

# *This Week* **in Topeka**

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**Overland Park Chamber**

*Business, Economic Development & Local Government News  
from the Legislative Session Week of March 20-24, 2017*

The committee work wound down as both the House and Senate prepared for this week's long days on the floor debating and voting on bills followed by several days of conference committee meetings ironing out differences in the versions of bills passed in both chambers. The schedule still shows First Adjournment on Friday, April 7, but there is talk of the possibility of adjourning a day or two early, banking those days not used for later.

I also want to quickly thank the members of the Johnson County delegation who participated on the legislative panel at the Johnson County Public Policy Council breakfast on Saturday. Sens. Barbara Bollier and Julia Lynn and Reps. Stephanie Clayton, Erin Davis, Nancy Lusk and Brett Parker took time out of their schedules and shared their insights and comments on the workings at the Capitol.

**K-12 School Finance.** This past week the first draft of the so-called "Chairman's Bill" proposing a new school finance formula was introduced in the House K-12 Budget Committee as HB2410. In recognition of the need to move the bill as quickly as possible, Chairman Campbell scheduled hearings on the bill for Thursday and Friday and would continue on Monday to ensure that everyone who wanted to provide testimony would have the opportunity to do so notwithstanding the tight schedule. Chairman Campbell emphasized several times that HB2410 is intended to be a starting point and that he is very open to consideration of all proposals from Committee members as they work to come to agreement on a version to be sent to the full House, hopefully by the Thursday, March 30.

As drafted, the bill creates the Kansas School Equity and Enhancement Act (Act), which is, in fact, similar in structure to the school finance law (SDFQPA) in effect prior to its 2015 repeal in favor of the current block grants. The Act continues the calculation of each school district's foundational (base) aid on a per student basis, the actual district enrollment adjusted by several weightings that take into account various student demographics. Under this formula, the state would put about \$76 million of additional funds into K-12 next year, with 107 of 286

school districts receiving less money than they have under the block grants; however, most of those reductions would be attributable to a declining number of students in the school district (there are approximately 3,600 fewer students in K-12 statewide now than there were two years ago when the block grants were implemented).

Here are some of the main components of the initial version of HB2410:

- A district's total foundational aid would be \$5,320 per student, about \$4,170 (80%) provided by the state and the balance of \$1,150 (20%) raised locally through a required property tax levy, referred to as the district's local foundation budget (LFB) (note that under the Act, the LFB is actually the greater of 20% of the base state aid or \$1,150);
- The base state aid will be automatically increased each year based on the CPI-Midwest for the immediately preceding year;
- District enrollment will be determined by taking the average of the student counts on September 20 and February 20 each year;
- All-day kindergarten would be phased in over three years, students being counted as 0.8 in school year 2017-18, 0.9 in 2018-19, and 1.0 beginning in 2019-20;
- Transportation weighting remains essentially the same, using 2 ½ miles as the cut-off;
- High enrollment weighting is eliminated and low enrollment weighting is retained by adjusted down by 3.504%;
- Bilingual weighting uses the greater of two calculations but limits to five the number of years that a student may be counted for bilingual weighting;
- At-risk weighting is unchanged, with eligibility being those students receiving free lunch under federal guidelines;
- Special education weighting is unchanged;
- A new school facilities weighting allows a district to levy a property tax approved by the state board of tax appeals to help fund the cost of operating new school facilities for two years (and may be extended for up to six more years at decreasing rates);
- A cost of living weighting allows a district to levy a property tax approved by the state board of tax appeals to account for the higher cost of living in that district;
- Career technical education weighting is replaced by creating the career and postsecondary education fund in each district to be funded by the transfer of \$100 per student from the district's general fund;

- Virtual school state aid is unchanged;
- The local option budget would be replaced by three property tax levies, one required (the LFB), and two optional, a local enhancement budget (LEB) of up to 5% of the total foundation aid and a local activities budget (LAB) of up to 4% of the total foundation aid;
- No election is required to levy the LEB, but the Act does contain a new restriction on spending of the LFB, requiring a district to spend a portion of the LFB for at-risk and bilingual education in proportion to the at-risk and bilingual weightings of the district;
- In school year 2017-18, no election is required to levy the LAB for those districts that had an LOB in excess of 30% for school year 2016-17 with voter approval of the LAB required beginning in school year 2018-19; further, LAB funds may be used for general operating expenses in 2017-18, but thereafter may only be used for non-instructional purposes;
- Requires the State Board of Education to annually report to the Legislature on its school district accreditation system, and directs Legislative Post Audit to conduct a series of performance audits on various components of the Act over the first nine years; and
- Expands the tax credit for low income students scholarship program and also requires that non-public schools receiving students under that program be accredited by the State Board of Education.

The Chamber provided what we deemed to be “neutral” testimony on HB2410, commending the Committee for its work thus far, but suggesting more work was needed regarding several of the proposed elements of the Act. Among our stated concerns are the following:

- HB2410 fails to simplify the old formula under SDFQPA which most found to be just too complicated; in fact, the new formula appears to be even more confusing and overly complex;
- HB2410 continues to define an at-risk student solely on the basis of being eligible for free lunch under federal guidelines, ignoring other challenges that students not eligible for free lunch face that similarly require additional and/or specialized assistance for educational success, challenges defined by factors already established by, and which must be reported by each school district to, the Kansas State Board of Education. This narrow definition materially and adversely affects school districts in Johnson County by substantially reducing the number of at-risk students for purposes

of applying the weighting formula and correspondingly reducing the funding received in relation to those students;

- Having long maintained that the SDFQPA effectively impairs the ability of local districts (and their patrons) to choose to exceed established statewide goals and standards, we argued that HB2410 continues on that path, even exacerbating the problem by eliminating the LOB and replacing it with the three new local tax levies which cumulatively could raise only an additional 29% of funds, down from 33% under the LOB and further compounding the problem by placing additional restrictions on the use of the funds raised by the local effort; and
- As the Chamber has long opposed the use of public tax funds to subsidize private education, we objected to the proposed expansion of tax credits for contributions to the low income student scholarship program.

HB2410 not only proposes a new finance formula, it also contains appropriations funding that formula, and therein lies an almost universal objection among the conferees providing testimony on the bill. Most told the Committee that there is just not enough new money; not enough, in their opinions, to satisfy the Supreme Court's adequacy requirement or what the schools actually need to provide an excellent education to their students. Many are continuing to suggest that it will take anywhere from \$500 million to \$900 million of new money invested in the formula to get the job done. As a practical matter, we would hope that the Supreme Court will accept a plan to phase in increased funds over several years, whatever that total amount turns out to be.

**Rescission Bill and the Budget.** The differences between the House and Senate versions of S Sub for Sub for HB2052, the bill that will balance the budget for FY2017 ending on June 30, are being considered by a conference committee. Resolution appears to be close and will likely be done on Tuesday or Wednesday at the latest, allowing both the House and Senate to vote on the conference committee report.

The Senate Ways and Means Committee kicked out its mega-budget bill for FY2018 and FY2019, Sub for SB189, last week, and it sits on General Orders for consideration by the full Senate. The House Appropriations Committee is working hard and nearing completion on its version of a mega-budget bill.

**Taxes.** There is no significant progress by either tax committees regarding efforts to craft another comprehensive tax bill. The House Taxation Committee would like to wait for the Senate version, but as the clock continues to tick, there are indications that another idea or two might emerge; one most likely a bill similar to what was previously passed by the

Legislature but vetoed by the Governor and another possibly a flat tax (although there appeared to be very little interest recently when two flat tax bills had hearings).

The Senate Assessment and Taxation continues to talk about talking about a comprehensive tax plan of its own. It appears that Senator Tyson intends to get down to some serious work crafting a plan next week.

On Thursday, the House Taxation Committee held a hearing on HB2382 which would increase the fuel tax by \$0.11 per gallon (last week SB224 which proposes a \$0.05 increase had a hearing). The Chamber provided neutral testimony on HB2382, supporting the concept of an increase in the fuel tax (which is constitutionally protected and must be used solely for transportation infrastructure work) but stating our belief that the \$0.11 per gallon increase called for in the House bill is too large an increase at this time.

**Economic Development.** The House Appropriations Committee sent HB2184 that would extend the impending sunset of the STAR bond program for five years until 2022 to the full House where it currently sits on General Orders. There appeared to be little opposition to the extension in the Committee and expectation is that it will pass the House relatively easily. There is more concern about the STAR bond program in the Senate where we will work hard to get the program extended and, if there is sufficient concern over details, we will suggest a thorough review of STAR bonds in an interim committee; we will strongly oppose any effort to allow the program to sunset.

Although there are still bills sitting in Senate committees (Commerce and Assessment and Taxation) that would impose one or three year moratoriums on the PEAK and HPIP incentive programs, it appears that the interest in working those bills is waning. Hopefully, that is the case and will continue to be so, as the Chamber has strongly supported these valuable and effective programs and opposes a moratorium.

#### **Upcoming events:**

**Legislative Breakfast Series.** The **Johnson County Public Policy Council** will sponsor a legislative luncheon on Thursday, April 20, at the Overland Park Marriott Hotel.

**Public Policy and Advocacy Committee Meeting.** The next meeting of this committee will be noon-1:30 p.m. on Friday, **April 14**, at the Overland Park Chamber office.

**Registration information** and further details for both events can be found at [www.opchamber.org](http://www.opchamber.org).