficult situation that this committee finds itself in. Creating equity in school finance will require additional resources, and finding those resources at a time when the state is missing already significantly lowered revenue projections is incredibly challenging. However, equity is the right thing to do for children, for families, for communities, and for the future of this state, and I would implore you to have the courage to recognize education's role as the primary economic driver of this state, and to fund it accordingly.



Senate Ways and Means Chairman Masterson

March 23, 2016
Jim Freeman
Wichita Public Schools

Regarding SB 515

Chairman Masterson and members of the Committee:

Thank you for the opportunity to provide input on the issue before us to remedy equity. You have a significant challenge which is intensified by the challenges facing the State General Fund.

We know you are working to find a solution which meets the Court's test and does not close schools. I thank you for your efforts.

However we respectfully believe this plan --- found in both Senate Bill 515 and House Bill 2740 -- does not address the equity issue on two fronts:

- addresses Fiscal Year 17 only and not Fiscal Years 15 and 16;
- it is a redistribution of funds, without new funding, school are in essence self-funding this plan.

We believe the Gannon decision is clear in its finding that equity state aid was inadequate in fiscal years 2015 and forward. To quote from the Revisor of Statutes memo dated February 11, 2016:

"The Court held that the State failed to show sufficient evidence that it complied with the Court's prior equity orders set forth in Gannon I and found that the amended supplemental general state aid and capital outlay state aid formulas failed to cure the unconstitutional wealth-based disparities in fiscal year 2015. The court also held that because SB 7 froze such inequities for fiscal years 2016 and 2017, such unconstitutional inequities carry forward in those years."

The inequity Senate Bill 7, the Block Grant bill, froze into place the FY 15 inequity and carried it forward. State aid proration has negatively impacted property taxes and operations. For the Wichita Public Schools the state aid loss is over -\$26.3 million:

LOB proration FY 15 -\$5.1m x 3 = ~~-\$15.3m~~
Capital outlay aid: FY 15 -\$3.1m + FY 16 -\$3.4 + FY 17 -\$4.5m = ~~-\$11m~~
Total state aid proration under SB 7, the Block Grant: ~~-\$26.3 million~~

This is what we seek to remedy. The bill before us today does not solve the inequity, the loss of \$26 million for the Wichita Public Schools, frozen in by the Block Grant.

We always appreciate efforts to hold districts harmless, but in my memory first funding has added funding and then hold harmless provisions have been applied to protect the outliers. The hold harmless provision in this bill is a redistribution of funds without new funding.

Hold harmless provision in SB 515 uses SB 7 funding as the base, which was found unconstitutional and is the reason we are here today. The bill redefines equalization to equal the current dollars being spent. Therefore with no new money and district's will still be held at an unconstitutional level. SB 515 does not solve the issue at hand: equity.

The bill changes the LOB state aid calculation to the capital outlay formula which will provide less equalization aid to districts. The LOB is a key component of our current finance formula and we want to maintain that support for our schools. We do not support changing the LOB equalization formula.

Local Option Budget equalization is a key component in providing resources for schools, and we do not support changing the state aid formula. The Local Option Budget is a significant funding component for districts. Wichita is at the 30% lid, some districts are at the 33% max and some are lower. Statewide the LOB mill levy is 19 mills; total average mill levy is 56 statewide. LOB Equalization is on a significant portion of the total mill levy, compared to the 8 mills for capital outlay. The Local Option Budget supports classrooms and schools and should not be reduced.

Equity is the measure which allows the property poor district to provide similar services compared to wealthier districts. We believe equity is fundamental to providing educational opportunities to Kansas students regardless of their zip code.

Mr. Chairman – we do appreciate your efforts and we are all seeking solutions which will keep school doors open. However we do not support this bill which redefines equalization to equal current dollars; nor does it provide additional funding for districts harmed under the Block Grant. Thank you for your work and diligence on these issues. We understand the legislative process is a process and appreciate your efforts to find solutions.



KANSAS POLICY INSTITUTE

ADVOCATING FOR FREE MARKETS AND THE PROTECTION OF PERSONAL LIBERTY

Testimony to Senate Ways & Means Committee
SB 515 School Funding Equalization
March 23, 2016
Dave Trabert, President

Chairman Masterson and members of the Committee,

We appreciate this opportunity to present neutral testimony on SB 515. We're pleased to see the Legislature proactively responding to the Supreme Court ruling on equity in a manner that doesn't increase total funding; our testimony is neutral only because this is but one method of satisfying equity without spending additional money.

As noted in the attached article we published, the Court reaffirmed that constitutional infirmities "can be cured in a variety of ways—at the choice of the legislature" with the proviso that any adjusted funding must also meet a separate test of adequacy – i.e., whether districts are receiving 'enough.' We believe SB 71 introduced last year would be another appropriate response to the Court, whether as written – which would reduce LOB equity by \$3.3 million – or some modification that would spend the same amount.

The Court noted that spending less than would be provided by fully funding the old equity formula could create an 'adequacy' issue, but we believe there is ample evidence that SB 515 or SB 71 would still provide more than adequate funding.

First of all, the Court upheld what we have constantly maintained – education is about outcomes rather than money. They specifically said "*...total spending is not the touchstone for determining adequacy.*"¹

Instead, the Court says adequacy "*...is met when the public education financing system provided by the legislature for grades K-12—through structure and implementation—is reasonably calculated to have all Kansas public education students meet or exceed the standards set out in Rose and presently codified in K.S.A. 2013 Supp. 72-1127. This test necessarily rejects a legislature's failure to consider actual costs as the litmus test for adjudging compliance with the mandates of Article 6. For example, even if a legislature had not considered actual costs, a constitutionally adequate education nevertheless could have been provided —albeit perhaps accidentally or for worthy non-cost-based reasons.*"²

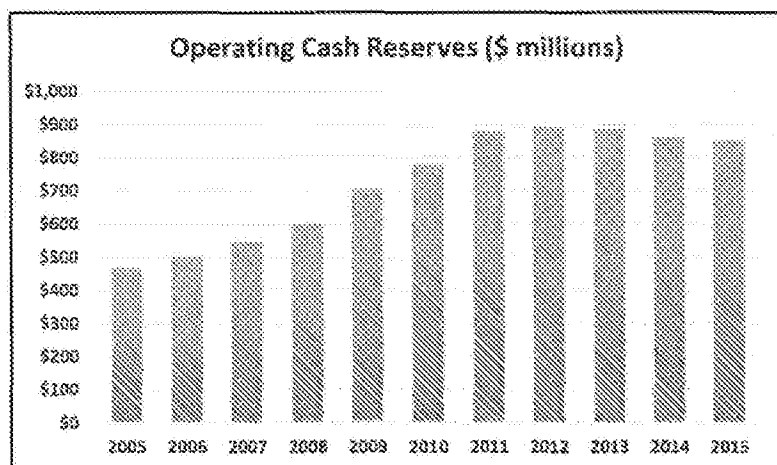
Since school districts admit that they can neither define nor measure the Rose capacities, they have no legal basis for claiming to lack adequate funding to achieve the Rose capacities. This fact alone could be sufficient grounds for dismissal of schools' claims, but there is more.

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OVERLAND PARK OFFICE: 12980 METCALF, SUITE 430 | OVERLAND PARK, KANSAS 66213 | P 913-213-5038

Schools and their taxpayer-funded lawyers base their adequacy claims on *Montoy*, which relied on the findings of an Augenblick & Myers cost study recommending specific funding levels. However, the *Gannon* Supreme Court rejected the lower court's reliance on that, saying ".... actual costs from studies are more akin to estimates than the certainties the panel suggested."³

In distancing itself from the A&M cost study, the Court also said, ".... the strength of these initial statements was later diluted by our primary focus on cost estimates—a focus that evolved in the *Montoy* litigation because of how the issues were presented to us by the district court and due to the remedial nature of some of our decisions."⁴ The A&M cost study was presented as rock-solid evidence in *Montoy* but later, then-KPI scholar Caleb Stegall (now Supreme Court Justice Stegall) discovered that A&M had deviated from its own methodology so as to produce deliberately inflated numbers.⁵



We further know that the funding provided under *Montoy*, which is the basis for school claims of inadequate funding, is more than schools actually need because they haven't needed to spend it all. The \$385 million increase in districts' operating cash reserves over the last ten years comes from state and local funding that wasn't spent – and that's in addition to the \$468 million accumulated through 2005.

Refuting KASB school funding claims

Last week the Kansas Association of School Boards (KASB) raised several adequacy issues in testimony on the House effort to resolve equity in HB 2731 and SB 512, so we offer the following thoughts in anticipation that the same claims will be made here today.

KASB implied that school funding is not adequate because it hasn't kept up with the change in personal income growth, but that is a claim of entitlement, not adequacy. The Constitution does not say that adequacy is a percentage of personal income or any particular dollar amount. Indeed, if personal income declined for an extended period of time, it is unlikely that the Court or school districts would find a commensurate reduction in school funding to be acceptable and adequate.

As a matter of fact, school districts sued taxpayers for more money in November 2010 after Governor Parkinson reduced funding as a result of a recession. Personal income declined but schools didn't accept that as an excuse to reduce funding.

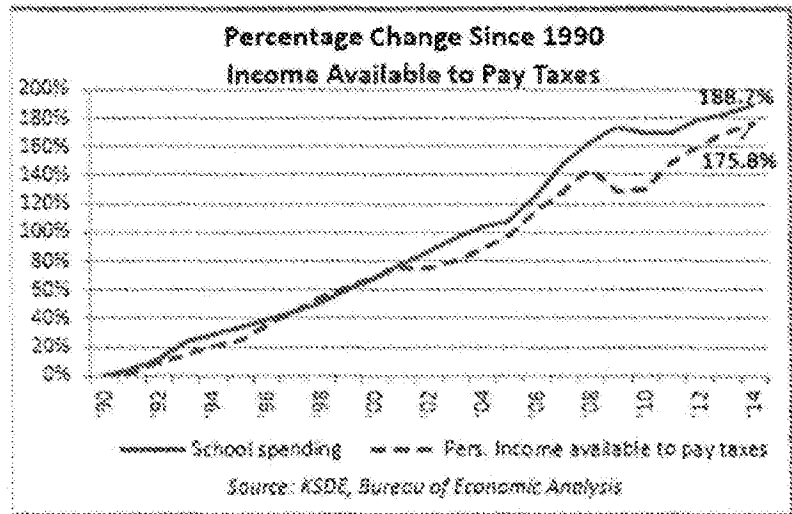
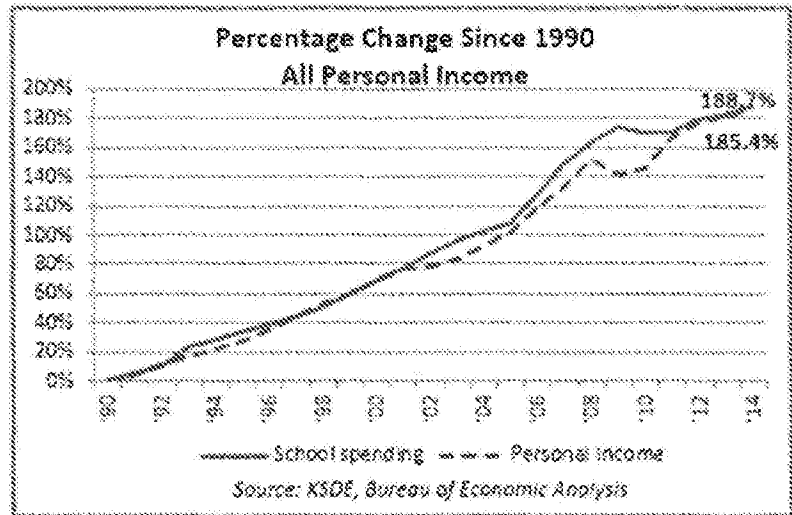
That said, school funding continues to run ahead of personal income growth, whether measured in its entirety or against the personal income components that are available to pay taxes.

School funding (adjusted upward for KPERS prior to 2005) increased by 188.7 percent between 1990 and 2014 (the last year for which annual Personal Income data is available) while Personal Income increased 185.4 percent.

However, Personal Income includes components that are not available to pay taxes, such as employer payments to retirement plans, health insurance and payroll taxes. Measuring school funding against Wages & Salaries, Proprietors' Income, Dividends, Interest, Rent less employee-paid payroll taxes shows an even wider gap from school funding.

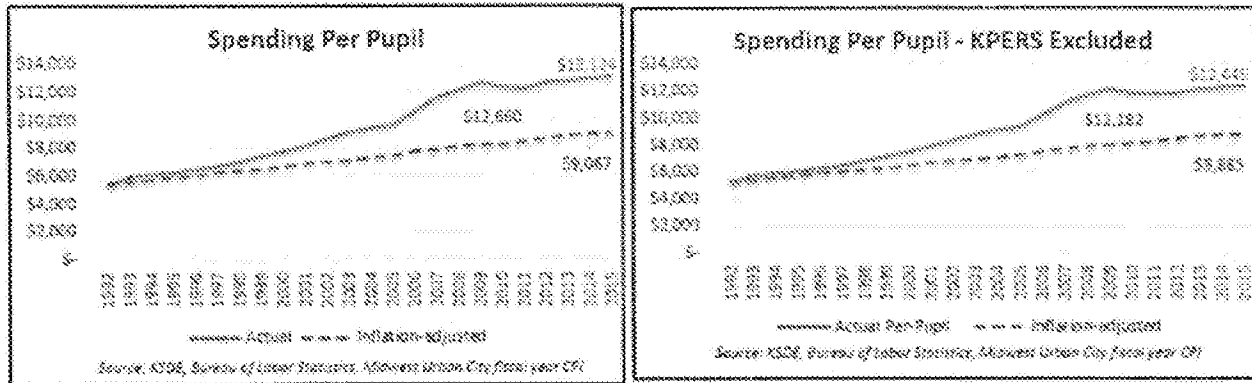
Personal income available to pay taxes increased 175.8 percent, or about 13 percentage points less than school funding.

Not that that matters from an adequacy viewpoint, but to demonstrate that the KASB claim simply doesn't stand up to scrutiny.



Inflation, on the other hand, is a legitimate consideration and here we see that per-pupil funding has far outpaced inflation over the course of the old school funding system. Had funding been increased for inflation since 1992, funding would have been \$1.88 billion less in 2015.

School funding also set another new record in 2015, at \$13,224 per pupil. Even with every dollar of KPERS removed, funding still would have set a record last year, and if non-KPERS funding had been increased for inflation each year, it would have been \$1.64 billion less.



Additional articles are attached that refute KASB claims on the correlation between spending and achievement and the levels of student achievement in Kansas. As for KASB's claim that no state spends less and achieves more, an honest review of the data shows that at least Texas and Florida spend considerably less but get slightly better results on the National Assessment of Educational Progress. Florida leads wins half of the eight measurements, Texas wins three and Kansas wins one. Florida has the highest composite score, Texas comes in second and Kansas is slightly behind Texas.

Kansas Student Basic Achievement Exam (KSAE)			
NAEP Grade, Subject and Demos	Kansas	Texas	Florida
4th Grade Reading Score 2015			
Low Income students	208.0	208.3	220.2
Not Low Income students	238.2	234.8	238.5
8th Grade Reading Score 2015			
Low Income students	255.6	251.8	256.6
Not Low Income students	277.5	272.2	274.5
4th Grade Math Score 2015			
Low Income students	260.9	235.1	235.2
Not Low Income students	253.1	259.9	254.3
8th Grade Math Score 2015			
Low Income students	271.8	273.7	265.5
Not Low Income students	294.8	296.0	291.7
Composite - all scores	2029.9	2031.7	2036.5
2013 Per-Pupil Spending (headcount)	\$ 11,496	\$ 10,313	\$ 9,420

Source: Census, NAEP

We'd be happy to work through the remainder of their claims at your convenience, as shown in the attached articles.

Conclusion

The equity issue must be resolved and we encourage the Legislature to do so without spending additional money, as the Court does not require more funding to satisfy equity and a large body of evidence shows that more money is not needed.

¹ Gannon v. State of Kansas, page 77 at <http://www.ksccourts.org/Cases-and-Opinions/opinions/SupCt/2014/20140307/109335.pdf>
² Ibid, page 76.
³ Ibid
⁴ Ibid, page 75.
⁵ Caleb Stegall, "Analysis of Montoy vs. State of Kansas" <https://kansaspolicy.org/volume-ii-analysis-of-montoy-vs-state-of-kansas/>

Nationwide Report on Education Provides Evidence that Kansas Students Perform Poorly in a Nation of Mediocre Achievement

January 18, 2016



Education Week has released its 20th annual edition of Quality Counts, a report card that provides an overall letter grade for each state's education system. Kansas earned a C, with an overall score of 73.9 – slightly lower than the national average of 74.4 (also a C).

Quality Counts employs three indicators to establish an overall grade. Kansas earned a B- in the category called Chance for Success, defined as providing “a cradle-to-career perspective on the role that education plays in promoting positive outcomes throughout a person’s life.” For the School Finance indicator, Kansas earned a C. Unfortunately, Kansas' worst indicator is in K-12 Achievement, a category in which the state earned a D.

K- 12 Achievement

The achievement category is an amalgamation of 18 outcome measures that include (1) NAEP scores, (2) graduation rates and (3) performance in high school advanced placement classes. The report uses detailed NAEP data, including proficiency rates, achievement gains, poverty gaps and excellence achievement. It is of note that Quality Counts does NOT consider a score in the “Basic” category an achievement, which is the same way KPI

reports NAEP data. Here are a few lowlights regarding Kansas and the NAEP achievement gap data in the report:

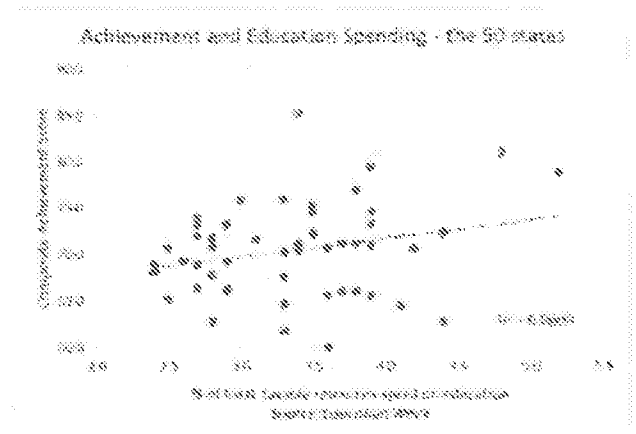
- Only Oregon, Washington and the District of Columbia had a larger increase in the 4th grade achievement gap than the Kansas gap increase of 6.8%.
- While 31 states actually reduced the achievement gap in either 4th grade, 8th grade or both, Kansas had an increase in the achievement gap in both grades.
- Overall, the nation decreased the achievement gap by 0.4% for 4th graders and 0.6% for 8th graders.
- But the most alarming stat is the revelation that Kansas is the ONLY state in which NAEP math scores for both 4th and 8th graders are lower in 2015 than they were in 2003.

Ouch.

And for those who want to blame it on some bogus claim that it all has to do with spending, consider this: data used by Quality Counts ranks Kansas 15th in spending and 41st in achievement.

Achievement & Spending

It is often argued, especially by education establishment groups in Kansas, that there is a high correlation between spending on education and achievement. That supposition is not supported by the data used in Quality Counts. The scatter-plot below is a graphic display of combining the composite achievement score with the percentage of total taxable resources states spend on education. The scatter-plot of the 50 states shows a virtual flat trend line, indicating almost no correlation between the two. The R2 value, which is a numeric representation of how close each plotted point is to the trend line, of 0.06 falls far short of even being considered a “weak” correlation. Furthermore, the single outlier on the graph, Vermont (the only state that spends more than 5% of its total taxable resources on education), drives most of the incline of the trend line. If Vermont is removed, the R2 value is 0.02. Another interesting note is that the highest achieving state (Massachusetts) spends a lower percentage of their taxable resources than the lowest achieving state (Mississippi).



The results of this report strengthens two fundamental propositions of Kansas Policy Institute regarding education: (1) that Kansas is doing about average in a nation that under-performs and (2) there is no correlation between spending and achievement.

No correlation between spending and achievement

November 16,
2015

The Kansas Association of School Boards produced a report recently which some are saying proves that spending more money leads to better outcomes, but even KASB says that is a misinterpretation. I asked Mark Tallman of KASB if that was the case and he replied, *"I specially [sic] said to the group of legislators we invited to lunch that we do NOT claim this report "proves" spending "causes" outcomes changes."*

Mr. Tallman went on to explain that *"...the data indicates that higher spending over time is more often than not a "predictor" of higher NAEP scores, and usually has a positive correlation with higher results. We do not say that correlation proves causation."*

Our review of the data says otherwise, as does that of many other respected school funding experts including Dr. Eric Hanushek of the Hoover Institution at Stanford University, who says, *"...the outcomes observed over the past half century – no matter how massaged – do not suggest that just throwing money at schools is likely to be a policy that solves the significant U.S. schooling problems seen in the levels and distribution of outcomes. We really cannot get around the necessity of focusing on how money is spent on schools."*

Bi-variate analysis

The KASB report takes only two variables into account – spending and achievement. It's called a bivariate analysis (two variables), which doesn't allow for meaningful conclusions. Dr. Benjamin Scafidi, Director of the Education Economics Center at Kennesaw State University, says, *"...they do not control for the many other factors that impact student achievement. Social scientists do not put much stock into bivariate relationships like the KASB [example] below."* Dr. Scafidi's remarks were directed at the 2013 KASB report that also only looked at changes in spending and achievement.

One such factor ignored by KASB is the impact of Common Core. When Kansas' NAEP scores dipped in 2013, the Kansas Department of Education told legislators that they couldn't identify a particular reason but did note that the transition from previous teaching methods to Common Core may have been a factor. They again honed in on the transition to Common Core to explain the 2015 NAEP decline to legislators this month. KSDE did not blame funding in 2013 or 2015.

Data refutes notion that spending predicts outcomes

This table lists 8 bi-annual changes in proficiency measurements for each of the last 6 NAEP reports, for a total of 48 total changes; proficiency levels for Low Income students and those who are Not Low Income are shown for two subjects (Reading and Math) for two grade levels (4th and 8th Grades). In the majority of comparative instances, changes in inflation-adjusted (real) spending did not correspond to changes in proficiency levels. That is,

1. In 31 of the 48 comparative instances, real spending increased while proficiency levels declined or failed to increase, or real spending declined while proficiency levels increased or failed to decline (RED).
2. In 9 of the 48 comparative instances, the increase in proficiency levels was less than the increase in real spending (YELLOW).
3. In 8 of the 48 comparative instances, the increase in proficiency levels was greater than or equal to the increase in real spending (GREEN)

Kansas Spending Per-Pupil and NAEP Percent Proficient										
School Year	\$ Per Pupil	Inflation Index	4th Reading		8th Reading		4th Math		8th Math	
			Low	Not Low	Low	Not Low	Low	Not Low	Low	Not Low
2003	\$ 8,894	178.81	18	42	22	42	24	53	19	41
2005	\$ 9,707	185.14	20	42	21	43	30	59	19	43
2007	\$11,550	195.10	21	46	20	44	34	63	23	50
2009	\$12,660	204.28	22	47	19	43	32	60	24	51
2011	\$12,283	211.10	23	50	22	46	33	63	24	54
2013	\$12,781	220.93	22	54	22	48	33	63	24	54
2015	\$13,124	224.61	20	54	22	47	27	58	19	46
Percent Change in Each Category										
School Year	\$ Per Pupil	\$ PP Net Inflation	4th Reading		8th Reading		4th Math		8th Math	
			Low	Not Low	Low	Not Low	Low	Not Low	Low	Not Low
2005	9%	4%	11%	0%	-5%	2%	25%	11%	0%	5%
2007	19%	14%	5%	10%	-5%	2%	13%	7%	21%	15%
2009	10%	5%	5%	2%	-5%	-2%	-6%	-5%	4%	2%
2011	-3%	-6%	5%	6%	16%	7%	3%	5%	0%	6%
2013	4%	-1%	-4%	8%	0%	4%	0%	0%	0%	0%
2015	3%	1%	-9%	0%	0%	-2%	-18%	-8%	-21%	-15%

Source: K&SDE, National Assessment of Educational Progress (NAEP); BLS, Midwest Urban Cities fiscal year. Low and Not Low refer to student income levels based on eligibility for school lunch programs; Low Income + Not Low Income = All Students.

We performed the same analysis on changes in the national averages, although spending is only available through 2013, so there are only 40 comparative instances. Once again, spending is not a predictor of outcome changes; indeed, in 20 of those 40 instances, real spending increased while proficiency levels declined or failed to increase, or real spending declined while proficiency levels increased or failed to decline (RED). Most notably, real spending declined in 2011 and 2013, but proficiency levels increased in all 8 measurements both years!

United States Spending Per-Pupil and NAEP Percent Proficient										
School Year	\$ Per Pupil	Inflation Index	4th Reading		8th Reading		4th Math		8th Math	
			Low	Not Low	Low	Not Low	Low	Not Low	Low	Not Low
2003	\$ 9,522	182.09	15	42	16	40	15	45	11	37
2005	\$10,376	191.70	16	42	15	39	19	50	13	39
2007	\$11,557	204.11	17	44	15	40	22	53	15	42
2009	\$12,539	214.65	17	45	16	42	22	54	17	45
2011	\$12,351	221.06	18	48	16	45	24	57	19	47
2013	\$12,346	231.37	20	51	20	48	26	60	20	49
Percent Change in Each Category										
School Year	\$ Per Pupil	\$ PP Net Inflation	4th Reading		8th Reading		4th Math		8th Math	
			Low	Not Low	Low	Not Low	Low	Not Low	Low	Not Low
2005	9%	4%	7%	0%	-6%	-3%	27%	11%	18%	5%
2007	11%	5%	6%	5%	0%	3%	16%	8%	15%	8%
2009	8%	3%	0%	2%	7%	5%	0%	2%	13%	7%
2011	-1%	-4%	6%	7%	13%	7%	9%	6%	12%	4%
2013	0%	-5%	11%	6%	11%	7%	8%	5%	5%	4%

Source: Census, NAEP; BLS, fiscal year. Low and Not Low refer to student income levels based on eligibility for school lunch programs; Low Income + Not Low Income = All Students.

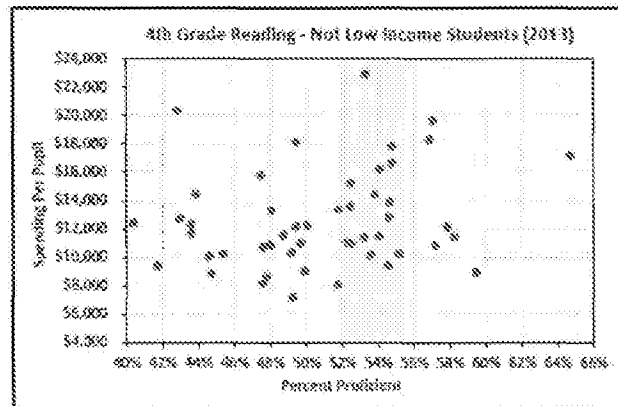
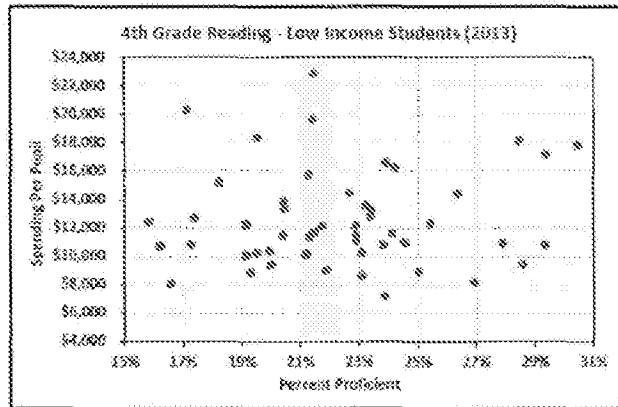
Our analysis is very straightforward; the changes in spending and every measurement of proficiency are examined separately. KASB based their findings on 8-year averages rather than individual years, which masks fluctuations by allowing gains to offset losses; the results are further skewed depending upon the starting point and length of the average. KASB also combines proficiency levels for 4th Grade Reading and Math as well as 8th grade Reading and Math by averaging those four disparate percentages into a single number, which again hides information. That methodology could present the appearance of improvement (especially by careful selection of the 8-year starting point) even though one or more grade levels and/or subjects could be in decline (which indeed happened). Such manipulation may allow KASB to justify more spending but it disregards the importance of understanding the true

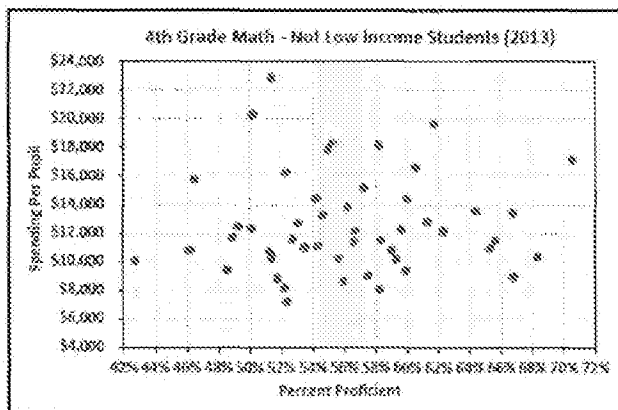
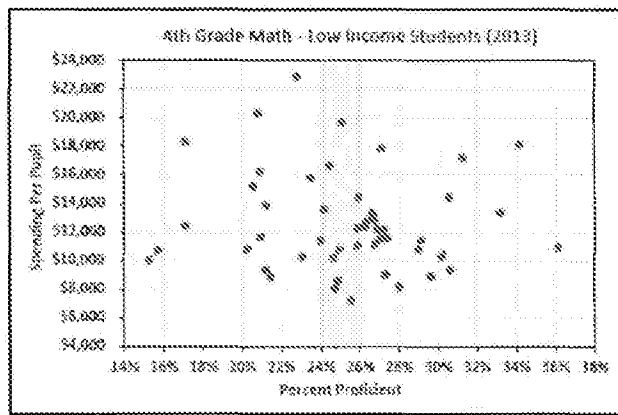
causes of student achievement.

It should be noted our explanation of their methodology is based on our reading of their report; KASB has not responded to requests for their underlying calculations.

KASB also claims that "higher spending states are more likely to have higher results" but once again, the data is contradictory. If spending more money was a "predictor" of higher outcomes, the points on these scatter plots of spending and proficiency levels would be grouped along a line of increasing slope but they are 'all over the map'.

New York schools spent the most at \$22,902 per-pupil and had 4th Grade Reading proficiency levels of 21% and 53%, respectively, for Low Income and Not Low Income students. North Carolina schools however, spent just \$8,879 per-pupil yet had proficiency levels of 25% and 59%, respectively. There are many other examples all across the proficiency ranges of grade levels, subject and student income groups where states achieved the same or relatively the same outcomes while spending significantly disparate amounts.





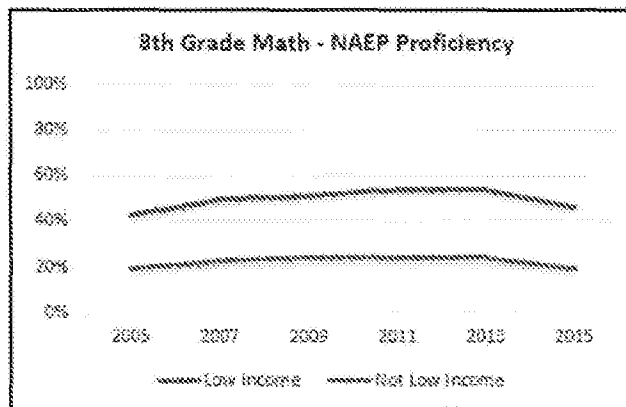
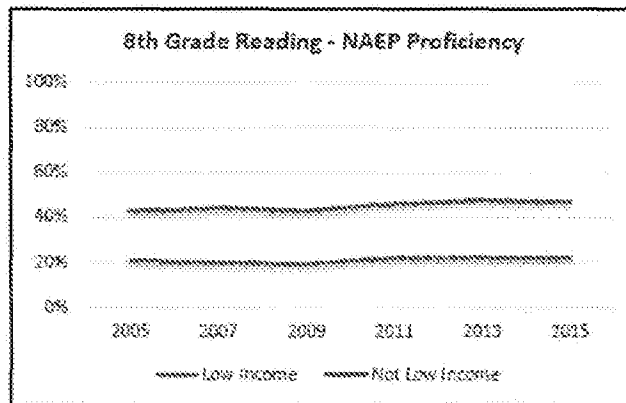
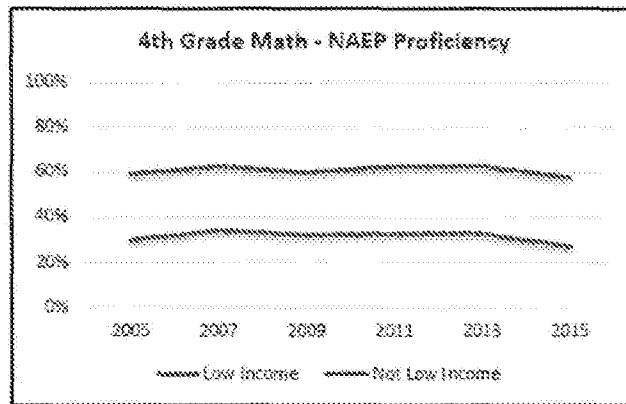
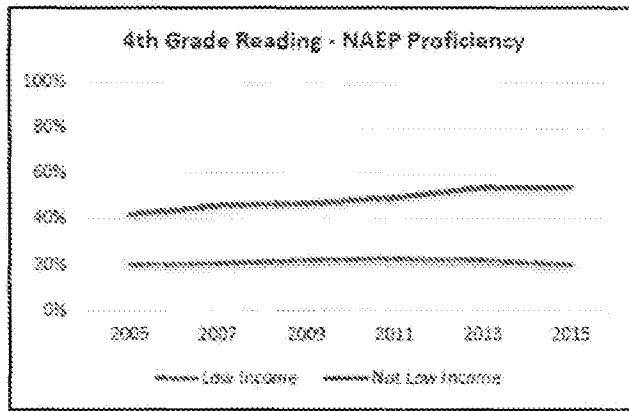
Higher spending would absolutely be a predictor of higher tax bills for citizens but there is no correlation between spending and achievement in the data.

Spending more money may create more opportunity to improve outcomes but only if the extra money is well-spent. As Dr. Hanushek notes, "It's absolutely true that if you spend money well, it has an effect," he said. "But just putting money into schools and assuming it will be spent well isn't necessarily correct and there is substantial evidence that it will not happen." And as has been documented time and time again over the years, there is certainly is evidence of money not being well spent in Kansas.

Achievement matters, not national rankings

KASB makes much of the fact that national rankings on NAEP declined ("Kansas has fallen from a national leader to merely an above average performer") and they use that emotional appeal to push for more money. But actual achievement should be the focus instead of national rankings, especially in a nation that doesn't perform very well. For example, Indiana is ranked #1 for 4th Grade Low Income students in Reading – at just 36% Proficient!

Kansas may have had higher national rankings in the past but look at these proficiency levels and decide for yourself: was achievement in any grade or subject ever at acceptable levels?



After nearly a \$2 billion funding increase over the last ten years, only a quarter or less of low income students and only about half of the rest are Proficient on NAEP Reading and Math exams. A "C" or a "D" may be one of the highest grades in the class but not scoring as badly as one's classmates is no indication of acceptable outcomes. Attempting to justify pouring more money into the same system that produced these outcomes is simply about getting more money for the system; it most certainly is not student-focused.

The definition of insanity is doing the same thing over and over and expecting different results. We have tried dramatically higher real (inflation-adjusted) spending in Kansas public schools (43.5% per-pupil over the last 25 years) and in public schools around the nation. For Kansas, those increases in spending into the current education system have yielded the results just above. It is time for Kansas policymakers to call a new play. Our students deserve no less.

Post Script: We thank education economists Dr. Erick Hanushek and Dr. Benjamin Scafidi for their review and input on this analysis. For a teacher's perspective on this subject, see David Dorsey's thoughts on the Topeka Capital-Journal Blog.

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CONTINUATION HEARING ON:

HB2740 - AMENDMENTS TO THE CLASS ACT
REGARDING SUPPLEMENTAL
GENERAL STATE AID
AND CAPITAL OUTLAY STATE AID

TRANSCRIPT
OF PROCEEDINGS,

beginning at 10:08 a.m. on the 23rd day of March,
2016, in Room 112N, Kansas State Capitol Building,
Topeka, Kansas, before the House Appropriations
Committee consisting of Rep. Ryckman, Chairman;
Rep. Schwartz, Rep. Henry, Rep. Ballard, Rep.
Barker, Rep. Carlin, Rep. Carpenter, Rep. Claeys,
Rep. Finney, Rep. Grosserode, Rep. Hawkins, Rep.
Highland, Rep. Hoffman, Rep. Hutton, Rep. Kahrs,
Rep. Kleeb, Rep. Lunn, Rep. Macheers, Rep. Proehl,
Rep. Rhoades, Rep. Suellentrop, Rep. Waymaster and
Rep Wolfe Moore.



Recording transcription by computer software

1 CHAIRMAN RYCKMAN: Committee, please
2 notice the copy of the transcript from the Joint
3 Legislative Budget Committee on March 21st, 2016,
4 that was placed at where you are seating or where
5 you are at. And also, just remind you that we are
6 -- these proceedings are being transcribed and so,
7 if we could, speak a little slower than normal.

8 We are opening up the hearing on HB2740,
9 Amendment to the Class Act regarding supplemental
10 general state aid and capital outlay state aid.

11 First, I will ask Eddie to give us a
12 briefing.

13 MR. PENNER: Thank you, Mr. Chairman,
14 Members of the Committee. I am going to be going
15 over the materials that -- I don't know if they
16 have been -- I believe they have been distributed
17 to you. It is a two-page document from our
18 office. The first page is a bar graph that looks
19 something like this. They are being handed out
20 now. And the second page is a set of numbers that
21 are the underlying data for that bar graph.

22 So, since they go hand-in-hand, one is just a
23 graphical representation of the other, I will kind
24 of be going over them at the same time. I'll wait
25 for them to be finished hand -- being handed out



1 before I start.

2 What this represents is over a four-year time
3 frame, beginning with school year 2013-14 and then
4 also school years 14-15 and 15-16, and then the
5 effects on school year 16-17 if this bill were to
6 pass. This shows the amount of mills that were
7 required to be levied by a district to generate
8 the entire non-state aid portion of their LOB if
9 the district had adopted a 25 percent LOB. And so
10 if every district adopted an identical LOB, what
11 that mill levy disparity would look like across
12 the districts.

13 The reason I did that is because, obviously,
14 some of the mill levy disparity that exists across
15 districts exists because different school
16 districts choose to adopt different LOB
17 percentages. And, so, this eliminates that
18 disparity and gives what the disparity would be if
19 every district adopted the same percent LOB.

20 In this hypothetical, I chose to use 25
21 percent. You could choose to use any percent
22 adopted LOB and the disparity between the numbers
23 would look the same on a percentage basis. The
24 magnitude would obviously vary but on a percent
25 basis.



1 So, as you can see on the spreadsheet with
2 the numbers, the first column is 2013-14. That
3 was prior to the implementation of House Bill
4 2506. The wealthiest 20 percent of school
5 districts in the state had to levy 14.659 mills in
6 order to fund the non-state aid portion of a 25
7 percent local option budget, whereas the poorest
8 20 percent of school districts in the state had to
9 levy 30.514 mills. And the numbers in-between
10 represent those 20 percent segments in-between the
11 wealthiest and the poorest. So, the disparity
12 between the wealthiest 20 percent and the poorest
13 20 percent was 15.855 mills.

14 Moving along from left to right, you can see
15 that in 2014-15 the statutory changes that the
16 legislature enacted resulted in that disparity
17 being reduced from 15.855 to 4.225 in 2014-15, and
18 5.456 in 2015-16. And if this bill were to become
19 law, that disparity would be further reduced to
20 3.148 mills in 2016-17 at the 25 percent local
21 option budget level. And, so, the bar graph is
22 merely the graphical representation of that.

23 I did omit school year 14-15 from the bar
24 graph, but that is just because the graph was
25 getting a little cumbersome when you had four



1 columns in there. The numbers for 14-15 are
2 present on the -- on the printout with the
3 numbers. And, so, if you want to compare those,
4 it wouldn't be too difficult to do.

5 CHAIRMAN RYCKMAN: Representative
6 Schwartz.

7 REP. SCHWARTZ: Thank you, Mr. Chair. My
8 question is how do you define wealthy and poorest?
9 Because there has been confusion when you look at
10 base state aid per pupil and how that is figured
11 out. So if you can explain how you can define
12 that.

13 MR. PENNER: Sure. The wealthiest 20
14 percent of districts are the 20 percent of
15 districts with the highest assessed valuation per
16 pupils in each year, and the poorest are,
17 accordingly, the 20 percent of school districts
18 with the lowest assessed valuation for pupils in
19 any given year.

20 REP. SCHWARTZ: Okay.

21 CHAIRMAN RYCKMAN: Questions? I have
22 one. You picked 25 percent. Is there a reason
23 you picked 25? Is there a reason you picked 25
24 versus -- I guess what is the average LOB?

25 MR. PENNER: I believe the average



1 adopted LOB is somewhere around 28 percent, and I
2 could have -- I could have done this on a 28
3 percent adopted LOB, I could have done it on a 30
4 percent, 33, any number that you wanted, and the
5 disparities as a percent of the mills levied would
6 have been the same. Obviously, the magnitude of
7 those -- that disparity would have changed, but it
8 would have been the same in terms of a percent.
9 The point is to just set all school districts to
10 the same. What that same is doesn't matter for
11 the purposes of this analysis.

12 CHAIRMAN RYCKMAN: Thank you. Any other
13 questions of chronology? Well, we do thank you
14 for not just this, but all the work you put on in
15 this in keeping our schools open. I know you put
16 in a lot of hours, along with the entire staff, so
17 thank you.

18 We will open the hearing. Our first
19 proponent is Dr. White, incoming superintendent of
20 Blue Valley schools. Committee, I think we'll
21 hear from all three, we have three proponents, and
22 we'll ask questions at the end of that time, and
23 then we'll move on to our opponents and then a
24 neutral.

25 Dr. White, thanks for being here.



1 DR. WHITE: Thank you very much, Chairman
2 Ryckman, Members of the Committee. I appreciate
3 the opportunity and thank you for such, allowing
4 me to come today and testify as a proponent for
5 House Bill 2740.

6 We are very mindful of the challenges that
7 you are facing as you seek an appropriate short-
8 term solution that will allow us to continue our
9 goal of offering a high quality education for
10 every student in Kansas. We thank you for your
11 hard work and long hours that we know that you
12 have spent on this, and we also want to thank you
13 for listening to the concerns that have been
14 brought before this body before, which are clearly
15 demonstrated by providing that all districts will
16 be held harmless and not lose funding from their
17 general operating budgets in this bill.

18 Further, we're grateful that you have honored
19 the spirit of the Class Act, which was to provide
20 budget certainty for school districts over a two-
21 year period as we develop a new finance formula,
22 which is the long-term goal.

23 Blue Valley School District remains committed
24 to providing high quality education for all of our
25 students and also remain good stewards of our



1 taxpayer dollars. To that end, we want to
2 continue to work with you to develop a solid
3 finance formula that provides stability and
4 appropriately accounts for the varying needs for
5 all students in Kansas. We appreciate the
6 challenges that you face and want to continue to
7 work with you to face those.

8 In concert, we believe that we can offer the
9 best solutions for our current struggles, as well
10 as our future opportunities.

11 Thank you very much, and I stand for
12 questions at an appropriate time.

13 CHAIRMAN RYCKMAN: Dr. White, thank you
14 for being here. I appreciate you being available
15 for questions. I'll call on the next proponent,
16 and we'll call you back up.

17 Dr. Hinson, Shawnee Mission School District,
18 thanks for coming back.

19 DR. HINSON: Good morning, Chairman
20 Ryckman, members of the committee. It is a
21 pleasure to be back before you today.

22 I am here as a proponent of this bill. It
23 allows for school districts to be held harmless.
24 It does not create a system of winners and losers.
25 Truly, this bill allows for the money to go into



1 the classrooms, not just property tax relief for
2 all school districts in the state.

3 We believe this bill benefits school
4 districts in relation to capital outlay
5 equalization, even though Shawnee Mission School
6 District will not benefit in relation to capital
7 outlay equalization. We support this provision of
8 the bill for the other school districts of the
9 state.

10 This is a short-term solution to allow
11 schools to stay open. It allows all of us to work
12 collectively on a long-term solution. It also
13 allows for stability during very uncertain
14 financial times. Please allow me to repeat: This
15 bill allows us to have stability during very
16 uncertain financial times, which is extremely
17 important for us.

18 In conclusion, it's March 23rd, this is the
19 best bill to address this issue for a one-year
20 solution until we develop a new formula. No
21 school district loses money in the entire state in
22 this bill from what was in the block grant, which
23 we believe is extremely important. Timing of this
24 bill is crucial. We would encourage you to please
25 move this bill quickly. Thank you.



1 CHAIRMAN RYCKMAN: Thank you, Dr. Hinson.

2 Next, Mike O'Neal, CEO, Kansas Chamber. Mr.
3 O'Neal, thanks for coming back.

4 MR. O'NEAL: Thank you, Mr. Chairman,
5 members of the committee.

6 We at the Kansas Chamber stand in support of
7 House Bill 2740. As you know, there have been
8 extensive testimony and evidence collected as of
9 Monday, and you have that in the record. I will
10 try not to reiterate what we already know is in
11 the record. What I'm here today to do is to give
12 you the reasons why we think that this response to
13 Gannon II will meet muster.

14 Keep in mind that what I will try to do is
15 provide actual language from the Court's opinion
16 to give you those reasonable assurances. The
17 uniqueness of this is that in a session where you
18 would normally be working on the next version of
19 school finance, you've kind of had to take a time
20 out because the Court has set you on a deadline to
21 correct equity. So, the challenge is the Court --
22 at least, in the Court's mind you're not in
23 compliance with equity. Not because of anything
24 in particular that you've done, but because of a
25 Court record that lacked evidence that you had met



1 your burden of showing that that that that was
2 the correct way of doing equity. And let me
3 explain that a little bit.

4 The Court accepts evidence in a certain
5 fashion, you accept testimony in a certain
6 fashion. Those two don't necessarily marry up
7 together, and that has been the failing, frankly,
8 of the defense of school finance over the years.
9 So, we applaud you for getting it right because
10 what you're doing is actually creating a record in
11 the form in which the courts are used to receiving
12 evidence, not necessarily in the form that you're
13 used to receiving evidence. So, this is critical
14 that we're having this kind of conversation with a
15 court reporter and making findings of fact.

16 There is language in the Court's opinion that
17 actually says we ask the legislature to show their
18 work, like you would in class, not only get the
19 answer, but show the Court how you got to the
20 answer so that they can be assured that it was a
21 thoughtful process, knowing that this is a
22 political process that we're in.

23 So, the Court has said that the equalization
24 infirmity, quote, can be cured in a variety of
25 ways at the choice of the legislature, end quote.



1 I would -- I would echo what Superintendent Hinson
2 has said. There are any number of ways you can do
3 this. This -- this, at this time of the year,
4 knowing that you have a deadline, is in our
5 opinion the best way of addressing this to the
6 satisfaction of the Court in the time that you
7 have allowed.

8 The Court has indicated, suggested an obvious
9 way. They say, quote, one obvious way the
10 legislature could comply with Article 6 would be
11 to revive the relevant portions of the previous
12 school funding system and fully fund them within,
13 within the current block grant system, end quote.
14 That's an important point in the Court's opinion
15 because there has been some misinformation thrown
16 out there that when the decision came down it
17 somehow struck down block grants. Nothing could
18 be further from the truth. In fact, the Court has
19 suggested that you can solve the equity issue
20 within your existing block grant system. House
21 Bill 2740 does that.

22 The test for equity is a little vague, but it
23 is what it is. Quote, school districts must have
24 reasonably equal access to a substantially similar
25 educational opportunity through similar tax



1 effort, end quote. Is the infirmity in equity
2 based on evidence that we don't have equal
3 educational opportunity? The answer is no. The
4 Court has said, quote, we acknowledge there was no
5 testimonial evidence that would have allowed the
6 panel to assess relative educational opportunities
7 statewide, end quote. So, the problem is not
8 evidence of lack of equal educational opportunity,
9 it is a formula that in their opinion they lacked
10 evidence to support the basis for doing equity the
11 way it was done.

12 They presented the obvious solution, which is
13 what you have done here, is you have gone back and
14 resurrected the capital outlay method for
15 equalization. And then what you have done is you
16 -- what you could have done and what you had, I
17 think, in 2731 a method to do pure equity. Pure
18 equity would basically be to reallocate the funds
19 in such a way that the districts that should be
20 getting more are getting more, and the districts
21 that got more than what they needed vis-a-vis the
22 other districts get less. So, it creates true
23 winners and losers, if you will. The Court would
24 actually, in our opinion, have found that
25 acceptable because that is -- that is pure equity.



1 In terms of the funding issue, the Court
2 said, quote, equity does not require the
3 legislature to provide equal funding for each
4 student per school district, end quote. The Court
5 went on to say that the test of the funding scheme
6 becomes a consideration of, quote, whether it
7 sufficiently reduces the unreasonable wealth-based
8 disparity so the disparity then becomes
9 Constitutionally acceptable, not whether the cure
10 necessarily restores funding to the prior level.
11 That's important to note too because there has
12 been some suggestion that you can't solve this
13 without throwing more money at the equity problem.
14 Equity is equity. In a sense, it's like pouring
15 two glasses from a pop bottle. And when you do
16 that, you may end up with one glass being a little
17 bit more -- have more contents than the other one.
18 Pure equity would suggest what most of us would do
19 if we were in that situation, you would take some
20 from the glass that has more and pour it into the
21 glass that has less such that at the end of the
22 exercise these would be equal. You will have
23 conferees suggest that the way to solve equity is
24 simply go back to the refrigerator and open
25 another can of pop. That is not required under



1 the rules of equity, and certainly the Court has
2 made clear language that they don't require that
3 either.

4 Equity is not a needs-based determination,
5 the Court said. Rather, it's a function of your
6 -- of basically your disparity with the local
7 option budgets and your capital outlay.

8 So, in -- in our estimation, 2740 is a
9 satisfactory response to the Court, given the
10 Court's own language. You reallocate funds
11 utilizing an approved method of calculating
12 equalization, in this case capital outlay. No
13 district losing funds, that's the hold harmless
14 provision. While that would have not been
15 necessary, it's probably political reality, and
16 the evidence in your transcript acknowledges that
17 this is -- hold harmless clauses are not unique at
18 all in the legislative political process in order
19 to hold districts harmless.

20 The other thing that's key about the hold
21 harmless is, as Superintendent Hinson explained,
22 you want to have budget certainty. The best thing
23 about the block grants, the best thing about this
24 particular bill is you give these districts budget
25 certainty. No one is going to lose under this.



1 The Court did have one phrase in its opinion
2 that suggested that you ought to, even though this
3 is in the equity phase, you should not lose sight
4 of adequacy. And -- and with hold harmless, you
5 -- you guard against a claim that, well, you have
6 taken money from me that I was expecting that I
7 already had in my budget and so I'm no longer
8 adequate. Hold harmless provisions take care of
9 that.

10 And, finally, with regard to the Kansas
11 Department of Education having control and
12 oversight of the -- essentially what the old
13 extraordinary needs funds were, allowing them to
14 use the same criteria they have in extraordinary
15 needs, but adding to that the equity definition,
16 we think makes a whole lot of sense. They have
17 the expertise to do that and we believe would do
18 that fairly, and they are in the business of doing
19 this 12 months out of the year, not three or four
20 months out of the year. So, we believe that is an
21 adequate response.

22 And, finally, because of the budget
23 certainty, we think the whole package will pass
24 muster and we encourage your support of this
25 language. I'll be happy to stand for questions at



1 the appropriate time.

2 CHAIRMAN RYCKMAN: Committee have any
3 questions of our proponents? Representative
4 Kleeb.

5 REP. KLEEB: Thank you Chairman Ryckman.
6 I have a question for Dr. Hinson.

7 DR. HINSON: Yes, sir.

8 REP. KLEEB: Glad to have you here today.

9 DR. HINSON: Thank you.

10 REP. KLEEB: Have you had to close
11 schools in the last few years?

12 DR. HINSON: The Shawnee Mission School
13 District has closed several schools since '08,
14 yes, sir.

15 REP. KLEEB: Since '08. Was that due to
16 efficiencies that you were able to gain or was
17 that due to a funding situation?

18 DR. HINSON: Combination of the two.

19 REP. KLEEB: A combination of the two.

20 DR. HINSON: Yes, sir. Certainly with
21 the '08 financial situation the district was in a
22 very difficult position and some decisions had to
23 be made in relation to closing of schools that
24 otherwise probably would not have been made.

25 REP. KLEEB: Has that left some



1 neighborhoods actually without a school requiring
2 kids to go much further?

3 DR. HINSON: There are still some unhappy
4 neighbors over the relation -- over the closing of
5 those schools, yes, sir.

6 REP. KLEEB: I guess I wonder, and maybe
7 you can help me out here. We talk about Shawnee
8 Mission being one of the wealthiest school
9 districts, and the whole concept of equity seems
10 to focus around school districts must have
11 reasonably equal access to a substantially similar
12 educational opportunity through similar tax
13 effort. Yet, I'm seeing your local district wants
14 to raise money to keep schools open and fund some
15 of those things and apparently there is sort of a
16 cap on that. Can you address, what does equity
17 mean when some schools have to close and others
18 get twice as much money?

19 DR. HINSON: We've been operating under a
20 spending authority cap which was dictated to us in
21 the formula that was created in 1992 that limits
22 the amount of money a school district can spend
23 and/or raise locally because of your assessed
24 valuation per pupil. I'll try not to get into a
25 long discussion of equity and adequacy, but the



1 last calculation that we were in the Shawnee
2 Mission School District our spending per pupil out
3 of our general fund, out of the 286 school
4 districts in the state we were 268th. 286 is
5 last. So, the majority, if not all, of your
6 school districts in Johnson County are in the
7 bottom 10 percent of all spending per pupil in the
8 state of Kansas. And that was based on the
9 formula again that was created in 1992.

10 One of the reasons why we are a proponent of
11 this bill is it simply puts more money back in the
12 classrooms across the state. Because if we go
13 back to other provisions or ideas that had been
14 implemented in our race for equity, do we not only
15 create inequality, but we also can create adequacy
16 arguments. So, that's why we believe this bill
17 was instrumental in that process that it doesn't
18 create winners and losers, which creates an
19 additional adequacy argument I don't think we
20 really want to entertain at this point in time.
21 That should be addressed in the discussion of a
22 new formula.

23 So, let me go back and repeat that, 268 out
24 of the general fund spending per pupil. That's
25 under this concept that we need to grasp what is



1 equity and what really is adequacy in this
2 process.

3 REP. KLEEB: That's where I was headed
4 out of this. It does seem like we need to address
5 this whole concept of what is equity, and I just
6 don't think the pure concept of property valuation
7 per student is really addressing that when we find
8 one district having to close schools. Thank you,
9 Mr. Chairman.

10 CHAIRMAN RYCKMAN: Any questions for Dr.
11 Hinson before he goes? Representative Ballard.

12 REP. BALLARD: Thank you, Mr. Chairman.
13 Dr. Hinson, since you're still standing, I'm
14 listening to part of your testimony and I wrote it
15 down: No winner or losers. I guess, I'd have to
16 ask the question if there is no winners, no
17 losers, hold harmless, you stay the same, nothing
18 really happens. What about the districts that
19 were frustrated enough that they joined to file
20 the lawsuit? And the response is we hold you
21 harmless and nothing changes. Are they not the
22 losers?

23 DR. HINSON: They are going to have to
24 answer that question. We are not a part of the
25 Schools for Fair Funding. We are not involved in



1 that litigation.

2 If you have other bills that have been
3 introduced that would go forward, you're going to
4 take money from some and you're going to give it
5 to others for property tax relief. The majority
6 of that money for property tax relief, not to go
7 into the general fund of school districts. This
8 bill allows for all school districts in the state
9 not to lose money in the general fund. So,
10 therefore, you do not have a question of winners
11 and losers. Everybody is held harmless because
12 you're not going to lose from where you were
13 previously in the block grant.

14 REP. BALLARD: But neither do you gain.

15 DR. HINSON: That is correct.

16 REP. BALLARD: Thank you very much.

17 CHAIRMAN RYCKMAN: Representative Barker.

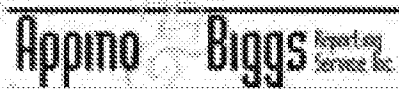
18 REP. BARKER: Thank you, Mr. Chairman.

19 And my question is for former Speaker O'Neal.

20 CHAIRMAN RYCKMAN: Any other questions
21 for Dr. Hinson? Representative Wolfe Moore.

22 REP. WOLFE MOORE: Thank you very much.
23 Thank you, Mr. Chair.

24 Welcome and nice to see you here today. You
25 made your comment about the spending out of the



1 general fund, but I'm from the Kansas City, Kansas
2 school district, so wouldn't you say that there's
3 a direct correlation primarily that you spend out
4 of the general fund depending on who your students
5 are? We have high proportion of at-risk students,
6 non English speakers, a high level of poverty.
7 So, wouldn't you expect those type of students to
8 spend more out of the general fund than a
9 different type of district?

10 DR. HINSON: Certainly in 1992 the
11 formula that was put in place then has changed
12 dramatically. My testimony is on record from
13 Monday on the history of the school finance
14 formula. I would refer you back to the Kansas
15 Division of Legislative Research July 15, 2015, a
16 memo that they put together in relation to the
17 history of school finance formula that was created
18 in 1992. So the formula that was created in 1992
19 does not look like the formula prior to the block
20 grant because those weightings have been changed
21 dramatically. That formula was created with some
22 weightings that were increased significantly and
23 then weightings were added throughout the process
24 of the history of the 1992 formula to try to
25 equate for the difference. The question becomes



1 what do you do with the money that you have to
2 produce different student outcomes in relation to
3 the school population that walks through your
4 doors? Generally, for all of us across this
5 country in public education, we are struggling to
6 narrow the achievement gap regardless of funding.

7 The fundamental question goes back to what do
8 we need to do differently in public education to
9 meet the ever-changing needs of our students?
10 Certainly, resources are a part of that
11 conversation, but they do not dominate the
12 conversation.

13 Does that answer your question? My answer to
14 your question may not be the answer to the
15 question you want.

16 MS. WOLFE MOORE: Well, I probably
17 wouldn't necessarily agree with it, but thank you
18 for your answer.

19 DR. HINSON: Sure.

20 MS. WOLFE MOORE: Thank you Mr. Chairman.

21 CHAIRMAN RYCKMAN: Any other questions
22 for Dr. Hinson? I have one. What is -- again,
23 your percentage of LOBs is what?

24 DR. HINSON: 33.

25 CHAIRMAN RYCKMAN: And that is your cap?



1 DR. HINSON: That's our cap.

2 CHAIRMAN RYCKMAN: Okay. And can you
3 help me, the timing, I know you mentioned it
4 before, the uncertainty that your district and
5 others that you would represent go through now.
6 What's the typical time when you set your budgets
7 and how would this help address that and just kind
8 of help walk us through that a little bit.

9 DR. HINSON: Generally, other than for
10 negotiations with our employees through the
11 Professional Negotiations Act, we are finished
12 with our budgeting process that would start July
13 1. So, right now we are, I'm going to describe it
14 as we are really behind because for all of my
15 expenditures starting July 1, other than the
16 negotiations through the Professional Negotiations
17 Act, we would be finished right now.

18 Currently, we're going through all kinds of
19 different budget scenarios depending on what may
20 or may not happen, not only in relation to what
21 happens with the legislature regarding what we're
22 talking about currently, but also the unknown or
23 the uncertainty of what's going to happen -- I
24 won't repeat what I mentioned to you last week,
25 the uncertainty what's going to happen in the



1 months of May and the months of June in relation
2 to the overall state budget and the potential for
3 K-12 to be recipients of allotments during that
4 process. So, our budget uncertainty is extremely
5 high now.

6 CHAIRMAN RYCKMAN: Thank you. Any other
7 questions? Dr. Hinson, thanks for being here. I
8 think we have a question for Mr. O'Neal.

9 Representative Barker.

10 REP. BARKER: Thank you. Thank you for
11 being here again. I note that, as Mr. Chairman
12 has noted, that we have a court reporter here.
13 We're building a case that where we would have
14 reasonable assurances that the Court will consider
15 our deliberative process. We've never done that
16 before. Do we have reasonable assurances that the
17 Court will accept our hearings as evidence and our
18 deliberations and considerations? Will they do
19 that?

20 MR. O'NEAL: Well, the invitation from
21 the Court was for the legislature to show their
22 work.

23 REP. BARKER: We have a record.

24 MR. O'NEAL: And we do have a record.
25 And I stopped predicting what a Court may end up



1 doing a long time ago. But in defense of the
2 Court, the Court has given us a roadmap, and
3 that's what I try to do. I'm one of those school
4 finance nerds that actually sleeps with that
5 Gannon decision under my pillow some nights
6 because I -- we really do want to respond in a
7 reasonable way to the Court. Whether we agree
8 with the Court's opinion or not, the Court has
9 given us a roadmap to follow, and I think this
10 bill reasonably follows that roadmap. And the
11 procedure that you have come up with here is the
12 best way. It's reasonably calculated, to use the
13 Court's own wording, reasonably calculated to get
14 that evidence in a way that they are used to
15 receiving it.

16 REP. BARKER: We were sending them
17 minutes and they want a transcript, probably?

18 MR. O'NEAL: Yes.

19 REP. BARKER: Why didn't we do this
20 before?

21 MR. O'NEAL: I'm asking myself the same
22 thing because I think it's -- I think it's very
23 smart to do it this way.

24 REP. BARKER: It's an excellent approach
25 because then they have a record. Well, it's a



1 good deal, thank you, sir.

2 CHAIRMAN RYCKMAN: I hope nothing -- I
3 shouldn't be talking over you. I hope if nothing
4 else that this process has shown we are trying to
5 do just that, from having a transcriptionist here
6 to trying to reflect and track how ideas become a
7 bill. They're subject to public debate and
8 comment, they can be amended. And, obviously,
9 ultimately the bill passes there is a -- there is
10 a -- again, we showing our work and I hope if
11 nothing else, this process is showing our attempt
12 to do that.

13 Representative Carlin.

14 REP. CARLIN: Thank you, Mr. Chair, and I
15 think it's a good idea to have a record. You
16 know, I have often wondered why we didn't, at
17 least, have a tape recording of our minutes and of
18 our meetings. I spoke with my superintendent this
19 morning. He agreed it's a wash for them and, you
20 know, it just barely would just maybe get us by.
21 But I wonder if every school district had the
22 opportunity to come this morning and put their
23 voice to the record because, you know, if we hear
24 from schools in the eastern part of the state and
25 not middle and western, are we getting a good



1 record and were they invited specifically and were
2 they told that we were going to be recording? Is
3 that up to me to tell them.

4 CHAIRMAN RYCKMAN: I think I can answer
5 that. First, we do take minutes and have very
6 good minutes kept by our minutes secretary and
7 they are recorded. The transcriptionist will put
8 it in a court form that the courts are used to
9 looking at, and this is -- all hearings are open
10 to the public, anyone can sign up. As we've had
11 now two bills we've had hearings on, this being
12 the second.

13 Any other questions for Mr. O'Neal?

14 REP. CARLIN: But the answer to my
15 question is, were the school districts aware that
16 we were going to use this method to -- to make a
17 record of their feelings?

18 CHAIRMAN RYCKMAN: I think we mentioned
19 it in committee. I know Monday when we had our
20 hearing upstairs at the beginning of the meeting
21 we mentioned that all -- or at least in the --
22 maybe at the end of the meeting we mentioned our
23 intent was to have a transcriptionist here for the
24 remainder of our meetings.

25 REP. CARLIN: I don't mean to argue, but



1 I knew that was coming. I didn't get it that it
2 was -- our plan was to use this in the court
3 system in this way. And, so, I think it's
4 valuable if other school districts could come and
5 speak to the bill, knowing that they're going to
6 be part of the Court proceedings in the future and
7 I appreciate and I feel responsible that I should
8 have invited them and had I known that, but I just
9 wondered if anything could have been done other
10 than that. Thank you. Thank you, Mr. Chairman.

11 CHAIRMAN RYCKMAN: Any other additional
12 questions for any of our proponents? Thank you,
13 Mr. O'Neal. We'll go on to our opponents.

14 First, we have Dr. Cindy Lane, Superintendent
15 of Kansas City Public Schools. Dr. Lane, thank
16 you for being here.

17 DR. LANE: Thank you, Chairman Ryckman,
18 and to the committee. We are pleased to be here
19 today. And thank you, Representative Carlin, for
20 your question about districts being informed. One
21 of our challenges, frankly, is sharing and making
22 sure everyone has an opportunity, so I appreciate
23 that very much.

24 I want to start by thanking you all for your
25 work to -- as Albert Einstein says, nothing



1 changes unless something moves. And we clearly
2 see that you're making effort to move this along
3 so we can move from a point of disagreement
4 completely to trying to resolve the issue for our
5 children, for our communities and for our
6 families.

7 But I want to start today talking a little
8 bit about the hold harmless provision, and thank
9 you for that. It is critically important that as
10 we move forward and make decisions about financing
11 of schools, that districts don't experience any
12 harm. But I want to add this twist to my comment.
13 In past times, this legislative body have used
14 hold harmless provisions in a very strategic way
15 when making changes to school formulas, but you
16 have used that after you've corrected the
17 deficiencies in the funding formula.

18 So while we appreciate the hold harmless, it
19 may be premature until those deficiencies are
20 corrected. So I ask you to give that
21 consideration.

22 But let me talk to you a little bit about
23 House Bill 2740 by taking you back to algebra
24 class where you learned of the transitive
25 property. You may remember you learned that if A



1 is equal to B and that B is equal to C, therefore,
2 C is equal to A. You remember that? I know it's
3 been a while for some of us, but take yourself
4 back to that point. I want you to substitute A
5 for Senate Bill 7, Senate Bill 7. Substitute the
6 letter B for the unconstitutional measure of the
7 equity factor, and C as House Bill 2740. So let
8 me walk you through that. Senate Bill 7 was found
9 by the courts to be unconstitutional in the equity
10 piece. All right B, B. So if Senate Bill 7 was
11 found to be unconstitutional for equity and House
12 Bill 2740 mirrors Senate Bill 7, the block grant,
13 it seems logical that, therefore, that House Bill
14 2740 would not meet the Constitutional test.

15 Now, I will stand here and tell you that I'm
16 not going to try to interpret what the courts have
17 to say about that, but what we have done in House
18 Bill 2740 is simply distribute the funding in the
19 same way that it was distributed under Senate Bill
20 7. Our district is flat. We appreciate not
21 having any additional cuts at this time in our
22 funding because it's been very difficult to for us
23 to meet your expectations to educate every child
24 under some financial strain. We appreciate trying
25 to have some reliability as we move forward with



1 budget planning, but it is our thinking that this
2 bill needs more work. Because if we merely are
3 redistributing the funding, the same funding in
4 the same way that was done with the block grant,
5 we don't believe it meets muster with equity.

6 So keep two things in mind, please. The hold
7 harmless provision has worked in the past when
8 it's held districts harmless after you've
9 corrected the deficiency in the formula. And
10 taking a look at this House bill, it does nothing
11 to resolve the equity issue that the Court said
12 needed to be resolved.

13 So I look forward to questions that may
14 arise, Mr. Chairman. Thank you.

15 CHAIRMAN RYCKMAN: Thanks for being here.

16 Jim Freeman, CFO, Wichita Public Schools.
17 Mr. Freeman, welcome to the committee.

18 MR. FREEMAN: Chairman Ryckman, members
19 of the committee, thank you very much for the
20 opportunity to come before you today and talk a
21 little bit about House Bill 2740. I'm going to
22 say some of the same things that you've heard not
23 only from opponents but from proponents as well to
24 say thank you for the work you're doing. This is
25 a difficult challenge for the legislature. Quite



1 frankly, it's a difficult challenge for school
2 districts, as well, in terms of as we look at the
3 funding mechanism and the challenges with -- with
4 -- that comes along with that. So we appreciate
5 the time and effort that you are putting in on
6 this and agree that the sooner we know, the better
7 off we are going to be. We've talked about budget
8 developments, those types of things. We are right
9 in the middle of all that right now and it makes a
10 big difference to us.

11 However, I'm going to respectfully have to
12 oppose this bill as it is right now on a couple of
13 issues. One, that it addresses fiscal year '17
14 only. It doesn't address the equity issues that
15 we've already endured. And one thing I'd like to
16 point out in Senate Bill 7, where this really
17 starts from, for Wichita public schools was -- was
18 a reduction for us. And so it's one of those
19 where we got cut through Senate Bill 7 and now
20 that's carrying forward for us. So the equity
21 issues that come along with that for us total
22 around \$26,000,000 over the -- over those years,
23 but that's an issue that we feel is -- that the
24 Court was probably looking for and realize that
25 this one only addresses fiscal year '17.



1 The other aspect of it, Dr. Lane talked a
2 little bit about and that was the hold harmless
3 piece of it and redistribution of funds. And
4 we've -- I'll call it we've equalized down rather
5 than equalized up and we think that that is the
6 wrong approach for us in terms of what we need to
7 be able to do for the future and for the students
8 that we try and educate.

9 The fact that the equalization formula for
10 the LOB changed and went to the capital outlay
11 side of it reduced that aid for the Wichita public
12 schools fairly significantly. And again, we are
13 being held harmless, but it might in the future
14 create a problem for us on -- on having to raise
15 property taxes. We haven't worked through all of
16 that yet, but I think there might be some issues
17 that go along with that, as well.

18 And again, just in closing, I'd like to again
19 thank you for the opportunity and for the work
20 that you're trying to do here. We do want to be
21 part of the conversation. We do want to be
22 helpful in whatever way we can. And with that,
23 I'd stand for any questions.

24 CHAIRMAN RYCKMAN: Mr. Freeman, again
25 thanks for being here. Questions of Mr. Freeman



1 or Dr. Lane. And if we could, we'll keep you from
2 jumping up and down. Is your question for Dr.
3 Freeman?

4 REP. GROSSERODE: Dr. Lane.

5 DR. LANE: Yes.

6 REP. GROSSERODE: Thank you, Dr. Lane.

7 So my question is kind of twofold because you had
8 recognized the question by the representative from
9 Wichita in regard to the communication to schools
10 in regards to this bill and the hearing for this
11 bill. Do you know how many lobbyists represent
12 the education interests of different schools?

13 DR. LANE: I do not.

14 REP. GROSSERODE: Do you routinely get
15 communication from any of the lobbying
16 organizations here?

17 DR. HINSON: We do, yes. But my
18 reference was not that the information was not
19 available, but oftentimes it's difficult to ensure
20 everyone is paying attention.

21 REP. GROSSERODE: So I find that hard to
22 believe, knowing where we are at in the discussion
23 of school finance and addressing the Court
24 decision that administrations are not paying
25 attention to communications from different groups,



1 such as KASB, who I know routinely daily sends out
2 updates to those who are in their organization. I
3 know they do so because I get those e-mails. They
4 also tweet quite a lot of different members of
5 their body. So I would think it is highly suspect
6 that school districts were not quite well aware of
7 what was going on today. And if they could not be
8 here physically, they are quite capable of
9 submitting written testimony. So the argument
10 that they could not be here to voice their opinion
11 is one that I find very troubling.

12 DR. LANE: I appreciate that,
13 Representative, and I wasn't trying to imply that
14 they could not, just simply validating that
15 communication is critical when leaders make
16 significant decisions. Keep in mind yesterday at
17 two o'clock in the afternoon was the first time
18 individuals had an opportunity to learn of this
19 bill. And to be here this morning, just for us,
20 was difficult, but we are here because we
21 recognize that we needed to be.

22 But as leaders in general, as we make the
23 decisions for our organizations and as this body
24 makes them for our entire state, it's critically
25 important to provide as much opportunity as



1 possible for influence and having our decisions to
2 be shaped. So my comment was an affirmation, but
3 it certainly wasn't to suggest that the
4 information was not out there or that districts
5 didn't care or weren't paying attention, but it
6 was a very quick turnaround for this particular
7 hearing.

8 REP. GROSSERODE: Thank you. And then I
9 want to go back to the equity piece in which you
10 discussed in regards to Senate Bill 7 and laying
11 the correlation between the what you would regard
12 to be the A equals B.

13 DR. LANE: The Transitive.

14 REP. GROSSERODE: Yes. So again, as I
15 stated before, I think that our equity formulas
16 are based upon zero logic, zero scientific fact
17 and were created in -- well, in a way in which I
18 have found, since I first brought this topic up,
19 to be a very suspect situation. So had that been
20 part of the public record, how the equity formulas
21 first came into being, I think that we may have a
22 different result of what we are speaking here
23 today.

24 So, do you argue that the Court said that the
25 capital outlay formula, the original capital



1 outlay formula is Constitutional?

2 DR. LANE: I would never argue with the
3 Court's findings or try to interpret them,
4 Representative. But what has occurred in House
5 Bill 2740 is utilizing, and Mr. Freeman, I
6 believe, was trying to address this, utilizing the
7 capital outlay equalization and lowering the local
8 option budget equalization creates very different
9 economics for school districts.

10 But let me add that equity for us is
11 critically important because it costs more to
12 educate some children than it does others. The
13 reality of the work that all of us do is that kids
14 come to school from very different places and some
15 require additional resources in order to be able
16 to access what we are asking of them. For me that
17 is key inequity. And in this particular case,
18 equity speaks to our ability to ensure opportunity
19 regardless of where that child enters the system;
20 that they can access that opportunity while our
21 taxpayers are providing that relatively similar
22 tax effort there.

23 REP. GROSSERODE: Why should there be
24 different formulas for equity?

25 DR. LANE: Because it costs different



1 amounts of money to educate all of our children to
2 the levels of expectations that we have in Kansas.
3 When you have a young person who enters school for
4 the first time in six or seventh grade and maybe
5 speaks a language other than English, we have to
6 have an intensive amount of resources to move that
7 child so they can graduate on time at the same
8 level of expectation that a child who is born
9 right here in our -- in our state.

10 REP. GROSSERODE: And while I don't
11 dispute that different students have different
12 needs and the costs of those students may well
13 vary greatly, those issues had been taken care of
14 in the formula by weightings that addressed those
15 specifics needs, and that is a different issue
16 than the local option budget. And the equity
17 piece of the local option budget, and even the
18 equity piece of capital outlay, addresses property
19 tax and the equity available within property tax,
20 not the student population.

21 DR. LANE: But the student population
22 reflects the community's wealth, and the
23 community's wealth reflects the property values,
24 so it all relates to one another.

25 REP. GROSSERODE: But that is not



1 necessarily accurate because we have found that
2 schools greatly differ from year to year where
3 they place on their assessed valuation per pupil
4 based upon lowering their -- their enrollment
5 lowering, their property tax tanking because of
6 oil revenues and such. So those things are
7 definitely in flux. And I have seen a couple of
8 different ways to actually dig down into the
9 relative poverty in the area and many times
10 assessed valuation per pupil does not necessarily
11 recognize the relative poverty in an area.

12 For instance, let's talk about a community
13 that has a power plant. That community has a
14 large assessed valuation per pupil because they
15 have this one piece of property that is incredibly
16 valuable. Yet, many of the people in that area
17 are not wealthy by any means. So we are saying
18 that one piece of property lifts the value of the
19 rest of the property in the area, but doesn't
20 necessarily address the poverty that also is in
21 that area.

22 DR. LANE: As I hear you speak, I think
23 you do a fine job articulating the nuances and the
24 factors that every school district has to weigh
25 and this body has to weigh in terms of developing



1 a finance formula that meets the needs of all
2 children in Kansas. There are many moving parts
3 and there are many things that change regularly,
4 including your student population and your
5 property value. All of those things need to be
6 considered as you build that next formula.

7 REP. GROSSERODE: Thank you, Mr. Chair.

8 CHAIRMAN RYCKMAN: Representative
9 Ballard.

10 REP. BALLARD: Thank you, Mr. Chairman.
11 As we were talking about hold harmless, and we
12 know it keeps you basically the same across the
13 board, can you just tell me how that would affect
14 the Kansas City schools, which is a growing school
15 district.

16 DR. HINSON: Yes, ma'am, it certainly is.
17 We have been growing an average of 500 children a
18 year for the last five or six years. Holding us
19 harmless at this level of funding we are at some
20 critical decision points about how we continue to
21 move our district forward. And, Representative,
22 you have heard me speak about our work to graduate
23 each student diploma plus, their high school
24 diploma completed plus at least one year of
25 college and/or their technical credential. For



1 us, that work is critical not only for that young
2 person but immediately gives tools for our
3 students to add to the economy, that technical
4 degree. So the words at -- we are trying to
5 determine how we continue to move forward with the
6 kinds of work that you expect us to be doing when
7 our funding is, in essence, frozen, and has been
8 frozen for will be going on two years now, frozen
9 with the cut that came before.

10 So we are not sure of our plan yet. As
11 you've heard from other districts, we normally
12 would be done at this point, but we are working
13 through those, those scenarios and looking for
14 what your final decisions will be so we can
15 finalize what we do to move our kids forward.

16 REP. BALLARD: Thank you, Mr. Chairman.

17 CHAIRMAN RYCKMAN: Dr. Lane, I have a few
18 questions. One is what is your percentage of LOB
19 now?

20 DR. LANE: 30 percent.

21 CHAIRMAN RYCKMAN: 30 percent. And I
22 recall, you may not recall we had a conference
23 call with a group of superintendents right during
24 the process of the block grant being passed, and
25 Senator Masterson and I was on the conference call



1 with it seemed like half the superintendents of
2 the state. And I remember looking at your numbers
3 after the passage of -- I think it was 2506 in
4 carrying the block grant and saying you received
5 11 and a half million more, and I think you said,
6 and you correct me, I don't want to put words in
7 your mouth if it wasn't you, we didn't get it.

8 DR. LANE: No, I don't think those were
9 my words, sir, but that funding went to property
10 tax relief because our local community had already
11 been taxing itself to make sure we could remain at
12 30 percent.

13 CHAIRMAN RYCKMAN: Right. And that's the
14 point I was going to get to. And when I look at
15 what that did to your rates from 13-14 to 15-16,
16 it looks like you went down almost 14 mills.

17 DR. LANE: That's correct, sir.

18 CHAIRMAN RYCKMAN: And that was based on
19 equalization at the old formula, and that was the
20 results. And as you said, and again I do not mean
21 to put words in your mouth, what I remember
22 hearing was that money did not go to schools, but
23 to property tax relief. So my opinion, per
24 previous testimony, this type of a solution does
25 allow the money in flux to stay in the classroom



1 and not take from others. I do think we have 20
2 to 30 winners, so to speak, in areas that did have
3 very greatly depressed property valuations.

4 So again, that was just kind of my assumption
5 based on what's happened. And I'm appreciative
6 for your voters in urging your taxpayers in having
7 a lower mill rate. But as we hear these needs,
8 I'm just wondering there is another option and
9 that is the local effort, as well, and I guess
10 that's the point I'm trying to clarify.

11 DR. LANE: You are correct and the board
12 will be having discussions about whether or not we
13 consider increasing the local level of funding,
14 keeping in mind that our community is ranked one
15 of the poorest in the State of Kansas and we are
16 very sensitive to variability to provide the
17 resources needed.

18 CHAIRMAN RYCKMAN: Right, and the rate
19 would just reflect the level of the valuation.
20 It's not -- like I believe in my district it's a
21 total of 68 mills and if someone has a \$40,000
22 house, they are taxed at that 68 mills, and not at
23 -- I don't know your total mills, but I don't
24 think it's 68. So we are talking about equity,
25 it's really hard to get to equity. In fact, I



1 think the testimony we heard on Monday reflected
2 that.

3 We also heard that, thanks to Representative
4 Grosserode's question, that every formula that has
5 been produced has been a result of mainly
6 politics, so and that's -- we are trying to --
7 again, our main goal here is to keep our schools
8 open, provide certainty. And I do definitely
9 thank you for being here and bringing information.
10 I didn't really ask a question. If you want to
11 follow up, I apologize for not asking a question.

12 DR. LANE: Thank you, Mr. Chairman.

13 CHAIRMAN RYCKMAN: Any other questions
14 for Doctor Lane? Thank you, I think we have a
15 question for Mr. Freeman. That was from -- I'm
16 not begging you to, I thought I had a hand.

17 Representative Hutton.

18 MR. HUTTON: Thank you, Mr. Chair. And
19 glad to see you here today.

20 MR. FREEMAN: Thank you.

21 MR. HUTTON: A few days ago we had a
22 hearing on another bill that actually benefited
23 your district more than this bill does and your
24 silence spoke volumes on that. Can you explain
25 why you weren't here?



1 MR. FREEMAN: Well, first of all, there
2 were two bills that came out. And at the time
3 that they were going through the process, they --
4 they were quite a bit different and we weren't
5 quite sure which way to go on either one of them.
6 But similar kind of issues in terms of looking at
7 the equity piece of it. Had we been here we
8 probably -- we would have been in opposition to
9 them, as well.

10 I think we are on the right track. I think
11 we are looking at the right things and trying to
12 find the right answers, I just don't think we are
13 quite there yet. But, you know, I -- timing is
14 sometimes a little tough to make everything work
15 out and it was just one of those -- one of those
16 issues where we couldn't really decide which way
17 to go on it, so we decided just to do nothing.
18 So, I can't say any more than that.

19 MR. HUTTON: I wish we had that same
20 option.

21 MR. FREEMAN: I understand.

22 MR. HUTTON: Thank you.

23 MR. FREEMAN: I understand.

24 CHAIRMAN RYCKMAN: I second that motion.
25 Representative Henry.



1 MR. HENRY: Thank you, Mr. Chairman. I
2 just have a little line of questioning, and we
3 have a rule not to call out another
4 representative. But Representative Hutton did go
5 there last night, so I want to make sure if I get
6 it wrong that he has a chance to do this.

7 In your testimony, it almost -- you say that
8 this -- this bill -- let me first start, 2731,
9 which we had a debate on and this committee
10 decided not to move it, you know, was a bill that
11 did redistribute the wealth. And we did have
12 certain part of the state was going to lose
13 funding, and Wichita was going to gain funding
14 under that. And I understand the politics of why
15 that bill did not move out of this committee, but
16 it was favorable to your -- to the Wichita area.
17 Okay? And your testimony says schools are, in
18 essence, self-funding this plan, and I believe,
19 and I'm being very respectful what Representative
20 Hutton said last night, is the property taxpayer
21 the loser in this plan in that will this, you
22 know, because a lot of the money for 2731 that was
23 going to go to schools which would then go to
24 property taxpayers to reduce property. It wasn't
25 really going to the classroom; we understood that.



1 So that's -- my question is, will Wichita
2 school districts, and some of the losers, then
3 have to self-fund this by going either not giving
4 back to the property taxpayer the money that they
5 should have got for equity or will school
6 districts that are essentially losers have to go
7 to the property taxpayers to get money to support
8 schools? Do you understand my line of
9 questioning?

10 MR. FREEMAN: Yes, I do.

11 MR. HENRY: Truthfully, by this bill, the
12 property taxpayers are the ones who are paying for
13 this bill.

14 MR. FREEMAN: It depends on what a school
15 board -- how a school board reacts to it, right?
16 When you look at the -- at the -- the dollars are
17 flat. With the hold harmless dollars, the dollars
18 are flat. However, for Wichita, we saw a pretty
19 good size decrease in the LOB equalization aid.
20 That's where the property tax piece comes in.
21 Now, the board can choose not to keep their LOB at
22 the level that it's at now. In other words,
23 reduce that LOB. And in that case the property,
24 the property tax owner would not be affected or it
25 possibly would even lower property taxes.



1 If the board chooses to keep their LOB at the
2 same level, then we've got to do something to fill
3 that gap. Okay?

4 Now, the hold harmless money won't fill the
5 gap completely, so we'd have to figure out some
6 way to use that capital outlay state aid to fill
7 that rest of that gap to keep from having to raise
8 the property tax. So I haven't worked through all
9 the mechanics of it yet, but we have some options
10 that we'll have to look at as to whether there is
11 property tax relief or not or property tax
12 increase. I think that's kind of where we are at
13 this point.

14 One of the things that's in the bill, and
15 again I'm getting some technicalities I probably
16 shouldn't, but one of the things in the bill is
17 capital outlay state aid goes directly into the
18 capital outlay fund in this bill. With it doing
19 that, we are going to have a hard time making all
20 of -- all the movement work, you know, what money
21 we put in which bucket. So we've still got some
22 work to do to figure out how that might work.

23 MR. HENRY: My last question, and again I
24 -- is this bill, if it passes, then school boards
25 are going to have to make some decisions about



1 what to do with property taxpayers in individual
2 school districts.

3 MR. FREEMAN: Correct, yes.

4 MR. HENRY: Okay. So that's -- when we
5 say we are hold harmless, what's happening is we
6 are putting a burden on local property taxpayers
7 as to whether they get a refund or whether we are
8 going to have to go to them to get the funding to
9 make up for the equity.

10 MR. FREEMAN: As I understand it and look
11 at it now, that's what I -- but I haven't really
12 looked at it in enough detail. I just read it
13 last night, so --

14 MR. HENRY: Mr. Chairman, I'm just saying
15 that -- I'm not sure if I have those correct, but
16 I'm thinking that my feeling is correct that this
17 is going to fall -- the funders of this bill,
18 instead of state funding \$30, \$40,000,000, the
19 funders of this bill will be the local property
20 tax, local property taxpayers. So that's just my
21 opinion, Mr. Chairman.

22 CHAIRMAN RYCKMAN: I appreciate you
23 bringing the topic up, and I can give you the
24 intent of the legislation and what the
25 spreadsheets in front of us show. And I will just



1 walk through Wichita since we are here.

2 Under column one, the capital outlay, there
3 would be an additional 4.5 million dollars. Under
4 LOB, since it's now run through the capital outlay
5 formula, there will be a reduction of about
6 \$6,000,000. The difference is 1.5.

7 MR. FREEMAN: That's the hold harmless.

8 CHAIRMAN RYCKMAN: And so you would get
9 the 1.5 back. And right now the way the bill is
10 written -- and I'd love to have some conversation
11 to another question, I'll kind of set this aside.
12 Right now, the way the bill is written, that money
13 is to go into basically your base aid. So,
14 therefore, your -- your capital -- your LOB would
15 be reduced by \$6,000,000. And so you could raise
16 your -- of course, I don't think you're at your
17 cap. Where are you at now?

18 MR. FREEMAN: We are at 30 percent. We
19 don't have authority to go to 33.

20 CHAIRMAN RYCKMAN: Right, but most people
21 go to 33. The way this is written now, you would
22 have the ability to raise that approximately
23 \$6,000,000 back, like Representative Henry did
24 say, from your property tax owners. However, it
25 would be an additional 6,000,000 because the 5



1 point -- 1.5 does hold you harmless.

2 You also have the flexibility, under your
3 capital outlays, since you receive 4.5 million in
4 your capital outlay account, you could lower your
5 capital outlay mills and receive approximately the
6 same money. And that way when you raise your LOB
7 numbers, your property tax owners would not see an
8 adjustment.

9 MR. FREEMAN: I agree. That's why I said
10 I haven't had a chance to work through the
11 mechanics of what that would do because when we've
12 had prorations of the LOB in the past to keep that
13 budget, because that goes directly to the
14 classroom, we lowered LOBs. So I agree entirely.
15 So we do have options.

16 CHAIRMAN RYCKMAN: Because you would
17 receive the same amount of money if you -- if your
18 valuation stayed the same, mill rate stayed the
19 same, obviously things adjust, but based on this
20 bill, the intent and the way it's written you
21 would not have -- the property taxpayers would not
22 need adjustments --

23 THE REPORTER: Could you slow down just a
24 little? Thank you. Sorry to interrupt.

25 CHAIRMAN RYCKMAN: At the beginning I



1 gave instructions to the committee and just
2 ignored it. If my vice chair was doing her job --
3 no, just kidding.

4 So I guess my question, if we -- if the bill
5 is written the way we intended that the -- that it
6 did provide that type of flexibility, is that a
7 benefit for your district or not?

8 MR. FREEMAN: Certainly it's a benefit to
9 have the flexibility to work -- work the numbers,
10 and -- but again, it will be a choice that we will
11 be given to the board and they'll make some
12 decisions about that. So ultimately it comes back
13 to, you know, the funding levels that we want to
14 try and maintain.

15 The one -- one other piece of it, and again a
16 technicality, but if -- if we do wind up lowering
17 our LOB, then as I -- it's also my understanding
18 that the equalization aid would drop a little bit,
19 too, but probably not significantly. But again, I
20 haven't read all the detail of the bill. I just
21 haven't had time.

22 CHAIRMAN RYCKMAN: Again, that is not my
23 understanding, but we will definitely clarify that
24 at the conclusion of this meeting because we want
25 to make sure that our language is what we are



1 intending.

2 I'd like to move on just to kind of the same
3 conversation we had with Dr. Lane as far as the
4 results of HB 2506. Based on the old formula,
5 based on our attempt to equalize, put an
6 additional \$16,000,000 into the school system, the
7 result of your LOB -- excuse me, your total mills
8 from 13-14 to 15-16 dropped three.

9 MR. FREEMAN: Correct.

10 CHAIRMAN RYCKMAN: And again, the -- by
11 doing what the old formula did in a way, and we've
12 heard from many districts that they would need
13 more resources, with this type of answer the
14 courts will allow more of those resources and will
15 give you more flexibility to answer the needs that
16 you have. Would you agree with that that, again,
17 this type of proposal allows you to put more money
18 for you to operate with?

19 MR. FREEMAN: From the standpoint of the
20 flexibility that we were given in the block grant?
21 Is that what you're asking?

22 CHAIRMAN RYCKMAN: Yes. Does this bill,
23 compared to what we had in previous years or even
24 the prior bill, that 2731?

25 DR. HINSON: Well, it does give us some



1 flexibility of movement of funds between --
2 between some of our funds, and in particular the
3 capital outlay fund. And quite frankly, we took
4 advantage of that, actually, before the block
5 grant came into place because the new resolution
6 allowed us to do that. So the flexibility is a
7 good thing. However, the way we are currently
8 using our budget and managing our budget, we
9 haven't actually taken advantage of any of that
10 flexibility, not because it -- we didn't --
11 because we are putting our money in the funds that
12 we wanted it to be in anyway, so we didn't have a
13 need to move money back and forth in funds.

14 But, yes, the flexibility is nice and we just
15 haven't, other than the very first capital outlay
16 piece, we haven't really taken advantage of it.

17 CHAIRMAN RYCKMAN: And my final question,
18 what's your total mills now for schools?

19 MR. FREEMAN: Right now, 55, 56,
20 something like that.

21 CHAIRMAN RYCKMAN: Thank you.
22 Representative Rhoades.

23 REP. RHOADES: Yeah, real quick, Mr.
24 Chair. What's your total budget per year?
25 Because I don't know.



1 MR. FREEMAN: The total, total budget is
2 about 680,000,000.

3 REP. RHOADES: And do you have an
4 unencumbered balance currently? What's your
5 unencumbered balances?

6 MR. FREEMAN: Right now?

7 REP. RHOADES: Right now.

8 MR. FREEMAN: I think the last report it
9 was at about 110,000,000.

10 REP. RHOADES: So you're, you're almost
11 15 percent balanced in your unencumbered?

12 MR. FREEMAN: I understand, but the
13 unencumbered balance right now includes the
14 property tax -- the large property tax revenue
15 that we received in January and the LOB and
16 capital outlay. So it is a little inflated right
17 now, but will come down. I expect -- I expect
18 that our cash balances will be down lower,
19 certainly lower than that at the end of the fiscal
20 year.

21 CHAIRMAN RYCKMAN: Representative Henry.

22 MR. HENRY: Real fast, Mr. Chairman. I
23 hope that -- I thought I saw Dale Dennis in the
24 room, and maybe not. I mean, I think what we are
25 seeing right now, Mr. Freeman, is what's going to



1 happen for the next two or three months with all
2 school boards in that how are you going to take
3 this, you know -- and again, I'm saying what
4 Representative Hutton said last night, this is
5 really self-funding. Either the property taxpayer
6 is not going to get a rebate or they are going to
7 have an increase, or we are going to have school
8 districts that say we are going to cut operations
9 in which they'll have to cut budgets to make up
10 for the loss in equity. So I hope we are keeping
11 track of that because we are seeing testimony that
12 this could possibly be a solution for the new
13 finance formula, so I hope we are keeping good
14 records. Because if we started doing this as our
15 equity test on into the future in the new finance
16 formula, I'd sure like to see how school districts
17 are reacting to this.

18 CHAIRMAN RYCKMAN: We also haven't had
19 testimony of other options as far as other
20 efficiencies. I know we had three suggestions
21 from A&M that talked about possibly procurement,
22 insurance for health care or our capital -- or our
23 casualty insurance. There hasn't been a lot of
24 collaboration to work on that yet. In fact, we
25 saw some of that on the floor yesterday, but there



1 are other choices. Again, there has been some
2 news and talks about Wichita school districts and
3 health insurance rates and what they pay. There
4 is other -- there is other options besides the
5 ones being presented. All right. Thank you, Mr.
6 Freeman, for being here.

7 Move on to our neutrals. Dave Trabert,
8 Kansas Policy Institute.

9 MR. TRABERT: Thank you, Mr. Chairman,
10 members of the committee. For the record, my name
11 is Dave Trabert, I'm President of the Kansas
12 Policy Institute. We here -- we are here today
13 testifying neutral, on this bill for the simple
14 reason that it is one of several options that
15 could resolve the Court's order on equity without
16 spending more money. And so we certainly agree
17 with many of the things that Dr. Hinson and Dr.
18 White said and completely concur with testimony
19 from Mr. O'Neal, and so I won't bother repeating
20 much of that on equity.

21 We do believe it is a viable solution to the
22 Court's ruling. I would, however, like to
23 disagree with the contention from Dr. Lane where
24 she said that she was using the transitive
25 property, if I understand it correctly, to imply



1 that it's not -- doesn't meet the Court because if
2 A equals B and B equals C, then C equals A, and
3 she said they are all the same. But, of course,
4 the first report you had from the Legislative
5 Research today, and I failed to bring that with me
6 and I'll try to do it from memory, refutes that.

7 The funding that was in SB7 for equalization
8 was in round numbers, about \$450,000,000. What is
9 in the proposal today is \$495,000,000. Now, of
10 course, the Court did not say, as you've heard
11 previously, the Court did not say that more money
12 needs to be spent in order to resolve equity.
13 They said if you don't, then you could create a
14 separate adequacy issue, but they didn't say you
15 had to spend more. And yet, this bill does
16 propose to spend about \$45,000,000 more than what
17 was in the SB7 allocation. And that wasn't so
18 much to do with the money as it was the
19 distribution. They didn't say there wasn't enough
20 money in there.

21 So what Dr. Lane is really using, and what my
22 old math teacher would say, the transitive
23 property doesn't apply here. You applied logical
24 fallacy to try to fit the transitive property to
25 your narrative.



1 Now, I'd also like to address the concerns
2 about equity, because the Court did say that if
3 you don't provide more money, that you could
4 create in a separate, unrelated to this, but a
5 separate matter of adequacy. We don't believe
6 that would be the case for a number of reasons.
7 First of all, the Court said in March of 2014 that
8 the first test of adequacy is whether students are
9 meeting and exceeding the Rose capacities.

10 Now, since then, we have had school
11 districts, the Department of Education, the Kansas
12 Association of School Boards and others on the
13 record coming to the legislature, coming to the K-
14 12 Commission on Student Achievement and
15 Efficiency also saying we don't know how to
16 measure and define the Rose capacities. We need
17 your help to understand this. So, basically, they
18 are saying we don't have enough money to get home,
19 but we don't know where home is. That alone, to
20 me, invalidates the case that they don't have
21 adequate funding to meet the Rose capacities.

22 There is more, though. As you have seen in
23 my testimony, there is a chart there showing that
24 school districts over the last 10 years
25 collectively have not spent about \$385,000,000 of



1 the money they were given by taxpayers, by the
2 legislature to operate schools. They increased
3 their cash reserves from about 468,000,000 to
4 \$853,000,000 over that 10-year period. That
5 doesn't include the capital money, it doesn't
6 include any of the bond issues.

7 You have also had testimony in various
8 committees this year and in the past where school
9 districts acknowledge that they choose in some
10 cases to spend more than is necessary, and that
11 they've actually opposed many opportunities that
12 would reduce their costs, whether it be on
13 procurement or many other ways and make more money
14 available to the classroom. And that itself may
15 yet go to an issue of equalization, ironically,
16 because by choosing to operate inefficiently, they
17 are forcing other people to be taxed
18 unnecessarily. It would be interesting to see
19 what the Court had to say about that.

20 And finally, I would like to conclude with a
21 comment or a new piece of testimony because a lot
22 of what I had in here was similar to what you saw
23 last week. But last week you heard from the
24 Kansas Association of School Boards, and this also
25 gets to a matter of whether or not it creates an



1 adequacy issue. They testified that no state
2 spends less and achieves more. On page 4 of my
3 testimony, I provided some evidence that
4 completely contradicts that claim.

5 The National Assessment of Educational
6 Progress, considered the gold standard of student
7 achievement measurement. And what I have done
8 here is simply lay out the scores of Kansas and
9 two other states. And I chose these two states
10 because they spend less than Kansas. According to
11 the Census Bureau -- and these per pupil amounts
12 are on a head count, so they will be a little bit
13 different from what you're used to seeing because
14 KASB reports everything on a full time equivalent.
15 But according to Census Bureau information, in
16 2013, which is the most recent available, Kansas
17 spent \$11,496 per pupil. Texas spent about \$1,100
18 less, 10,313. Florida spent almost \$2,000 less
19 than Kansas, 9,420. Above that, you can see the
20 scale scores for fourth grade and eighth grade
21 reading and math for both low income kids and
22 those who were not low income kids. So there is
23 eight separate measurements here. And what we
24 find is that the state that spent the least of
25 those three, Florida, had the best scores on four



1 of those eight measurements. Texas, who spent
2 more than Florida but less than Kansas, had the
3 best scores on three of those measurements, and
4 Kansas had the best score on one measurement. If
5 you put the full eight measurements together and
6 create a composite score, again Florida had the
7 highest score among the three states, Texas second
8 and Kansas third. It completely refutes the
9 contention that spending more leads to more
10 results.

11 So with that, Mr. Chairman, I'd be happy to
12 stand for questions at the appropriate time.

13 CHAIRMAN RYCKMAN: Committee, this is our
14 only sign of neutral. Any questions for Mr.
15 Trabert? I'm not seeing any. Thank you for being
16 here and thank you for testifying.

17 Representatives Suellentrop does has one
18 question of Mr. O'Neal. Is he still here?

19 REP. SUELLENTROP: Thank you, Mr.
20 Chairman.

21 Mike, I have a concern. Early in your
22 comments you remarked about the Court didn't have
23 information. The Court didn't have an
24 understanding of what we do, how we do it, the
25 tools we used, the rationale behind our decision,



1 things like that. I've got a concern and had a
2 concern, you know, on the state's behalf is the
3 Court getting adequate information? Is our party
4 that represents us doing an appropriate job? And
5 I don't bring this up just to flog them in public
6 or anything, but I do have a serious concern about
7 that was done in the past and perhaps what's going
8 forward.

9 Now, of course, we've got some documentation
10 that's being taken now and produced. I guess in
11 your opinion, in your opinion, has that been a
12 problem in the past and what we are doing now will
13 that solve that in the future?

14 MR. O'NEAL: Well, and again, I certainly
15 didn't mean to imply that the Court has a lack of
16 understanding about the process, but they do have
17 a procedural process by which the appellate Court
18 receives information and then rules. They are
19 basically ruling on a record from -- from the
20 lower court. And generally speaking, it's, you
21 know, sworn testimony, it's exhibits that are
22 introduced and that sort of thing. And what has
23 been unique is that the Court has elected to
24 accept jurisdiction in a case involving, in my
25 humble opinion, a political question. And about



1 half the states that have looked at this have
2 declined jurisdiction on the basis that it's
3 uniquely a political question. Other, other
4 states, including Kansas, has decided that school
5 finance is a justiciable issue. And so somewhere
6 along the line you've got to marry up the process
7 by which legislation is considered and passed and
8 then later considered by a Court in a legal
9 proceeding following, following their rules.

10 In 20-20 hindsight, we should be -- should
11 have been doing back in Montoy what we are doing
12 today in terms of building a record. The Court in
13 Gannon has suggested to us that we need to be able
14 to show our work. I think in fairness for the
15 legislature, the legislature thought they were
16 because you're sending information in the form
17 that you're used to sending it. The Court,
18 however, is not getting into the record the
19 evidence in a manner in which they are accustomed
20 to getting the evidence. Really no fault of the
21 legislature, no particular fault of the Court,
22 except we now need to make sure that we are
23 marrying up the evidence that we want the Court to
24 see in a fashion in which the Court is used to
25 getting it, and I think you have struck on exactly



1 the way that needs to happen and probably ought to
2 happen in the future.

3 We can't undo what, what has been in the
4 past, but I think -- I think you now have an
5 improved system that will help, as the Court has
6 asked, help show the legislature's work in a way
7 that the Court is accustomed to receiving such
8 information.

9 REP. SUELLENTROP: As we move along on
10 this issue, I appreciate any other comment or
11 suggestions, as well, to make sure that that
12 process is clearly visible to them and we are
13 getting our message to them.

14 MR. O'NEAL: I think you have the
15 transcript from Monday. Monday was excellent. I
16 mean, I couldn't -- that's the way to get evidence
17 into a record. And I think when you see your
18 transcripts, you'll see that is a good process for
19 the unique situation you are in. You are in
20 litigation, so you are not having -- you are not
21 dealing with things in a usual fashion. You are
22 needing to respond to the Court in a manner in
23 which they are accustomed to getting that
24 information.

25 REP. SUELLENTROP: Thank you.



1 CHAIRMAN RYCKMAN: Representative
2 Grosserode.

3 REP. GROSSERODE: Thank you, Mr. Chair.
4 This is still a question for you, Former Speaker.
5 You spent quite a few years in the legislature.

6 MR. O'NEAL: Don't ask me how many.

7 REP. GROSSERODE: How many of those were
8 on the education committee?

9 MR. O'NEAL: Actually, only two.

10 REP. GROSSERODE: And were you chair of
11 that committee?

12 MR. O'NEAL: I was made chairman of the
13 committee having never served on it. Yes, that
14 was rather unusual.

15 REP. GROSSERODE: I'm sure it was. I'm
16 sure it was just really fun.

17 MR. O'NEAL: Not exactly my recollection,
18 but, yes.

19 REP. GROSSERODE: But you had many
20 discussions on education during those years, I'm
21 assuming.

22 MR. O'NEAL: Many.

23 REP. GROSSERODE: Not just on -- in the
24 committee, but committee of the whole, I'm sure
25 leadership discussions, whatnot. What is the



1 rationale during that time for having multiple
2 formulas to address equalization, formulas that
3 aren't completely different.

4 MR. O'NEAL: Representative, I'm not sure
5 I have -- I'm not sure I have a good answer for
6 that. If you look at the history of school
7 finance and when you think about -- you talk about
8 the formula, that's really a misnomer because you
9 have a new formula virtually every year in some
10 fashion.

11 Dr. Hinson said it best that you go back and
12 look at the history of just our last school
13 finance plan, there is a change -- there is a
14 tweak every year. And it's usually the
15 legislature responding and not being proactive.
16 You've had a suggestion that's brought to you as a
17 way of making or building a better mouse trap or
18 whatever and over time the formula gets tweaked
19 enough that you have a lot of different ways of
20 looking at it.

21 LOB was a fairly new concept, originally
22 thought to allow school districts to raise extra
23 money locally for extras. It didn't take much
24 time for school districts to start building LOBs
25 into their base operating budget. Some districts



1 continue to rely on it only for extras. But as
2 soon as you got into the business of having LOBs
3 go into your general operating expenses, then the
4 equalization issue became big and so a unique way
5 of equalizing LOB was created.

6 Not that capital outlay was wrong, but it was
7 just that day the topic du jour was LOB, so you
8 devised a way to equalize it. That's the best I
9 can do in terms of history.

10 REP. GROSSERODE: Is there anything
11 within the Court record that says that we must
12 equalize based upon a specific formula? I mean --

13 MR. O'NEAL: No. No. And as -- as I was
14 explaining, the Court actually comes right out and
15 says there is any number of ways that the Court
16 could -- that the legislature could respond to
17 this. The low-hanging fruit, frankly, in the
18 Court's opinion would be -- for them, the easy,
19 obvious way of doing it is just to go back and --
20 and resurrect the equalization that you had before
21 Senate Bill 7. And that's -- and you have
22 accepted that invitation and gone back and said,
23 well, this looks like a way the Court would find
24 acceptable and -- but the Court did not say you
25 had to do capital outlay exactly the way you used



1 to do it or LOB the way you used to do it, but
2 you need to do it different than the quartile
3 system that you did in Senate Bill 7, which is
4 ironic because I would, frankly, submit, and this
5 is the problem with evidence, you probably spent
6 more time thinking about that than you did the
7 81.2 percent, which is a number you backed into.
8 More time was thought -- and you probably could
9 have shown your work better on what you did in
10 Senate Bill 7 than the plan that the Court has
11 invited you to go back and return to.

12 But again, it's in the way you show the Court
13 how you came up with that in the deliberative
14 political process.

15 REP. GROSSERODE: Thank you.

16 CHAIRMAN RYCKMAN: Thank you. Thanks for
17 being here.

18 Anyone else like to speak that's here on the
19 bill?

20 Committee, anyone else that has signed up
21 that have heard from you like to ask a follow-up
22 question? I'm not seeing any. The hearing is
23 closed.

24 (THEREUPON, the hearing concluded at
25 11:37 a.m.)



CERTIFICATE

STATE OF KANSAS

SS:

COUNTY OF SHAWNEE

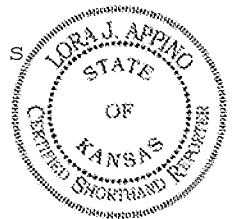
I, Lora J. Appino, a Certified Court Reporter, Commissioned as such by the Supreme Court of the State of Kansas, and authorized to take depositions and administer oaths within said State pursuant to K.S.A. 60-228, certify that the foregoing was reported by stenographic means, which matter was held on 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

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



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HOUSE BILL No. 2740

By Committee on Appropriations

3-22

1 AN ACT concerning education; relating to the financing and instruction
2 thereof; making and concerning appropriations for the fiscal year
3 ending June 30, 2017, for the department of education; relating to the
4 classroom learning assuring student success act; amending K.S.A. 2015
5 Supp. 72-6463, 72-6465, 72-6476, 72-6481 and 74-4939a and repealing
6 the existing sections.

7
8 *Be it enacted by the Legislature of the State of Kansas:*

9 Section 1.

10 DEPARTMENT OF EDUCATION

11 (a) There is appropriated for the above agency from the state general
12 fund for the fiscal year ending June 30, 2017, the following:

13 Supplemental general state aid.....\$367,582,721
14 School district equalization state aid.....\$61,792,947

15 (b) There is appropriated for the above agency from the
16 following special revenue fund or funds for the fiscal year ending June 30,
17 2017, all moneys now or hereafter lawfully credited to and available in
18 such fund or funds, except that expenditures other than refunds authorized
19 by law and transfers to other state agencies shall not exceed the following:
20 School district capital outlay state aid fund.....No limit

21 (c) On July 1, 2016, of the \$2,759,751,285 appropriated for the above
22 agency for the fiscal year ending June 30, 2017, by section 54(c) of 2016
23 House Substitute for Senate Bill No. 161 from the state general fund in the
24 block grants to USDs account (652-00-1000-0500), the sum of
25 \$477,802,500 is hereby lapsed.

26 (d) On July 1, 2016, the expenditure limitation established for the
27 fiscal year ending June 30, 2017, by section 3(b) of chapter 4 of the 2015
28 Session Laws of Kansas on the school district extraordinary need fund of
29 the department of education is hereby decreased from \$17,521,425 to
30 \$15,167,962.

31 (e) On July 1, 2016, or as soon thereafter as moneys are available, the
32 director of accounts and reports shall transfer \$15,167,962 from the state
33 general fund to the school district extraordinary need fund of the
34 department of education.

35 New Sec. 2. (a) For school year 2016-2017, each school district that
36 has adopted a local option budget is eligible to receive an amount of

1 supplemental general state aid. A school district's eligibility to receive
2 supplemental general state aid shall be determined by the state board as
3 provided in this subsection. The state board of 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
11 schedule of dollar amounts shall range upward in equal \$1,000 intervals
12 from 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
21 percentage 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, and
23 increasing the state aid computation percentage assigned to the amount of
24 the median AVPP by one percentage point for each \$1,000 interval below
25 the amount of the median AVPP. The state aid percentage factor of a
26 school district is the percentage assigned to the schedule amount that is
27 equal to the amount of the AVPP of the school district, except that the state
28 aid percentage factor of a school district shall not exceed 100%. The state
29 aid computation percentage is 25%;

30 (5) determine the amount of the local option budget adopted by each
31 school district pursuant to K.S.A. 2015 Supp. 72-6471, and amendments
32 thereto; and

33 (6) multiply the amount computed under subsection (a)(5) by the
34 applicable state aid percentage factor. The resulting product is the amount
35 of payment the school district is to receive as supplemental general state
36 aid in the school year.

37 (b) The state board shall prescribe the dates upon which the
38 distribution of payments of supplemental general state aid to school
39 districts shall be due. Payments of supplemental general state aid shall be
40 distributed to school districts on the dates prescribed by the state board.
41 The state board shall certify to the director of accounts and reports the
42 amount due each school district, and the director of accounts and reports
43 shall draw a warrant on the state treasury payable to the treasurer of the

1 school district. Upon receipt of the warrant, the treasurer of the school
2 district shall credit the amount thereof to the supplemental general fund of
3 the school district to be used for the purposes of such fund.

4 (c) If any amount of supplemental general state aid that is due to be
5 paid during the month of June of a school year pursuant to the other
6 provisions of this section is not paid on or before June 30 of such school
7 year, then such payment shall be paid on or after the ensuing July 1, as
8 soon as moneys are available therefor. Any payment of supplemental
9 general state aid that is due to be paid during the month of June of a school
10 year and that is paid to school districts on or after the ensuing July 1 shall
11 be recorded and accounted for by school districts as a receipt for the
12 school year ending on the preceding June 30.

13 (d) If the amount of appropriations for supplemental general state aid
14 is less than the amount each school district is to receive for the school year,
15 the state board shall prorate the amount appropriated among the school
16 districts in proportion to the amount each school district is to receive as
17 determined under subsection (a).

18 (e) The provisions of this section shall be part of and supplemental to
19 the classroom learning assuring student success act.

20 (f) The provisions of this section shall expire on June 30, 2017.

21 New Sec. 3. (a) There is hereby established in the state treasury the
22 school district capital outlay state aid fund. Such fund shall consist of all
23 amounts transferred thereto under the provisions of subsection (c).

24 (b) For school year 2016-2017, each school district which levies a tax
25 pursuant to K.S.A. 72-3801 et seq., and amendments thereto, shall receive
26 payment from the school district capital outlay state aid fund in an amount
27 determined by the state board of education as provided in this subsection.
28 The state board of education shall:

29 (1) Determine the amount of the assessed valuation per pupil (AVPP)
30 of each school district in the state and round such amount to the nearest
31 \$1,000. The rounded amount is the AVPP of a school district for the
32 purposes of this section;

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

34 (3) prepare a schedule of dollar amounts using the amount of the
35 median AVPP of all school districts as the point of beginning. The
36 schedule of dollar amounts shall range upward in equal \$1,000 intervals
37 from the point of beginning to and including an amount that is equal to the
38 amount of the AVPP of the school district with the highest AVPP of all
39 school districts and shall range downward in equal \$1,000 intervals from
40 the point of beginning to and including an amount that is equal to the
41 amount of the AVPP of the school district with the lowest AVPP of all
42 school districts;

43 (4) determine a state aid percentage factor for each school district by

1 assigning a state aid computation percentage to the amount of the median
 2 AVPP shown on the schedule, decreasing the state aid computation
 3 percentage assigned to the amount of the median AVPP by one percentage
 4 point for each \$1,000 interval above the amount of the median AVPP, and
 5 increasing the state aid computation percentage assigned to the amount of
 6 the median AVPP by one percentage point for each \$1,000 interval below
 7 the amount of the median AVPP. The state aid percentage factor of a
 8 school district is the percentage assigned to the schedule amount that is
 9 equal to the amount of the AVPP of the school district, except that the state
 10 aid percentage factor of a school district shall not exceed 100%. The state
 11 aid computation percentage is 25%;

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

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

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

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

34 (e) The provisions of this section shall be part of and supplemental to
 35 the classroom learning assuring student success act.

36 (f) The provisions of this section shall expire on June 30, 2017.

37 New Sec. 4. (a) For school year 2016-2017, the state board of
 38 education shall disburse school district equalization state aid to each
 39 school district that is eligible to receive such state aid. In determining
 40 whether a school district is eligible to receive school district equalization
 41 state aid, the state board shall:

42 (1) Determine the aggregate amount of supplemental general state aid
 43 and capital outlay state aid such school district is to receive for school year

1 74-4939a are hereby repealed.

2 Sec. 11. This act shall take effect and be in force from and after its
 3 publication in the statute book.

1 fiscal year commencing with fiscal year 2005, and each ensuing fiscal year
 2 thereafter, by any such appropriation act in that account or any other
 3 account for payment of employer contributions for school districts, shall
 4 be distributed by the department of education to school districts in
 5 accordance with this section. Notwithstanding the provisions of K.S.A. 74-
 6 4939, and amendments thereto, *for school year 2015-2016*, the department
 7 of education shall disburse to each school district that is an eligible
 8 employer as specified in K.S.A. 74-4931(1), and amendments thereto, an
 9 amount in accordance with K.S.A. 2015 Supp. 72-6465(a)(6), and
 10 amendments thereto, which shall be disbursed pursuant to K.S.A. 2015
 11 Supp. 72-6465, and amendments thereto. *Notwithstanding the provisions*
 12 *of K.S.A. 74-4939, and amendments thereto, for school year 2016-2017,*
 13 *the department of education shall disburse to each school district that is*
 14 *an eligible employer as specified in K.S.A. 74-4931(1), and amendments*
 15 *thereto, an amount in accordance with K.S.A. 2015 Supp. 72-6465(b)(4),*
 16 *and amendments thereto, which shall be disbursed pursuant to K.S.A.*
 17 *2015 Supp. 72-6465, and amendments thereto.* Upon receipt of each such
 18 disbursement of moneys, the school district shall deposit the entire amount
 19 thereof into a special retirement contributions fund of the school district,
 20 which shall be established by the school district in accordance with such
 21 policies and procedures and which shall be used for the sole purpose of
 22 receiving such disbursements from the department of education and
 23 making the remittances to the system in accordance with this section and
 24 such policies and procedures. Upon receipt of each such disbursement of
 25 moneys from the department of education, the school district shall remit,
 26 in accordance with the provisions of such policies and procedures and in
 27 the manner and on the date or dates prescribed by the board of trustees of
 28 the Kansas public employees retirement system, an equal amount to the
 29 Kansas public employees retirement system from the special retirement
 30 contributions fund of the school district to satisfy such school district's
 31 obligation as a participating employer. Notwithstanding the provisions of
 32 K.S.A. 74-4939, and amendments thereto, each school district that is an
 33 eligible employer as specified in K.S.A. 74-4931(1), and amendments
 34 thereto, shall show within the budget of such school district all amounts
 35 received from disbursements into the special retirement contributions fund
 36 of such school district. Notwithstanding the provisions of any other statute,
 37 no official action of the school board of such school district shall be
 38 required to approve a remittance to the system in accordance with this
 39 section and such policies and procedures. All remittances of moneys to the
 40 system by a school district in accordance with this subsection and such
 41 policies and procedures shall be deemed to be expenditures of the school
 42 district.

43 Sec. 10. K.S.A. 2015 Supp. 72-6463, 72-6465, 72-6476, 72-6481 and

1 2016-2017 under sections 2 and 3, and amendments thereto, respectively;
 2 (2) determine the aggregate amount of supplemental general state aid
 3 and capital outlay state aid such school district received as a portion of
 4 general state aid for school year 2015-2016 under K.S.A. 2015 Supp. 72-
 5 6465, and amendments thereto;
 6 (3) subtract the amount determined under subsection (a)(1) from the
 7 amount determined under (a)(2). If the resulting difference is a positive
 8 number, then the school district is eligible to receive school district
 9 equalization state aid.
 10 (b) The amount of school district equalization state aid an eligible
 11 school district is to receive shall be equal to the amount calculated under
 12 subsection (a)(3).
 13 (c) The state board shall prescribe the dates upon which the
 14 distribution of payments of school district equalization state aid to school
 15 districts shall be due. Payments of school district equalization state aid
 16 shall be distributed to school districts on the dates prescribed by the state
 17 board. The state board shall certify to the director of accounts and reports
 18 the amount due each school district, and the director of accounts and
 19 reports shall draw a warrant on the state treasury payable to the treasurer
 20 of the school district. Upon receipt of the warrant, the treasurer of the
 21 school district shall credit the amount thereof to the general fund of the
 22 school district to be used for the purposes of such fund.
 23 (d) The provisions of this section shall be part of and supplemental to
 24 the classroom learning assuring student success act.
 25 (e) The provisions of this section shall expire on June 30, 2017.
 26 Sec. 5. K.S.A. 2015 Supp. 72-6463 is hereby amended to read as
 27 follows: 72-6463. (a) The provisions of K.S.A. 2015 Supp. 72-6463
 28 through 72-6481, *and sections 2 through 4*, and amendments thereto, shall
 29 be known and may be cited as the classroom learning assuring student
 30 success act.
 31 (b) The legislature hereby declares that the intent of this act is to
 32 lessen state interference and involvement in the local management of
 33 school districts and to provide more flexibility and increased local control
 34 for school district boards of education and administrators in order to:
 35 (1) Enhance predictability and certainty in school district funding
 36 sources and amounts;
 37 (2) allow school district boards of education and administrators to
 38 best meet their individual school district's financial needs; and
 39 (3) maximize opportunities for more funds to go to the classroom.
 40 To meet this legislative intent, state financial support for elementary
 41 and secondary public education will be met by providing a block grant for
 42 school years 2015-2016 and 2016-2017 to each school district. Each
 43 school district's block grant will be based in part on, and be at least equal

1 to, the total state financial support as determined for school year 2014-
 2 2015 under the school district finance and quality performance act, prior to
 3 its repeal. All school districts will be held harmless from any decreases to
 4 the final school year 2014-2015 amount of total state financial support.

5 (c) The legislature further declares that the guiding principles for the
 6 development of subsequent legislation for the finance of elementary and
 7 secondary public education should consist of the following:

- 8 (1) Ensuring that students' educational needs are funded;
- 9 (2) providing more funding to classroom instruction;
- 10 (3) maximizing flexibility in the use of funding by school district
 11 boards of education and administrators; and
- 12 (4) achieving the goal of providing students with those education
 13 capacities established in K.S.A. 72-1127, and amendments thereto.

14 (d) The provisions of this section shall be effective from and after
 15 July 1, 2015, through June 30, 2017.

16 Sec. 6. K.S.A. 2015 Supp. 72-6465 is hereby amended to read as
 17 follows: 72-6465. (a) For school year 2015-2016 and school year 2016-
 18 2017, the state board shall disburse general state aid to each school district
 19 in an amount equal to:

20 (1) Subject to the provisions of subsections (b) (c) through (f) (g), the
 21 amount of general state aid such school district received for school year
 22 2014-2015, if any, pursuant to K.S.A. 72-6416, prior to its repeal, as
 23 prorated in accordance with K.S.A. 72-6410, prior to its repeal, less:

24 (A) The amount directly attributable to the ancillary school facilities
 25 weighting as determined for school year 2014-2015 under K.S.A. 72-6443,
 26 prior to its repeal;

27 (B) the amount directly attributable to the cost-of-living weighting as
 28 determined for school year 2014-2015 under K.S.A. 2014 Supp. 72-6450,
 29 prior to its repeal;

30 (C) the amount directly attributable to declining enrollment state aid
 31 as determined for school year 2014-2015 under K.S.A. 2014 Supp. 72-
 32 6452, prior to its repeal; and

33 (D) the amount directly attributable to virtual school state aid as
 34 determined for school year 2014-2015 under K.S.A. 2015 Supp. 72-3715,
 35 and amendments thereto, plus;

36 (2) the amount of supplemental general state aid such school district
 37 received for school year 2014-2015, if any, pursuant to K.S.A. 72-6434,
 38 prior to its repeal, as prorated in accordance with K.S.A. 72-6434, prior to
 39 its repeal, plus;

40 (3) the amount of capital outlay state aid such school district received
 41 for school year 2014-2015, if any, pursuant to K.S.A. 2014 Supp. 72-8814,
 42 prior to its repeal, plus;

43 (4) (A) an amount that is directly attributable to the proceeds of the

1 ~~state board of education. At the end of each fiscal year, the director of~~
 2 ~~accounts and reports shall transfer to the state general fund any moneys in~~
 3 ~~the school district extraordinary need fund on each such date in excess of~~
 4 ~~the amount required to pay all amounts of extraordinary need state aid~~
 5 ~~approved by the state finance council for the current school year.~~

6 (e) ~~For school year 2015-2016 and school year 2016-2017, the state~~
 7 ~~board of education shall certify to the director of accounts and reports an~~
 8 ~~amount equal to the aggregate of the amount determined under K.S.A.~~
 9 ~~2015 Supp. 72-6465(a)(7), and amendments thereto, for all school~~
 10 ~~districts. Upon receipt of such certification, the director shall transfer the~~
 11 ~~certified amount from the state general fund to the school district~~
 12 ~~extraordinary need fund. All transfers made in accordance with the~~
 13 ~~provisions of this subsection shall be considered to be demand transfers~~
 14 ~~from the state general fund.~~

15 (f) ~~The approvals by the state finance council required by this section~~
 16 ~~are hereby characterized as matters of legislative delegation and subject to~~
 17 ~~the guidelines prescribed in K.S.A. 75-3711(c), and amendments thereto.~~
 18 ~~Such approvals may be given by the state finance council when the~~
 19 ~~legislature is in session.~~

20 (g) ~~The provisions of this section shall expire on July 1, 2017.~~
 21 ~~2017.~~

22 Sec. 8. K.S.A. 2015 Supp. 72-6481 is hereby amended to read as
 23 follows: 72-6481. (a) The provisions of K.S.A. 2015 Supp. 72-6463
 24 through 72-6481, *and sections 2 through 4*, and amendments thereto, shall
 25 ~~not~~ be severable. If any provision of K.S.A. 2015 Supp. 72-6463 through
 26 72-6481, *and sections 2 through 4*, and amendments thereto, *or any*
 27 *application of such provision to any person or circumstance* is held to be
 28 invalid or unconstitutional by court order, ~~all provisions the invalidity~~
 29 ~~shall not affect other provisions or applications of K.S.A. 2015 Supp. 72-~~
 30 ~~6463 through 72-6481, and sections 2 through 4, and amendments thereto,~~
 31 ~~shall be null and void which can be given effect without the invalid~~
 32 ~~provision or application.~~

33 (b) The provisions of this section shall be effective from and after
 34 July 1, 2015, through June 30, 2017.

35 Sec. 9. K.S.A. 2015 Supp. 74-4939a is hereby amended to read as
 36 follows: 74-4939a. On and after the effective date of this act for each fiscal
 37 year commencing with fiscal year 2005, notwithstanding the provisions of
 38 K.S.A. 74-4939, and amendments thereto, or any other statute, all moneys
 39 appropriated for the department of education from the state general fund
 40 commencing with fiscal year 2005, and each ensuing fiscal year thereafter,
 41 by appropriation act of the legislature, in the KPERS — employer
 42 contributions account and all moneys appropriated for the department of
 43 education from the state general fund or any special revenue fund for each

1 prescribed by the state ~~finance-council~~ board, and shall include a
2 description of the extraordinary need of the school district that is the basis
3 for the application.

4 (b) The state ~~finance-council~~ board shall review all submitted
5 applications and approve or deny such application based on whether the
6 applicant school district has demonstrated extraordinary need. As part of
7 its review of an application, the state ~~finance-council~~ board may conduct a
8 hearing and provide the applicant school district an opportunity to present
9 testimony as to such school district's extraordinary need. In determining
10 whether a school district has demonstrated extraordinary need, the state
11 ~~finance-council~~ board shall consider: (1) Any extraordinary increase in
12 enrollment of the applicant school district for the current school year; (2)
13 any extraordinary decrease in the assessed valuation of the applicant
14 school district for the current school year; ~~and~~ (3) any other unforeseen
15 acts or circumstances which substantially impact the applicant school
16 district's general fund budget for the current school year; *and* (4) *in lieu of*
17 *any of the foregoing considerations, whether the applicant school district*
18 *has reasonably equal access to substantially similar educational*
19 *opportunity through similar tax effort.*

20 (c) If the state ~~finance-council~~ board approves an application it shall
21 ~~certify to the state board of education that such application was approved~~
22 ~~and determine~~ the amount of extraordinary need state aid to be disbursed
23 to the applicant school district from the school district extraordinary need
24 fund. In approving any application for extraordinary need state aid, the
25 state ~~finance-council~~ board may approve an amount of extraordinary need
26 state aid that is less than the amount the school district requested in the
27 application. If the state ~~finance-council~~ board denies an application, then
28 within 15 days of such denial ~~if the state board~~ shall send written notice of
29 such denial to the superintendent of such school district. ~~The decision of~~
30 ~~the state finance-council shall be final~~ *All administrative proceedings*
31 *pursuant to this section shall be conducted in accordance with the*
32 *provisions of the Kansas administrative procedure act. Any action by the*
33 *state board pursuant to this section shall be subject to review in*
34 *accordance with the Kansas judicial review act.*

35 (d) There is hereby established in the state treasury the school district
36 extraordinary need fund which shall be administered by the state
37 department of education. All expenditures from the school district
38 extraordinary need fund shall be used for the disbursement of
39 extraordinary need state aid as approved by the state ~~finance-council~~ board
40 under this section. All expenditures from the school district extraordinary
41 need fund shall be made in accordance with appropriation acts upon
42 warrants of the director of accounts and reports issued pursuant to
43 vouchers approved by the state board of education, or the designee of the

1 tax levied by the school district pursuant to K.S.A. 2015 Supp. 72-6473,
2 and amendments thereto, provided: the school district has levied such tax;

3 (B) an amount that is directly attributable to the proceeds of the tax
4 levied by the school district pursuant to K.S.A. 2015 Supp. 72-6474, and
5 amendments thereto, provided; the school district has levied such tax; *and*

6 (C) an amount that is directly attributable to the proceeds of the tax
7 levied by the school district pursuant to K.S.A. 2015 Supp. 72-6475, and
8 amendments thereto, provided; the school district has levied such tax, plus;

9 (5) the amount of virtual school state aid such school district is to
10 receive under K.S.A. 2015 Supp. 72-3715, and amendments thereto, plus;

11 (6) an amount certified by the board of trustees of the Kansas public
12 employees retirement system which is equal to the participating employer's
13 obligation of such school district to the system, less;

14 (7) an amount equal to 0.4% of the amount determined under
15 subsection (a)(1).

16 (b) *For school year 2016-2017, the state board shall disburse*
17 *general state aid to each school district in an amount equal to:*

18 (1) *Subject to the provisions of subsections (c) through (g), the*
19 *amount of general state aid such school district received for school year*
20 *2014-2015, if any, pursuant to K.S.A. 72-6416, prior to its repeal, as*
21 *prorated in accordance with K.S.A. 72-6410, prior to its repeal, less:*

22 (A) *The amount directly attributable to the ancillary school facilities*
23 *weighting as determined for school year 2014-2015 under K.S.A. 72-6443,*
24 *prior to its repeal;*

25 (B) *the amount directly attributable to the cost-of-living weighting as*
26 *determined for school year 2014-2015 under K.S.A. 2014 Supp. 72-6450,*
27 *prior to its repeal;*

28 (C) *the amount directly attributable to declining enrollment state aid*
29 *as determined for school year 2014-2015 under K.S.A. 2014 Supp. 72-*
30 *6452, prior to its repeal; and*

31 (D) *the amount directly attributable to virtual school state aid as*
32 *determined for school year 2014-2015 under K.S.A. 2015 Supp. 72-3715,*
33 *and amendments thereto, plus;*

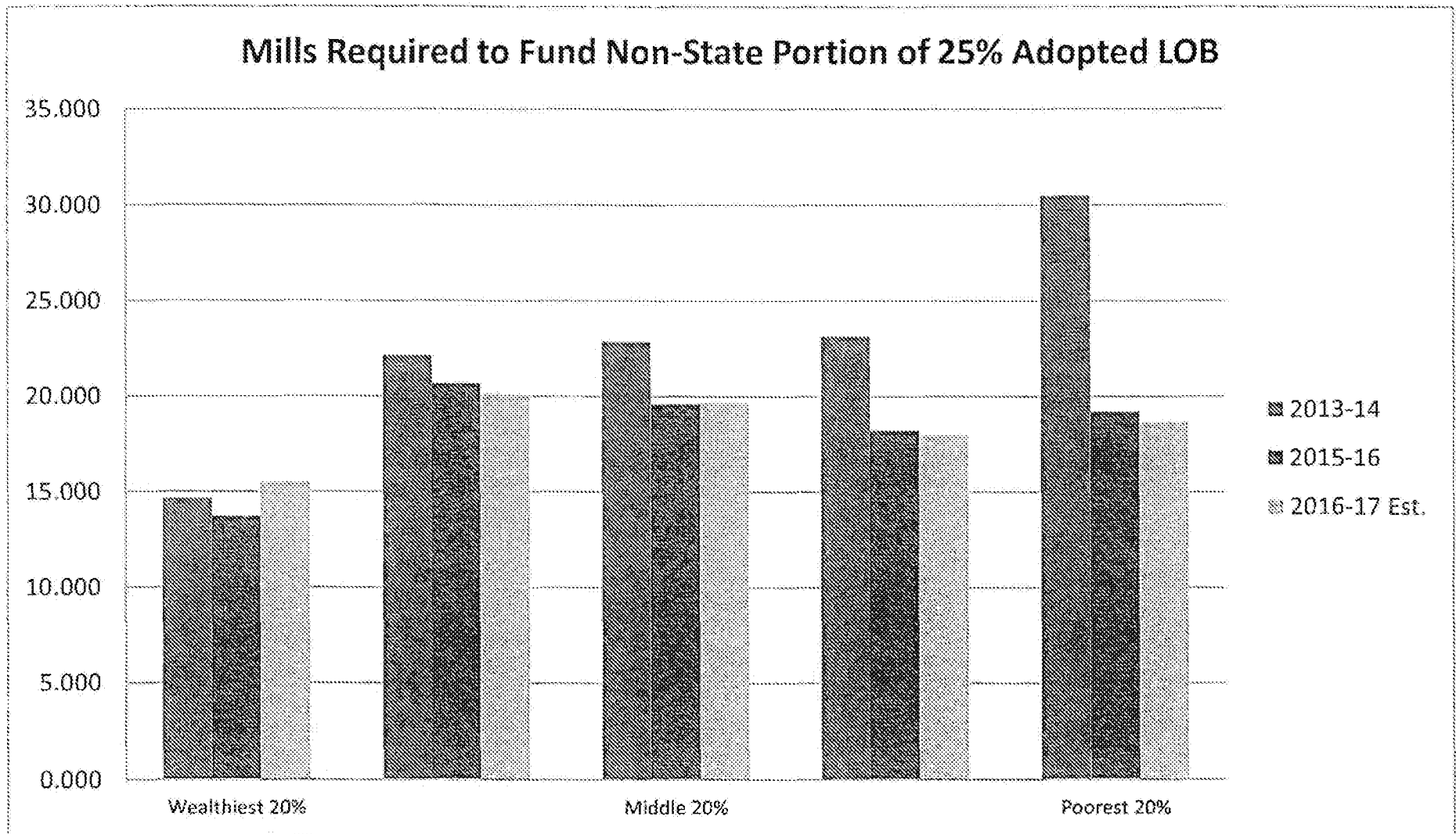
34 (2) (A) *an amount that is directly attributable to the proceeds of the*
35 *tax levied by the school district pursuant to K.S.A. 2015 Supp. 72-6473,*
36 *and amendments thereto, provided the school district has levied such tax;*

37 (B) *an amount that is directly attributable to the proceeds of the tax*
38 *levied by the school district pursuant to K.S.A. 2015 Supp. 72-6474, and*
39 *amendments thereto, provided the school district has levied such tax; and*

40 (C) *an amount that is directly attributable to the proceeds of the tax*
41 *levied by the school district pursuant to K.S.A. 2015 Supp. 72-6475, and*
42 *amendments thereto, provided the school district has levied such tax, plus;*
43 (3) *the amount of virtual school state aid such school district is to*

1 receive under K.S.A. 2015 Supp. 72-3715, and amendments thereto, plus:
 2 (4) an amount certified by the board of trustees of the Kansas public
 3 employees retirement system which is equal to the participating employer's
 4 obligation of such school district to the system, less:
 5 (5) an amount equal to 0.4% of the amount determined under
 6 subsection (b)(1).
 7 ~~(b)~~ (c) For any school district whose school financing sources
 8 exceeded its state financial aid for school year 2014-2015 as calculated
 9 under the school district finance and quality performance act, prior to its
 10 repeal, the amount such school district is entitled to receive under
 11 subsection (a)(1) or (b)(1) shall be the proceeds of the tax levied by the
 12 school district pursuant to K.S.A. 2015 Supp. 72-6470, and amendments
 13 thereto, less the difference between such school district's school financing
 14 sources and its state financial aid for school year 2014-2015 as calculated
 15 under the school district finance and quality performance act, prior to its
 16 repeal.
 17 ~~(e)~~ (d) For any school district formed by consolidation in accordance
 18 with article 87 of chapter 72 of the Kansas Statutes Annotated, and
 19 amendments thereto, prior to the effective date of this act, and whose state
 20 financial aid for school year 2014-2015 was determined under K.S.A.
 21 2014 Supp. 72-6445a, prior to its repeal, the amount of general state aid
 22 for such school district determined under subsection (a)(1) or (b)(1) shall
 23 be determined as if such school district was not subject to K.S.A. 2014
 24 Supp. 72-6445a, prior to its repeal, for school year 2014-2015.
 25 ~~(d)~~ (e) For any school district that consolidated in accordance with
 26 article 87 of chapter 72 of the Kansas Statutes Annotated, and amendments
 27 thereto, and such consolidation becomes effective on or after July 1, 2015,
 28 the amount of general state aid for such school district determined under
 29 subsection (a)(1) or (b)(1) shall be the sum of the general state aid each of
 30 the former school districts would have received under subsection (a)(1) or
 31 (b)(1).
 32 ~~(e)~~ (f) (1) For any school district that was entitled to receive school
 33 facilities weighting for school year 2014-2015 under K.S.A. 2014 Supp.
 34 72-6415b, prior to its repeal, and which would not have been eligible to
 35 receive such weighting for school year 2015-2016 under K.S.A. 2014
 36 Supp. 72-6415b, prior to its repeal, an amount directly attributable to the
 37 school facilities weighting as determined for school year 2014-2015 under
 38 K.S.A. 72-6415, prior to its repeal, for such school district shall be
 39 subtracted from the amount of general state aid for such school district
 40 determined under subsection (a)(1) or (b)(1).
 41 (2) For any school district which would have been eligible to receive
 42 school facilities weighting for school year 2015-2016 under K.S.A. 2014
 43 Supp. 72-6415b, prior to its repeal, but which did not receive such

1 weighting for school year 2014-2015, an amount directly attributable to
 2 the school facilities weighting as would have been determined under
 3 K.S.A. 72-6415, prior to its repeal, for school year 2015-2016 shall be
 4 added to the amount of general state aid for such school district
 5 determined under subsection (a)(1) or (b)(1).
 6 (3) For any school district which would have been eligible to receive
 7 school facilities weighting for school year 2016-2017 under K.S.A. 2014
 8 Supp. 72-6415b, prior to its repeal, but which did not receive such
 9 weighting for school year 2014-2015, and which would not have been
 10 eligible to receive such weighting for school year 2015-2016 under K.S.A.
 11 2014 Supp. 72-6415b, prior to its repeal, an amount directly attributable to
 12 the school facilities weighting as would have been determined under
 13 K.S.A. 72-6415, prior to its repeal, for school year 2016-2017 shall be
 14 added to the amount of general state aid for such school district
 15 determined under subsection (a)(1) or (b)(1).
 16 ~~(f)~~ (g) (1) For any school district that received federal impact aid for
 17 school year 2014-2015, if such school district receives federal impact aid
 18 in school year 2015-2016 in an amount that is less than the amount such
 19 school district received in school year 2014-2015, then an amount equal to
 20 the difference between the amount of federal impact aid received by such
 21 school district in such school years shall be added to the amount of general
 22 state aid for such school district for school year 2015-2016 as determined
 23 under subsection (a)(1) or (b)(1).
 24 (2) For any school district that received federal impact aid for school
 25 year 2014-2015, if such school district receives federal impact aid in
 26 school year 2016-2017 in an amount that is less than the amount such
 27 school district received in school year 2014-2015, then an amount equal to
 28 the difference between the amount of federal impact aid received by such
 29 school district in such school years shall be added to the amount of general
 30 state aid for such school district for school year 2016-2017 as determined
 31 under subsection (a)(1) or (b)(1).
 32 ~~(g)~~ (h) The general state aid for each school district shall be disbursed
 33 in accordance with appropriation acts. In the event the appropriation for
 34 general state aid exceeds the amount determined under subsection (a) or
 35 (b) for any school year, then the state board shall disburse such excess
 36 amount to each school district in proportion to such school district's
 37 enrollment.
 38 ~~(h)~~ (i) The provisions of this section shall be effective from and after
 39 July 1, 2015, through June 30, 2017.
 40 Sec. 7. K.S.A. 2015 Supp. 72-6476 is hereby amended to read as
 41 follows: 72-6476. (a) Each school district may submit an application to the
 42 state ~~finance-council~~ board of education for approval of extraordinary need
 43 state aid. Such application shall be submitted in such form and manner as



*State aid attributable to hold harmless included in State portion for analysis purposes

Mills Required to Generate Non-State Portion of 25% Adopted LOB

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17 Est.</u>
Wealthiest 20%	14.659	14.832	13.733	15.510
20%	22.160	20.802	20.673	20.125
Middle 20%	22.879	20.923	19.610	19.734
20%	23.169	18.238	18.213	17.999
Poorest 20%	30.514	19.058	19.190	18.658
 Difference Between Poorest 20% and Wealthiest 20%	 15.855	 4.225	 5.456	 3.148

House Appropriations Committee
Testimony: HB 2740
USD 229 Blue Valley
March 23, 2015

Chairman Ryckman and Members of the Committee:

Thank you for the opportunity to appear before you today as a proponent of HB 2740. We are mindful of the challenge you are facing, as you seek an appropriate short-term solution that will allow us to continue our goal of offering a quality education to the students we serve.

We thank you for your hard work and the long hours you have spent on this legislation. We also want to thank you for listening to the concerns of those who have come before this committee previously, which is clearly demonstrated by providing that *all districts will be held harmless* and will not lose funding from their general operating budgets.

Further, we are grateful that you have honored the spirit of the CLASS Act, which was to provide *budget certainty* to school districts for two years while a new school finance formula is being developed.

The Blue Valley district remains committed to providing a quality education for our students and to being good stewards of taxpayer dollars. To that end, we want to work *with* you to develop a solid school finance formula that provides stability and appropriately accounts for the varying needs of students across our state.

We do appreciate the challenges you are facing and we continue to want to work *with* you to solve the K-12 challenges before us in a way that promotes the best outcomes for the students we serve.

We are happy to stand for any questions you may have at the appropriate time.

Presented by: Todd White, Incoming Superintendent



Testimony to House Appropriations Committee
HB 2740 School Funding Equalization
March 23, 2016
Dave Trabert, President

Chairman Ryckman and members of the Committee,

We appreciate this opportunity to present neutral testimony on HB 2740. We're pleased to see the Legislature proactively responding to the Supreme Court ruling on equity in a manner that doesn't increase total funding; our testimony is neutral only because this is but one method of satisfying equity without spending additional money.

As noted in the attached article we published, the Court reaffirmed that constitutional infirmities "can be cured in a variety of ways—at the choice of the legislature" with the proviso that any adjusted funding must also meet a separate test of adequacy – i.e., whether districts are receiving 'enough.' We believe SB 71 introduced last year would be another appropriate response to the Court, whether as written – which would reduce LOB equity by \$3.3 million – or some modification that would spend the same amount.

The Court noted that spending less than would be provided by fully funding the old equity formula could create an 'adequacy' issue, but we believe there is ample evidence that HB 2740 or SB 71 would still provide more than adequate funding.

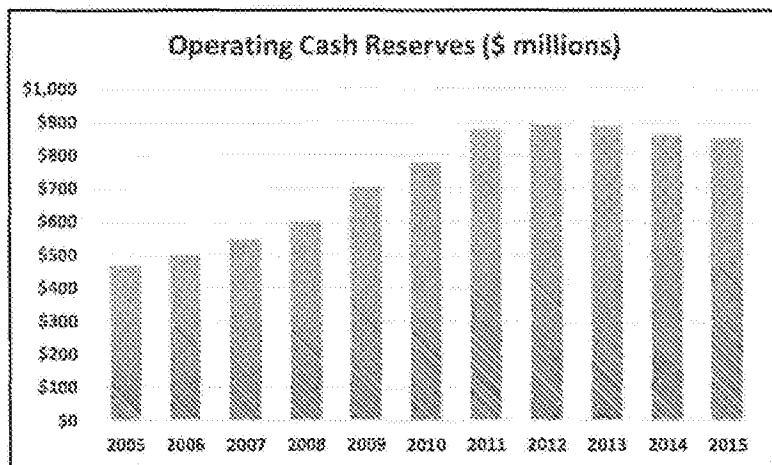
First of all, the Court upheld what we have constantly maintained – education is about outcomes rather than money. They specifically said "*...total spending is not the touchstone for determining adequacy.*"¹

Instead, the Court says adequacy "*...is met when the public education financing system provided by the legislature for grades K-12—through structure and implementation—is reasonably calculated to have all Kansas public education students meet or exceed the standards set out in Rose and presently codified in K.S.A. 2013 Supp. 72-1127. This test necessarily rejects a legislature's failure to consider actual costs as the litmus test for adjudging compliance with the mandates of Article 6. For example, even if a legislature had not considered actual costs, a constitutionally adequate education nevertheless could have been provided —albeit perhaps accidentally or for worthy non-cost-based reasons.*"²

Since school districts admit that they can neither define nor measure the Rose capacities, they have no legal basis for claiming to lack adequate funding to achieve the Rose capacities. This fact alone could be sufficient grounds for dismissal of schools' claims, but there is more.

Schools and their taxpayer-funded lawyers base their adequacy claims on *Montoy*, which relied on the findings of an Augenblick & Myers cost study recommending specific funding levels. However, the *Gannon* Supreme Court rejected the lower court's reliance on that, saying ".... actual costs from studies are more akin to estimates than the certainties the panel suggested."³

In distancing itself from the A&M cost study, the Court also said, "... the strength of these initial statements was later diluted by our primary focus on cost estimates—a focus that evolved in the *Montoy* litigation because of how the issues were presented to us by the district court and due to the remedial nature of some of our decisions."⁴ The A&M cost study was presented as rock-solid evidence in *Montoy* but later, then-KPI scholar Caleb Stegall (now Supreme Court Justice Stegall) discovered that A&M had deviated from its own methodology so as to produce deliberately inflated numbers.⁵



We further know that the funding provided under *Montoy*, which is the basis for school claims of inadequate funding, is more than schools actually need because they haven't needed to spend it all. The \$385 million increase in districts' operating cash reserves over the last ten years comes from state and local funding that wasn't spent – and that's in addition to the \$468 million accumulated through 2005.

Refuting KASB school funding claims

Last week the Kansas Association of School Boards (KASB) raised several adequacy issues in testimony on the House effort to resolve equity in HB 2731 and SB 512, so we offer the following thoughts in anticipation that the same claims will be made here today.

KASB implied that school funding is not adequate because it hasn't kept up with the change in personal income growth, but that is a claim of entitlement, not adequacy. The Constitution does not say that adequacy is a percentage of personal income or any particular dollar amount. Indeed, if personal income declined for an extended period of time, it is unlikely that the Court or school districts would find a commensurate reduction in school funding to be acceptable and adequate.

As a matter of fact, school districts sued taxpayers for more money in November 2010 after Governor Parkinson reduced funding as a result of a recession. Personal income declined but schools didn't accept that as an excuse to reduce funding.

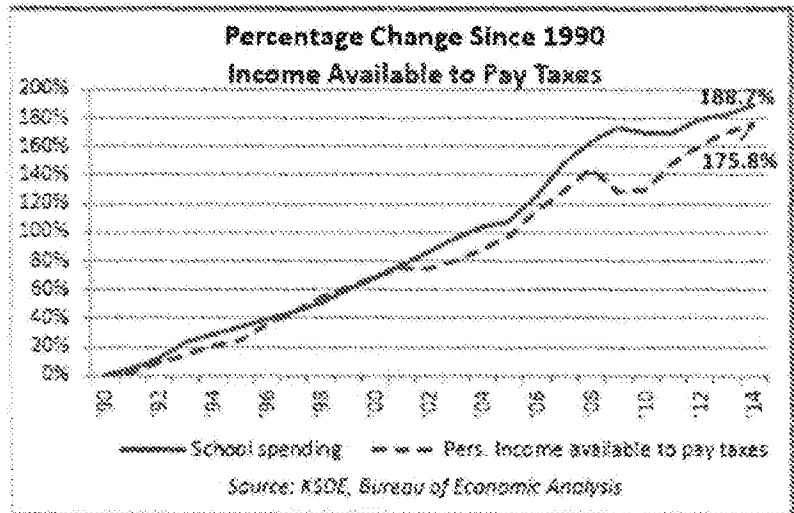
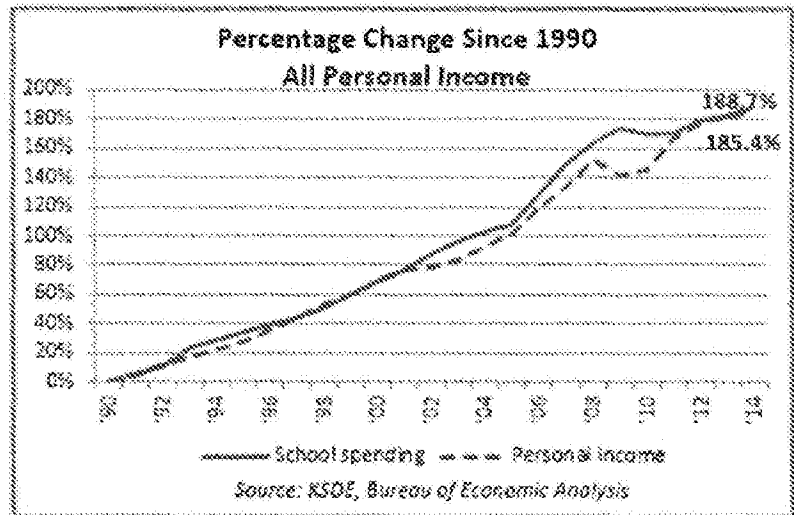
That said, school funding continues to run ahead of personal income growth, whether measured in its entirety or against the personal income components that are available to pay taxes.

School funding (adjusted upward for KPERS prior to 2005) increased by 188.7 percent between 1990 and 2014 (the last year for which annual Personal Income data is available) while Personal Income increased 185.4 percent.

However, Personal Income includes components that are not available to pay taxes, such as employer payments to retirement plans, health insurance and payroll taxes. Measuring school funding against Wages & Salaries, Proprietors' Income, Dividends, Interest, Rent less employee-paid payroll taxes shows an even wider gap from school funding.

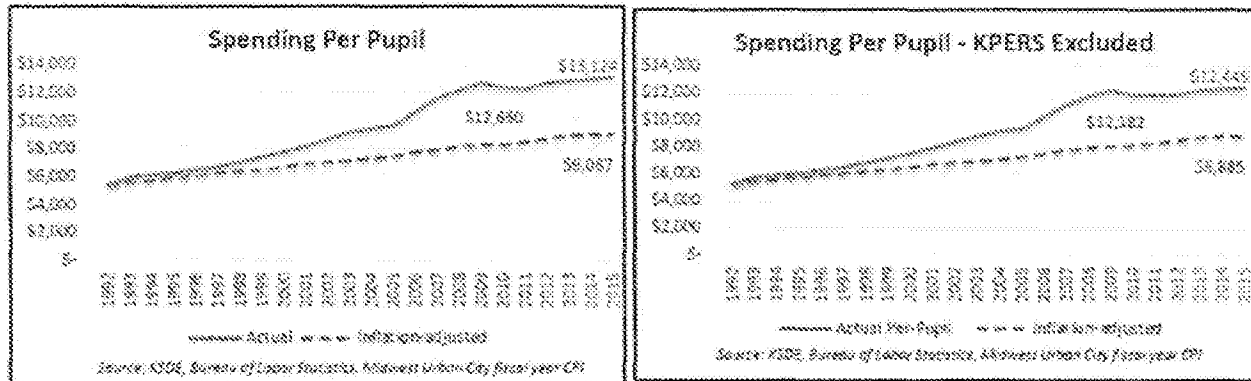
Personal income available to pay taxes increased 175.8 percent, or about 13 percentage points less than school funding.

Not that that matters from an adequacy viewpoint, but to demonstrate that the KASB claim simply doesn't stand up to scrutiny.



Inflation, on the other hand, is a legitimate consideration and here we see that per-pupil funding has far outpaced inflation over the course of the old school funding system. Had funding been increased for inflation since 1992, funding would have been \$1.88 billion less in 2015.

School funding also set another new record in 2015, at \$13,224 per pupil. Even with every dollar of KPERS removed, funding still would have set a record last year, and if non-KPERS funding had been increased for inflation each year, it would have been \$1.64 billion less.



Additional articles are attached that refute KASB claims on the correlation between spending and achievement and the levels of student achievement in Kansas. As for KASB’s claim that no state spends less and achieves more, an honest review of the data shows that at least Texas and Florida spend considerably less but get slightly better results on the National Assessment of Educational Progress. Florida leads wins half of the eight measurements, Texas wins three and Kansas wins one. Florida has the highest composite score, Texas comes in second and Kansas is slightly behind Texas.

Kansas Spends More, Achieves Less on NAEP			
NAEP Grade, Subject and Demos	Kansas	Texas	Florida
4th Grade Reading Score 2015			
Low Income students	208.0	208.3	220.2
Not Low income students	238.2	234.8	238.5
8th Grade Reading Score 2015			
Low Income students	255.6	251.8	256.6
Not Low income students	277.5	272.2	274.5
4th Grade Math Score 2015			
Low Income students	230.9	235.1	235.2
Not Low income students	253.1	259.9	254.3
8th Grade Math Score 2015			
Low Income students	271.8	273.7	265.5
Not Low income students	294.8	296.0	291.7
Composite - all scores	2028.9	2031.7	2036.5
2013 Per-Pupil Spending (headcount)	\$ 11,496	\$ 10,313	\$ 9,420

Source: Census, NAEP

We’d be happy to work through the remainder of their claims at your convenience, as shown in the attached articles.

Conclusion

The equity issue must be resolved and we encourage the Legislature to do so without spending additional money, as the Court does not require more funding to satisfy equity and a large body of evidence shows that more money is not needed.

¹ Gannon v. State of Kansas, page 77 at <http://www.kscourts.org/Cases-and-Opinions/opinions/SupCt/2014/20140307/109335.pdf>

² Ibid, page 76.

³ Ibid

⁴ Ibid, page 75.

⁵ Caleb Stegall, “Analysis of Montoy vs. State of Kansas” <https://kansaspolicy.org/volume-ii-analysis-of-montoy-vs-state-of-kansas/>

Nationwide Report on Education Provides Evidence that Kansas Students Perform Poorly in a Nation of Mediocre Achievement

January 18, 2018



Education Week has released its 20th annual edition of Quality Counts, a report card that provides an overall letter grade for each state's education system. Kansas earned a C, with an overall score of 73.9 – slightly lower than the national average of 74.4 (also a C).

Quality Counts employs three indicators to establish an overall grade. Kansas earned a B- in the category called Chance for Success, defined as providing "a cradle-to-career perspective on the role that education plays in promoting positive outcomes throughout a person's life." For the School Finance indicator, Kansas earned a C. Unfortunately, Kansas' worst indicator is in K-12 Achievement, a category in which the state earned a D.

K- 12 Achievement

The achievement category is an amalgamation of 18 outcome measures that include (1) NAEP scores, (2) graduation rates and (3) performance in high school advanced placement classes. The report uses detailed NAEP data, including proficiency rates, achievement gains, poverty gaps and excellence achievement. It is of note that Quality Counts does NOT consider a score in the "Basic" category an achievement, which is the same way KPI

reports NAEP data. Here are a few lowlights regarding Kansas and the NAEP achievement gap data in the report:

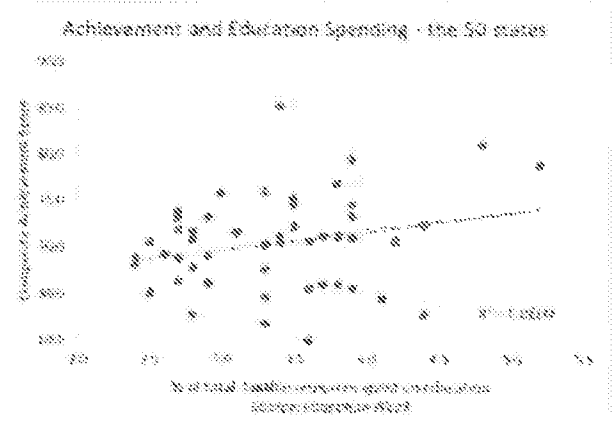
- Only Oregon, Washington and the District of Columbia had a larger increase in the 4th grade achievement gap than the Kansas gap increase of 6.8%.
- While 31 states actually reduced the achievement gap in either 4th grade, 8th grade or both, Kansas had an increase in the achievement gap in both grades.
- Overall, the nation decreased the achievement gap by 0.4% for 4th graders and 0.6% for 8th graders.
- But the most alarming stat is the revelation that Kansas is the ONLY state in which NAEP math scores for both 4th and 8th graders are lower in 2015 than they were in 2003.

Ouch.

And for those who want to blame it on some bogus claim that it all has to do with spending, consider this: data used by Quality Counts ranks Kansas 15th in spending and 41st in achievement.

Achievement & Spending

It is often argued, especially by education establishment groups in Kansas, that there is a high correlation between spending on education and achievement. That supposition is not supported by the data used in Quality Counts. The scatter-plot below is a graphic display of combining the composite achievement score with the percentage of total taxable resources states spend on education. The scatter-plot of the 50 states shows a virtual flat trend line, indicating almost no correlation between the two. The R2 value, which is a numeric representation of how close each plotted point is to the trend line, of 0.06 falls far short of even being considered a “weak” correlation. Furthermore, the single outlier on the graph, Vermont (the only state that spends more than 5% of its total taxable resources on education), drives most of the incline of the trend line. If Vermont is removed, the R2 value is 0.02. Another interesting note is that the highest achieving state (Massachusetts) spends a lower percentage of their taxable resources than the lowest achieving state (Mississippi).



The results of this report strengthens two fundamental propositions of Kansas Policy Institute regarding education: (1) that Kansas is doing about average in a nation that under-performs and (2) there is no correlation between spending and achievement.

No correlation between spending and achievement

November 16,
2015

The Kansas Association of School Boards produced a report recently which some are saying proves that spending more money leads to better outcomes, but even KASB says that is a misinterpretation. I asked Mark Tallman of KASB if that was the case and he replied, *"I specially [sic] said to the group of legislators we invited to lunch that we do NOT claim this report "proves" spending "causes" outcomes changes."*

Mr. Tallman went on to explain that *"...the data indicates that higher spending over time is more often than not a "predictor" of higher NAEP scores, and usually has a positive correlation with higher results. We do not say that correlation proves causation."*

Our review of the data says otherwise, as does that of many other respected school funding experts including Dr. Eric Hanushek of the Hoover Institution at Stanford University, who says, *"...the outcomes observed over the past half century – no matter how massaged – do not suggest that just throwing money at schools is likely to be a policy that solves the significant U.S. schooling problems seen in the levels and distribution of outcomes. We really cannot get around the necessity of focusing on how money is spent on schools."*

Bi-variate analysis

The KASB report takes only two variables into account – spending and achievement. It's called a bivariate analysis (two variables), which doesn't allow for meaningful conclusions. Dr. Benjamin Scafidi, Director of the Education Economics Center at Kennesaw State University, says, *"...they do not control for the many other factors that impact student achievement. Social scientists do not put much stock into bivariate relationships like the KASB [example] below."* Dr. Scafidi's remarks were directed at the 2013 KASB report that also only looked at changes in spending and achievement.

One such factor ignored by KASB is the impact of Common Core. When Kansas' NAEP scores dipped in 2013, the Kansas Department of Education told legislators that they couldn't identify a particular reason but did note that the transition from previous teaching methods to Common Core may have been a factor. They again honed in on the transition to Common Core to explain the 2015 NAEP decline to legislators this month. KSDE did not blame funding in 2013 or 2015.

Data refutes notion that spending predicts outcomes

This table lists 8 bi-annual changes in proficiency measurements for each of the last 6 NAEP reports, for a total of 48 total changes; proficiency levels for Low Income students and those who are Not Low Income are shown for two subjects (Reading and Math) for two grade levels (4th and 8th Grades). In the majority of comparative instances, changes in inflation-adjusted (real) spending did not correspond to changes in proficiency levels. That is,

1. In 31 of the 48 comparative instances, real spending increased while proficiency levels declined or failed to increase, or real spending declined while proficiency levels increased or failed to decline (RED).
2. In 9 of the 48 comparative instances, the increase in proficiency levels was less than the increase in real spending (YELLOW).
3. In 8 of the 48 comparative instances, the increase in proficiency levels was greater than or equal to the increase in real spending (GREEN)

Kansas Spending Per-Pupil and NAEP Percent Proficient										
School Year	\$ Per Pupil	Inflation Index	4th Reading		8th Reading		4th Math		8th Math	
			Low	Not Low	Low	Not Low	Low	Not Low	Low	Not Low
2003	\$ 8,894	176.81	18	42	22	42	24	53	19	41
2005	\$ 9,707	185.14	20	42	21	43	30	59	19	43
2007	\$11,558	195.10	21	46	20	44	34	63	23	50
2009	\$12,660	204.26	22	47	19	43	32	60	24	51
2011	\$12,263	211.10	23	50	22	45	33	63	24	54
2013	\$12,761	220.93	22	54	22	49	33	63	24	54
2015	\$13,124	224.61	20	54	22	47	27	58	19	46

Percent Change in Each Category										
School Year	\$ Per Pupil	\$ PP Net Inflation	4th Reading		8th Reading		4th Math		8th Math	
			Low	Not Low	Low	Not Low	Low	Not Low	Low	Not Low
2005	9%	4%	11%	0%	-5%	2%	25%	11%	0%	5%
2007	19%	14%	5%	10%	-5%	2%	13%	7%	21%	16%
2009	10%	5%	5%	2%	-5%	-2%	-6%	-5%	4%	2%
2011	-3%	-6%	5%	6%	16%	7%	3%	5%	0%	6%
2013	4%	-1%	-4%	8%	0%	4%	0%	0%	0%	0%
2015	3%	1%	-9%	0%	0%	-2%	-18%	-6%	-21%	-15%

Source: KSDE, National Assessment of Educational Progress (NAEP); BLS, Midwest Urban Cities fiscal year. Low and Not Low refer to student income levels based on eligibility for school lunch programs; Low Income + Not Low Income = All Students.

We performed the same analysis on changes in the national averages, although spending is only available through 2013, so there are only 40 comparative instances. Once again, spending is not a predictor of outcome changes; indeed, in 20 of those 40 instances, real spending increased while proficiency levels declined or failed to increase, or real spending declined while proficiency levels increased or failed to decline (RED). Most notably, real spending declined in 2011 and 2013, but proficiency levels increased in all 8 measurements both years!

United States Spending Per-Pupil and NAEP Percent Proficient										
School Year	\$ Per Pupil	Inflation Index	4th Reading		8th Reading		4th Math		8th Math	
			Low	Not Low	Low	Not Low	Low	Not Low	Low	Not Low
2003	\$ 9,522	182.09	15	42	16	40	15	45	11	37
2005	\$10,376	191.70	16	42	15	39	19	50	13	39
2007	\$11,557	204.11	17	44	15	40	22	53	15	42
2009	\$12,539	214.65	17	45	16	42	22	54	17	45
2011	\$12,351	221.06	18	48	18	45	24	57	19	47
2013	\$12,346	231.37	20	51	20	48	26	60	20	49

Percent Change in Each Category										
School Year	\$ Per Pupil	\$ PP Net Inflation	4th Reading		8th Reading		4th Math		8th Math	
			Low	Not Low	Low	Not Low	Low	Not Low	Low	Not Low
2005	9%	4%	7%	0%	-6%	-3%	27%	11%	18%	5%
2007	11%	5%	6%	5%	0%	3%	16%	6%	15%	8%
2009	8%	3%	0%	2%	7%	5%	0%	2%	13%	7%
2011	-1%	-4%	6%	7%	13%	7%	9%	6%	12%	4%
2013	0%	-5%	11%	6%	11%	7%	8%	5%	5%	4%

Source: Census, NAEP; BLS, fiscal year. Low and Not Low refer to student income levels based on eligibility for school lunch programs; Low Income + Not Low Income = All Students.

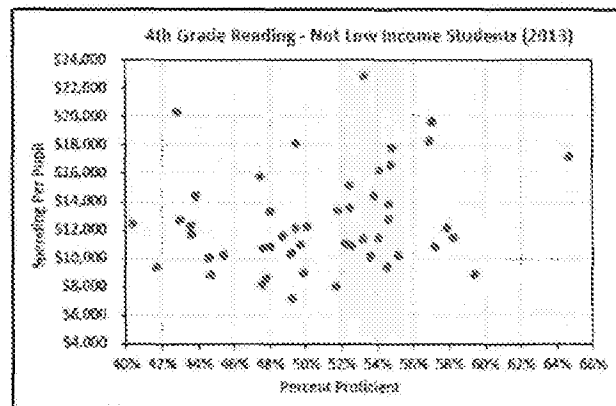
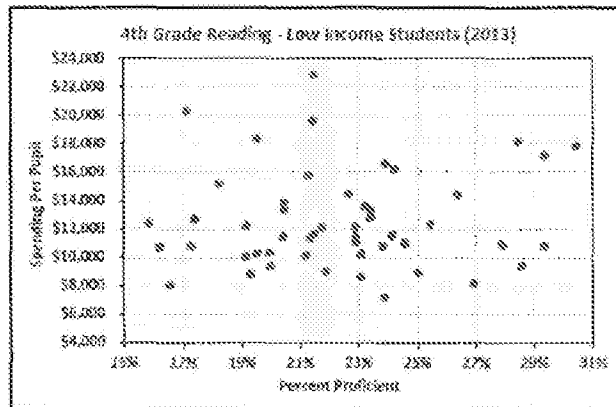
Our analysis is very straightforward; the changes in spending and every measurement of proficiency are examined separately. KASB based their findings on 8-year averages rather than individual years, which masks fluctuations by allowing gains to offset losses; the results are further skewed depending upon the starting point and length of the average. KASB also combines proficiency levels for 4th Grade Reading and Math as well as 8th grade Reading and Math by averaging those four disparate percentages into a single number, which again hides information. That methodology could present the appearance of improvement (especially by careful selection of the 8-year starting point) even though one or more grade levels and/or subjects could be in decline (which indeed happened). Such manipulation may allow KASB to justify more spending but it disregards the importance of understanding the true

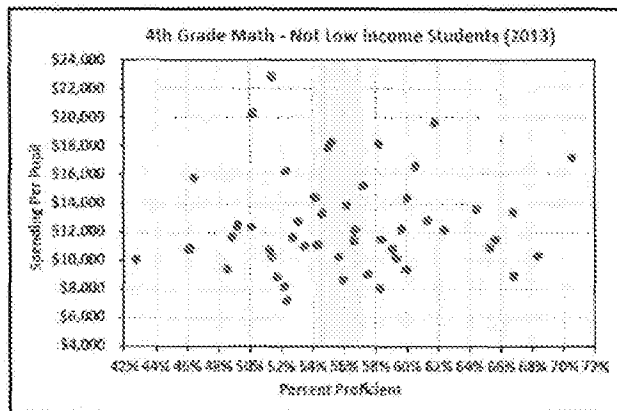
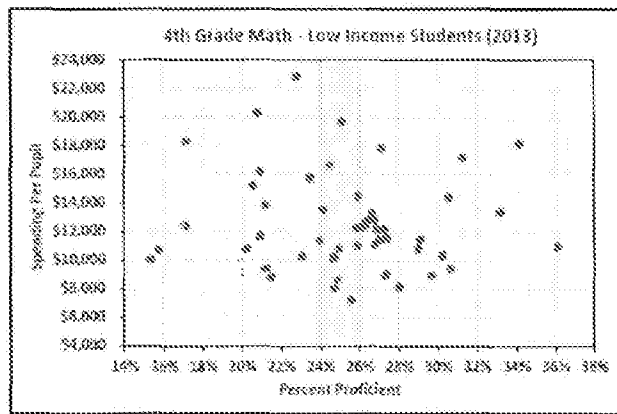
causes of student achievement.

It should be noted our explanation of their methodology is based on our reading of their report; KASB has not responded to requests for their underlying calculations.

KASB also claims that "higher spending states are more likely to have higher results" but once again, the data is contradictory. If spending more money was a "predictor" of higher outcomes, the points on these scatter plots of spending and proficiency levels would be grouped along a line of increasing slope but they are 'all over the map'.

New York schools spent the most at \$22,902 per-pupil and had 4th Grade Reading proficiency levels of 21% and 53%, respectively, for Low Income and Not Low Income students. North Carolina schools however, spent just \$8,879 per-pupil yet had proficiency levels of 25% and 59%, respectively. There are many other examples all across the proficiency ranges of grade levels, subject and student income groups where states achieved the same or relatively the same outcomes while spending significantly disparate amounts.





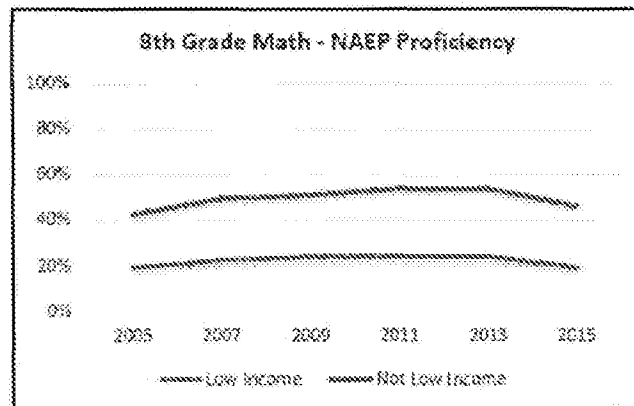
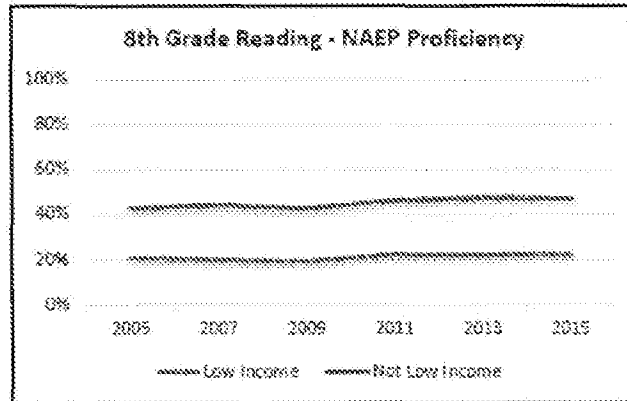
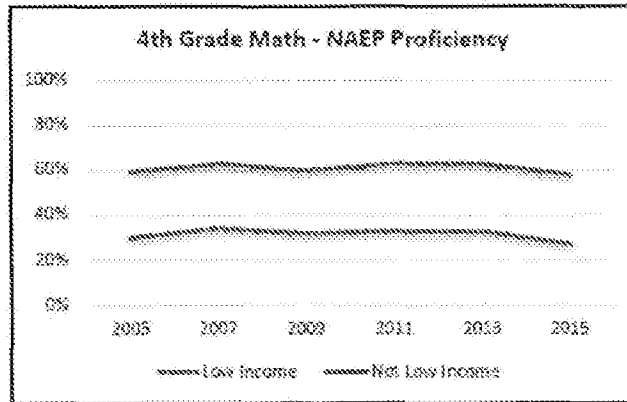
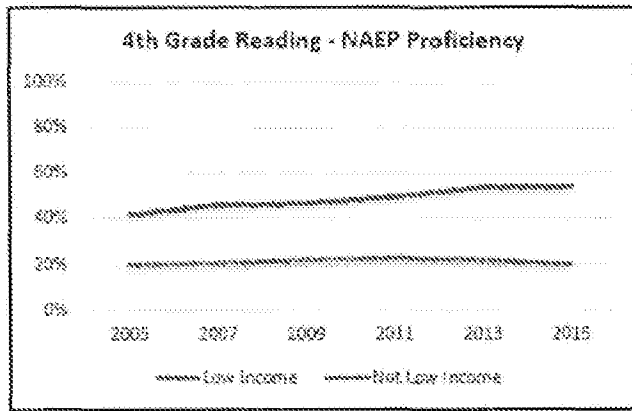
Higher spending would absolutely be a predictor of higher tax bills for citizens but there is no correlation between spending and achievement in the data.

Spending more money may create more opportunity to improve outcomes but only if the extra money is well-spent. As Dr. Hanushek notes, "It's absolutely true that if you spend money well, it has an effect," he said. "But just putting money into schools and assuming it will be spent well isn't necessarily correct and there is substantial evidence that it will not happen." And as has been documented time and time again over the years, there is certainly is evidence of money not being well spent in Kansas.

Achievement matters, not national rankings

KASB makes much of the fact that national rankings on NAEP declined ("Kansas has fallen from a national leader to merely an above average performer") and they use that emotional appeal to push for more money. But actual achievement should be the focus instead of national rankings, especially in a nation that doesn't perform very well. For example, Indiana is ranked #1 for 4th Grade Low Income students in Reading – at just 36% Proficient!

Kansas may have had higher national rankings in the past but look at these proficiency levels and decide for yourself: was achievement in any grade or subject ever at acceptable levels?



After nearly a \$2 billion funding increase over the last ten years, only a quarter or less of low income students and only about half of the rest are Proficient on NAEP Reading and Math exams. A "C" or a "D" may be one of the highest grades in the class but not scoring as badly as one's classmates is no indication of acceptable outcomes. Attempting to justify pouring more money into the same system that produced these outcomes is simply about getting more money for the system; it most certainly is not student-focused.

The definition of insanity is doing the same thing over and over and expecting different results. We have tried dramatically higher real (inflation-adjusted) spending in Kansas public schools (43.5% per-pupil over the last 25 years) and in public schools around the nation. For Kansas, those increases in spending into the current education system have yielded the results just above. It is time for Kansas policymakers to call a new play. Our students deserve no less.

Post Script: We thank education economists Dr. Erick Hanushek and Dr. Benjamin Scafidi for their review and input on this analysis. For a teacher's perspective on this subject, see David Dorsey's thoughts on the Topeka Capital-Journal Blog.



**House Appropriations Committee
Testimony on HB 2740**

**Dr. Cynthia Lane, superintendent
March 23, 2016**

My name is Dr. Cynthia Lane, and I have the privilege of serving as the superintendent of the Kansas City, Kansas Public Schools. I am here to testify in opposition to HB 2740. This bill, which was printed yesterday afternoon, was ostensibly written to respond to the ruling of the Kansas Supreme Court on the *Gannon v. State of Kansas* school funding case. The Supreme Court found that SB 7 was unconstitutional, in that it did not meet the equity requirements of Article VI of the Kansas Constitution. The printout provided at the hearing on March 22 indicates that no district would receive less in Local Option Budget and Capitol Outlay equalization aid for FY 2017 than they received for the current fiscal year (a few districts benefited from the adjustments to the formula, and would collectively receive an additional \$2 million.)

To me, one of the first mathematical properties that we teach our students in Algebra, the Transitive Property, applies directly to this bill: If SB 7 is unconstitutional, and HB 2740 does the same thing as SB 7, then HB 2740 MUST be unconstitutional as well. Perhaps more importantly, HB 2740 does nothing to remedy the equity test put forth by the Court: "school districts must have reasonably equal access to substantially similar educational opportunity through similar tax effort." (*Gannon, p.2*) In fact, rather than remedying identified inequities, it creates the potential to widen the gap between property rich and property poor districts, by reducing equalization aid for LOB by \$82.9 million.

I applaud the fact that this bill attempts to "hold harmless" districts, so that they do not receive less than last year. Doing what is right for the children in Kansas City, Kansas should not come at the expense of children elsewhere in the state, who also deserve schools that are equitably and adequately funded. In fact, the notion of holding districts harmless during a change in the school funding formula has been a practice in Kansas for the past 20 years. However, in the past, the idea of "holding districts harmless" was only used AFTER legislation had been developed to remedy an identified deficiency in the formula. This bill, rather than fixing identified problems in SB 7, simply changes the formula in order to spend the amount of money the legislature is willing to spend, with no regard to the needs of individual students or districts. In doing so, it exacerbates the deficiencies contained in SB 7, which was found unconstitutional by the Shawnee District Court.

I recognize the difficult situation that this committee finds itself in. Creating equity in school finance will require additional resources, and finding those resources at a time when the state is missing already significantly lowered revenue projections is incredibly challenging. However, equity is the right thing to do for children, for families, for communities, and for the future of this state, and I would implore you to have the courage to recognize education's role as the primary economic driver of this state, and to fund it accordingly.



Testimony before House Appropriations
HB 2740 – K-12 Equalization response
Mike O’Neal, Kansas Chamber CEO
March 23, 2016
Testimony in support

Mr. Chairman and members of the Committee

On behalf of the Kansas Chamber, I appreciate the opportunity to appear in support of HB 2740, a legislative response to the Court’s latest equity decision in *Gannon*. The Kansas Chamber has a strong Board approved Education agenda for 2016 that includes a call for increasing the quality of education for tomorrow’s workforce and the efficient use of tax dollars through policies that:

- Support a suitable school finance system for K-12 education that ensures taxpayer dollars are adequately and efficiently invested toward instruction in order to provide students and teachers with the resources needed to fulfill the mission of the Department of Education.

The necessity for this legislation derives solely from the Kansas Supreme Court’s Feb. 11, 2016 ruling on the equity phase of the pending *Gannon* school finance litigation and the Court’s less than subtle threat of court-ordered school closure if its articulated equity concerns were not addressed by June 30, 2016. The Court has essentially bifurcated the case and is dealing with the “equity” phase first and the “adequacy” phase later. While this is certainly the Court’s prerogative, and can be dealt with separately, our interpretation of the Legislature’s responsibility, as determined by the Court in recent school finance litigation, is to make suitable provision for the finance of the educational interests of the state. Once it is determined what resources will be provided to that end, it is then the responsibility of the Legislature to allocate or otherwise see to it that the resources are allocated in a manner that is equitable, i.e., such that school districts have reasonably equal access to substantially similar educational opportunity through similar tax effort. With the question of “adequacy” still to be determined, a response to the Court’s equity decision appears to put the proverbial “cart before the horse”.



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

That said, an equity response is due and we applaud this Committee's effort to make a good faith effort to divine from the Court's opinion an acceptable response on the equity phase such that the threat of school closure is averted. (Regarding school closure we would refer the Committee to KSA 2015 Supp. 72-64b03(d) which prohibits such school closures) As an elected body that works closely with its respective constituents, it is prudent to take the steps this Committee has taken to reduce risk to Kansas taxpayers, families and children who, as the Court has previously held, have a constitutional right to a public education. One way or another, schools must remain open in the fall.

It is also prudent to take steps to protect school districts and school children who were not parties to the litigation and/or who were not affected either way regarding the perceived equalization infirmity or who may have lost resources as a result of the Court's suggestions regarding the prior equity formula. While it would appear to make no sense to threaten these schools with closure when they were not involved in this dispute, we applaud this Committee for taking steps to avoid the risk to these districts and their patrons.

Turning to the Court's language in what we'll call *Gannon II*, the Court, while appearing to state a preferred method of compliance, did acknowledge that the equalization infirmity **"can be cured in a variety of ways – at the choice of the legislature."**

As to the Court's implied preference, the Court noted: **"One obvious way the legislature could comply with Article 6 would be to revive the relevant portions of the previous school funding system and fully fund them within the current block grant system."** Of significance is the fact that the Court is clearly open to continuation of the block grant system and with arriving at an equity response "within" the current block grant system.

A question was raised in the informational hearing about whether the Court will require new or additional funds. First, equity is not a math equation. It is, as the Court has stated: **"School districts must have reasonably equal access to substantially similar educational opportunity through similar tax effort."** In this regard, no witness who testified Monday before the joint Committee in response to questioning by legal counsel was able to articulate or knew of a metric for determining how this test is satisfied. This comes as no surprise since even the Court noted that: **"We acknowledge there was no testimonial evidence that would have allowed the panel to assess relative educational opportunities statewide."**

The Court did, however, speak to the issue of funding. First, the Court acknowledged that: **"equity does not require the legislature to provide equal funding for each student or school district."** The Court went on to say that the test of the funding scheme becomes a consideration of **"whether it sufficiently reduces the unreasonable, wealth-based disparity so the disparity then becomes constitutionally acceptable, not whether the**

cure necessarily restores funding to the prior levels. Finally, the Court made it clear that “need” is irrelevant. The Court held that **“equity is not a needs-based determination. Rather, equity is triggered when the legislature bestows revenue-raising authority upon school districts through a source whose value varies widely from district to district, such as with the local option mill levy on property.”**

Given what the Court said in *Gannon II*, it would have been perfectly acceptable to resurrect the capital outlay and LOB equalization formulae pre-SB7 and redistribute current funding accordingly. While that would have created so-called “winners” and “losers”, that is irrelevant to the Court since equity is equity and restoring prior funding is not required. Equity in its most basic form is illustrated by the example of sharing a bottle of pop with your kids. If you happen to pour more into one glass than another you equalize the glasses by pouring the contents of the one with more into the glass with less until they are equal. Equity does not require you to return to the refrigerator and open a new can. Unfortunately, the expectation with regard to school finance equalization has historically been that one is expected to always go back to the refrigerator for more, since a district that has been allocated funds now sees that as their entitlement. Any perceived reduction in an expectation is characterized as a “cut”. The concept of sharing, which we learned in Kindergarten, has been lost, even though, as the Court has ruled, “equity” is the law.

When this Committee considered a proposal (HB 2731) that would restore equalization to the presumably Court-preferred method, which created winners and losers, no district that would have benefitted showed up in support and no district that would have lost funds showed up in opposition. Only neutral testimony was received. It would be difficult to garner the votes necessary to pass such a measure and, notwithstanding a preferred course by the Court, passage of legislation by a majority of willing elected lawmakers would still be necessary.

Turning now to HB 2740, the bill, in our opinion, is a satisfactory response to the Court, given the Court’s own language and the bill’s response. Re-allocation of funds utilizing an approved method of calculating equalization (capital outlay formula) is proposed, with no district losing funds thanks to hold harmless provisions. Funds are included to cover minor changes in calculations due to actions taken subsequent to passage, and KSDE is given the balance of funds to allocate, as needed, in a manner consistent with the Court’s definition of “equity” and including the existing factors for approving additional funds for extraordinary needs.

As to the “hold harmless” provisions, testimony was presented to the Joint Committee Monday that these types or provisions are not uncommon and are part of the inherent nature of the political process by which school finance decisions are made. With regard to the KSDE provisions, given that the Legislature and this Committee are in session only part time, and

given that the Legislature relies on KSDE for equalization calculations and other technical data related to whatever formula may be in place, including block grants, it makes sense to have KSDE handle the "extraordinary needs" fund allocations.

Finally, HB 2740 provides what we've heard districts requesting: as much budget certainty as possible, one of the key advantages of the current block grant system. We urge the Committee's favorable consideration of HB 2740.



**House Appropriations
Chairman Ryckman**

March 23, 2016
Jim Freeman
Wichita Public Schools

Regarding HB 2740

Chairman Ryckman and members of the Committee:

Thank you for the opportunity to provide input on the issue before us to remedy equity. You have a significant challenge which is intensified by the challenges facing the State General Fund.

We know you are working to find a solution which meets the Court’s test and does not close schools. I thank you for your efforts.

However we respectfully believe this plan --- found in both Senate Bill 515 and House Bill 2740 – does not address the equity issue on two fronts:

- addresses Fiscal Year 17 only and not Fiscal Years 15 and 16;
- it is a redistribution of funds, without new funding, school are in essence self-funding this plan.

We believe the Gannon decision is clear in its finding that equity state aid was inadequate in fiscal years 2015 and forward. To quote from the Revisor of Statutes memo dated February 11, 2016:

“The Court held that the State failed to show sufficient evidence that it complied with the Court’s prior equity orders set forth in Gannon I and found that the amended supplemental general state aid and capital outlay state aid formulas failed to cure the unconstitutional wealth-based disparities in fiscal year 2015. The court also held that because SB 7 froze such inequities for fiscal years 2016 and 2017, such unconstitutional inequities carry forward in those years.”

The inequity Senate Bill 7, the Block Grant bill, froze into place the FY 15 inequity and carried it forward. State aid proration has negatively impacted property taxes and operations. For the Wichita Public Schools the state aid loss is over -\$26.3 million:

LOB proration FY 15 -\$5.1m x 3 = ~~-\$15.3m~~
 Capital outlay aid: FY 15 -\$3.1m + FY 16 -\$3.4 + FY 17 -\$4.5m = ~~-\$11m~~
 Total state aid proration under SB 7, the Block Grant: ~~-\$26.3 million~~

This is what we seek to remedy. The bill before us today does not solve the inequity, the loss of \$26 million for the Wichita Public Schools, frozen in by the Block Grant.

We always appreciate efforts to hold districts harmless, but in my memory first funding has added funding and then hold harmless provisions have been applied to protect the outliers. The hold harmless provision in this bill is a redistribution of funds without new funding.

Hold harmless provision in HB 2740 uses SB 7 funding as the base, which was found unconstitutional and is the reason we are here today. The bill redefines equalization to equal the current dollars being spent. Therefore with no new money and district's will still be held at an unconstitutional level. HB 2740 does not solve the issue at hand: equity.

The bill changes the LOB state aid calculation to the capital outlay formula which will provide less equalization aid to districts. The LOB is a key component of our current finance formula and we want to maintain that support for our schools. We do not support changing the LOB equalization formula.

Local Option Budget equalization is a key component in providing resources for schools, and we do not support changing the state aid formula. The Local Option Budget is a significant funding component for districts. Wichita is at the 30% lid, some districts are at the 33% max and some are lower. Statewide the LOB mill levy is 19 mills; total average mill levy is 56 statewide. LOB Equalization is on a significant portion of the total mill levy, compared to the 8 mills for capital outlay. The Local Option Budget supports classrooms and schools and should not be reduced.

Equity is the measure which allows the property poor district to provide similar services compared to wealthier districts. We believe equity is fundamental to providing educational opportunities to Kansas students regardless of their zip code.

Mr. Chairman – we do appreciate your efforts and we are all seeking solutions which will keep school doors open. However we do not support this bill which redefines equalization to equal current dollars; nor does it provide additional funding for districts harmed under the Block Grant. Thank you for your work and diligence on these issues. We understand the legislative process is a process and appreciate your efforts to find solutions.

March 23, 2016

House Appropriations Committee

House Bill 2740

Chairman Ryckman and Members of the Committee,

I am Dr. Jim Hinson, Superintendent of the Shawnee Mission School District in Johnson County. I appear as a proponent on House Bill 2740. This bill appears to be one of the few solutions that has been proposed to the current school-funding situation that attempts to address the Court's demands and holds all districts harmless from loss.

The Shawnee Mission School District desire a solution to the short-term issues related to equity. In addition, we hope the Legislature is working toward addressing a long-term solution that will ultimately satisfy the Supreme Court with a new funding formula.

The bill as written funds the Shawnee Mission School District at a level we anticipated based on the block grants implement in House Substitute for Senate Bill 7 passed in 2015. House Bill 2740 seems to satisfy the equity issue by funding a fully equalized formula related to LOB equalization. Rather than the prior LOB equalization formula, House Bill 2740 uses the capital outlay equalization formula to fund LOB equalization. We are not plaintiffs in the current lawsuit but it appears fully funding this equalization formula addresses court concerns that there should either be no equalization or fully funded equalization to fulfill statutory obligations.

The equalization solution in House Bill 2740 may disappoint some who glimpsed brief hope of a windfall by some earlier potential solutions. This bill, however, appears to satisfy exactly what the block grant intended: to provide budget stability and funding as expected for one more year while a school finance formula is written. We support House Bill 2740 as a one-time, one-year solution to allow the Legislature time to draft a new formula. The principals of House Bill 2740 based on a more uniform formula for equalization, however, may be valuable to include in a new formula.

I am happy to stand for questions at the appropriate time.