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MEETING OF
HOUSE COMMITTEE ON APPROPRIATIONS

JUNE 23, 2016
COMMENCING AT 2:20 P.M.



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7 EXHIBITS

8 No 1 Summary of changes made to the
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1 CHAIRMAN RYCKMAN: Good afternoon,
2 Committee. As a reminder, we do have a
3 transcriptionist here, so please speak clearly and
4 slowly. And I call for partisan support to remind
5 me to do the same.

6 Before we do plan on working House Bill 2001,
7 before we get into that, I want to have some time
8 to discuss some other options that have been out
9 there as far as financing. We have both J.G. and
10 our Budget Director is here, as well, Director
11 Sullivan, to discuss these. But before we do
12 that, I have a request for bill introduction, so
13 I'm asking Representative Henry.

14 REP. HENRY: Thank you, Mr. Chairman. I
15 would request that the committee adopt -- or
16 introduce the Kansas Democrat school finance
17 proposal revenue package that was presented.

18 CHAIRMAN RYCKMAN: Second by
19 Representative Denning. Any discussion? All in
20 favor, say aye. (Voice vote.) Opposed? (Voice
21 vote.) Bill is introduced.

22 Any others? Okay. To kind of give an
23 understanding of where we are at, and then again
24 some of the ideas that we've heard that -- I know
25 I've talked to many in this room or I've talked to



1 superintendents across the state, the Budget
2 Director, our Deputy Secretary of Education, as
3 well as Mr. Scott, that I think it would be good
4 if we have some time here in a public forum to
5 discuss some of these ideas and have a full
6 vetting of what we have been hearing the last two
7 or three weeks and again late last night and this
8 morning.

9 So to kind of start with, we'll ask Mr. Scott
10 to come up and kind of give us an overview of
11 where we are at and some of the ideas that have
12 been submitted, the so-called pots of money that
13 we will be looking at.

14 MR. SCOTT: Thank you, Mr. Chair. We
15 have been working with a lot of people, and I
16 would say that most everything that we have has
17 been discussed with many more people.

18 There is the plan that we discussed this
19 morning. Part of what that discussion was, was
20 around the \$16,000,000 that was in the Children's
21 Initiative Fund. The bill that the legislature
22 passed said -- indicated that would be spent in
23 2017, about \$16,000,000, to pay for KPERS. The
24 Governor vetoed that, so that then freed up that
25 \$16,000,000. We kind of talked about earlier this



1 morning we used about 10.5 of that. The total
2 amount of that is about \$16,000,000.

3 Discussion also included TANF funding. We
4 had discussed at one point in time about 10 point
5 -- about 10.1 million dollars. When we back into
6 that a little bit further, about \$6,000,000 of
7 that the Department for Children and Families
8 looked at that and thought that they really can
9 use \$6,000,000 for some of the Four-Year-Old At-
10 Risk, so we brought that back down to 4.1 million
11 dollars.

12 There was some discussions on the Motor
13 Vehicle Modernization Fund. That's a \$4 fee that
14 are added on top of driver's licenses. That total
15 brings in about 12.2 million dollars. We
16 allocated about \$3,000,000 of that, so there is
17 \$9,000,000 that moves money from the modernization
18 fund into the state highway fund. That's some of
19 the discussions that has been brought up.

20 There is also the Job Creation Fund.
21 Currently, that fund has about 15.4 million
22 dollars in it. Different plans have discussed
23 using portions of the Job Creation Fund. I'm not
24 sure that I am -- I think that's all of them that
25 I know of that we have as far as revenue sources



1 that we've talked about.

2 CHAIRMAN RYCKMAN: Any other revenue
3 sources that have been discussed that you've heard
4 that you want to discuss now? Representative
5 Denning.

6 REP. DENNING: Can I ask the Budget
7 Director, Mr. Chairman?

8 CHAIRMAN RYCKMAN: Director Sullivan,
9 could you please come up?

10 REP. DENNING: Thank you. The -- Mr.
11 Scott talked about the job creation program and
12 that was identified, there is like 13, 16 -- what
13 did you say?

14 MR. SCOTT: 15.5.

15 REP. DENNING: 15.5 million. The bill
16 that we just introduced had used some of the
17 13,000,000, 13,000,000 for schools. The bill that
18 we heard this morning was going to use -- take a
19 cut from every school district, a half of a
20 percent cut. So according to our information,
21 this money is just sitting idle in the Department
22 of Commerce. Can you explain to us why it would
23 be more advantageous to cut schools almost
24 \$13,000,000 and leave funds sitting idle? And I
25 know you had a response, so I kind of wanted to --



1 MR. SULLIVAN: I'll be happy to respond
2 to what the fund does. As Mr. Scott said, there
3 is about 14 or \$15,000,000 in the balance of it.
4 Of that total, about half of it has been committed
5 to binding commitments. The Amazon One project at
6 Gardner-Edgerton was -- had an amount that was
7 committed to be paid out, in other words, to
8 secure that business to that location.

9 There was an aviation company in Wichita that
10 also was -- I don't know if it was recruitment or
11 retention -- that had a number of jobs associated
12 with it.

13 The Goodyear plant here in Shawnee County had
14 a binding commitment from it, from this pot of
15 money from the JCF.

16 There is an upcoming commitment that we made,
17 probably within the next couple of weeks, in a
18 major metropolitan area that that has been used in
19 part from this fund for the creation of new jobs.
20 So there is roughly between 7 and \$8,000,000 that
21 have been committed.

22 The other part, so there will be a 7 to
23 \$8,000,000 balance that is left. We prefer not to
24 take from that because we have already eliminated
25 the annual transfer that goes to the Department of



1 Commerce for the Job Creation Fund purpose in the
2 approved budgets for 2016 and fiscal year 2017,
3 and also reduce some of the other economic
4 development funds at the Department of Commerce,
5 with the understanding that they would have this
6 balance at the JCF, or Job Creation Fund, for the
7 next couple of years to spend down.

8 The reason -- the last thing I'll close with
9 on this question is the reason that had a balance
10 was that they were spending down a program called
11 impact bonds and they had a specific deadline or
12 timeline they had to spend for that program. And
13 I'm not sure of the specific source of revenue
14 that goes into that particular fund at Commerce,
15 but over the last year or two they have been
16 spending down that impact bond fund because of the
17 deadline they had to spend that. So projects they
18 normally would have to use from the Job Creation
19 Fund the last couple of years, they have been
20 using the impact bonds instead. That source is no
21 longer there. So they've used half of it for
22 binding commitments for a couple of projects in
23 Shawnee Mission and plan to use the remainder of
24 the balance for other projects in the next year or
25 two.



1 REP. DENNING: Mr. Budget Secretary, can
2 we get some of that, what you just told us, in
3 writing because I -- because I need to -- this is
4 all new information that we had never heard
5 anything about. I mean, if we go home and say we
6 had to cut schools 13,000,000 and the trade-off
7 was -- we had funding sitting here for jobs, but
8 maybe -- we may be losing some school jobs to keep
9 these jobs. So I just want to make sure you have
10 in writing what we got.

11 MR. SULLIVAN: I'll send to the Committee
12 Chair or his staff from the Department of Commerce
13 or from me later this afternoon.

14 REP. DENNING: I appreciate that
15 information to share with other members of the
16 body.

17 CHAIRMAN RYCKMAN: Representative Lunn.

18 REP. LUNN: Thank you, Mr. Chair. Shawn,
19 I assume all this money that might be there for
20 job creation is going to be targeted for growth of
21 private sector jobs?

22 MR. SULLIVAN: That is correct.

23 REP. LUNN: And could you give me any
24 indication of what other surrounding -- I know
25 Texas has an enormous job closing, deal closing



1 fund. How are we stacked up compared to
2 competition to be able to attract businesses?

3 MR. SULLIVAN: I have been told by the
4 Department of Commerce that when we compare our
5 fund to other states, ours is much smaller. I've
6 never done an empirical analysis on that, but I
7 have read some articles, literature about it from
8 national associations that would say that, as
9 well. So my understanding is that our fund, the
10 purpose we use it for is economic development, is
11 smaller than other states.

12 REP. LUNN: Thank you.

13 CHAIRMAN RYCKMAN: Representative Wolfe
14 Moore.

15 REP. WOLFE MOORE: Thank you, Mr. Chair.
16 To follow up a little bit on Representative
17 Henry's questions and remarks, I would be very
18 curious to see the actual breakdown because my
19 understanding, between the Edgerton project and
20 the major metropolitan city project, which we all
21 know where that is going and who that is, that
22 just barely consists of about a million. I think
23 the amount that goes to the major metropolitan
24 project is between 700 and \$800,000 at the top, if
25 we get all the jobs we hope to out of that, and



1 Edgerton is not that much. So I'm trying to -- a
2 lot of money must be going to the Wichita and the
3 Goodyear project.

4 MR. SULLIVAN: I was told there is a
5 number of projects that have been committed to out
6 of the part of the fund, the balance that has
7 commitments. I'll ask the Department of Commerce
8 to send over --

9 REP. WOLFE MOORE: I would like --

10 MR. SULLIVAN: -- as much information as
11 we can.

12 REP. WOLFE MOORE: -- exactly how much is
13 going to every project so we know exactly how much
14 is available. Thank you very much.

15 Thank you, Mr. Chair.

16 CHAIRMAN RYCKMAN: Representative
17 Highland.

18 REP. HIGHLAND: Thank you, Mr. Chair.

19 Could you give us an update on the Bioscience
20 Authority, the selling off the assets and where we
21 stand on that?

22 MR. SULLIVAN: We have been working with
23 the Bioscience Authority staff on the sale of the
24 portfolio. There has been some number of
25 conversations or communications between their



1 board and their Executive Director, myself,
2 members of the Governor's staff. So it will be
3 hopefully sometime in the next quarter.

4 REP. HIGHLAND: Thank you.

5 CHAIRMAN RYCKMAN: I believe, you correct
6 me if I'm wrong, that this year's budget assumes a
7 \$25,000,000 proceed already?

8 MR. SULLIVAN: The fiscal year '17 budget
9 assumes revenue from the KBA sale.

10 CHAIRMAN RYCKMAN: Representative Henry.

11 REP. HENRY: The -- I don't want to go
12 into a job creation hearing here, but there is
13 concern about, you know, Amazon closed in
14 Independence and then moved somewhere else and now
15 we reward them with some more funding, some more
16 commerce money. So do you have any response to
17 that? Is that -- do we do that all the time,
18 allow a company to close and then reward them?

19 MR. SULLIVAN: I'm not familiar with
20 that, the Amazon specifics, but I'll go try to
21 find as much detail as what they are willing to
22 send over, include that in the information, as
23 well as the other information that you requested.

24 REP. HENRY: Mr. Chairman, one more. So
25 I'm still confused. We heard we are going to



1 leave about 8,000,000 left in extraordinary funds;
2 is that correct? And that if other school
3 districts -- how do we -- if we have 20,000,000 in
4 requests, how do you do the 8,000,000? What's the
5 process here, is it first come, first serve? Or
6 how are you going to do this?

7 CHAIRMAN RYCKMAN: Representative Henry,
8 I'll address that. Because the way the bill is
9 drafted, just last like the last one we passed
10 that had a hold harmless in it, that when schools
11 did lose money, the one the Court's rejected, the
12 reason we are here today, this one is the same.
13 It basically gave the money to the Department of
14 Education to distribute. It still has a provision
15 for equity. It also has provisions for new
16 growth.

17 Now, the Johnson County superintendents have
18 suggested and our Department we spoke with would
19 follow the policy of a -- either a two to three
20 mill increase. It would have cost two or three
21 mill increase to be eligible to refill that LOB
22 pot. And so if we have a rural district that has
23 to raise the LOB 10, 15, they would be first on
24 the list, compared to like the district I
25 represent would not be eligible for the LOB



1 through this fund, but they could be for new
2 growth.

3 In addition to that, I believe a condition
4 would be the average mill needs to be at 19, a
5 median mill of 19. So if you are above 19 and you
6 have to raise it two or three, I'm not sure of the
7 exact number that was negotiated, then you could
8 come to apply for -- so it doesn't reduce that.
9 If you look in our hold harmless account, the
10 districts that lost money was around 12. This
11 would reduce it significantly. The larger ones
12 would not be eligible. It would be the ones that
13 had large swings in valuations that would then
14 cause large swings in their LOB increase.

15 REP. HENRY: Will \$8,000,000 be enough,
16 Mr. Chairman?

17 CHAIRMAN RYCKMAN: There is \$8,000,000 in
18 the fund. Any agency that comes in front of this
19 committee, we ask them that question, they answer
20 always is we want more. I'm just saying this is
21 going to preserve the taxpayer dollars that we
22 have.

23 Any other questions for the Budget Director?
24 Representative Wolfe Moore.

25 REP. WOLFE MOORE: Thank you, Mr. Chair.



1 And so back to our request, by the time we get
2 that request we'll probably be done and out of
3 here, so I'll just take your word for it that
4 there is \$7,000,000 worth of commitments. So what
5 about -- did we take the other six to use for
6 schools? That is half of that 13, just about, and
7 we would lessen the cuts to schools and that would
8 make a major difference.

9 MR. SULLIVAN: We would prefer to remain
10 that -- to keep the balance to JCF. Again, if we
11 would not have reduced or eliminated some of their
12 other annual funding in the budget, I probably
13 would have a different answer for you. But
14 because we eliminated the annual transfer to the
15 JCF fund and also reduced some of the other
16 economic development programs they had, then we --
17 when I recommended that to you in January, then my
18 preference would be to keep the balance there so
19 they can use it to recruit new private sector
20 companies.

21 REP. WOLFE MOORE: And I appreciate what
22 it's normally for, but this is probably job
23 preservation because if the worst happens and
24 schools don't open, you know, it could make a
25 pretty valid case this falls right in line with



1 what that pot of money should be used for. Thank
2 you, Mr. Chair.

3 CHAIRMAN RYCKMAN: Representative
4 Ballard.

5 REP. BALLARD: Thank you, Mr. Chairman.
6 Osawatomie, I'm asking about that because that's a
7 large chunk of money right now. We are paying
8 \$1,000,000 a month because we are no longer
9 receiving the federal funding. Where do we stand
10 on getting our recertification back so we can get
11 our federal funding back and then we would have
12 \$1,000,000 we could free up?

13 MR. SULLIVAN: The \$1,000,000 -- well, we
14 requested 11.4 million of enhancements for the
15 fiscal year 2016 budget for Osawatomie. A portion
16 of that was for loss of fee funds and Medicare
17 money from not being certified for a portion of
18 2016. There was not additional money requested or
19 appropriated in the fiscal year 2017 budget. My
20 assumption is that the hospital will be
21 recertified at some point the first quarter of the
22 fiscal year. We will have to evaluate their
23 funding sources and their federal funds, fee
24 funds, what's coming in, what's coming out prior
25 to our budget submission in January. But to



1 answer your question, there is not additional
2 funding that is going to Osawatomie in fiscal year
3 '17 due to the loss of the certification.

4 REP. BALLARD: One more, please. I read
5 recently we have a four percent reduction for like
6 Medicaid providers, which is really affecting the
7 case managers, which then goes really heavy with
8 KCARE because, as you know, I'm on the KCARE
9 oversight committee and have been wondering about
10 that. Why was that decision made, knowing that we
11 have a real problem with just getting our
12 providers on their feet and the case managements?

13 MR. SULLIVAN: As far as the case
14 management question, if they are home and
15 community-based service case management, I believe
16 they would have been exempted from the four
17 percent reduction, but there are others in the
18 room that may be able to answer that question
19 better than I.

20 But as far as why we made the four percent
21 reduction, we needed to make somewhere in the
22 range of \$90,000,000 of reductions in order to
23 make the budget for fiscal year 2017 work, based
24 on the revenue assumptions from the CRE that we
25 had plugged in. So we went ahead and did that



1 with a total of about \$97,000,000 of reductions.

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

3 CHAIRMAN RYCKMAN: Representative Hutton.

4 REP. HUTTON: Thank you, Mr. Chair. This
5 might be for J.G. or Shawn. Run through the
6 modernization fund transfers. I'm still kind of
7 cloudy on what's there, what's moving around,
8 what's been committed. J.G.

9 MR. SCOTT: Thank you, Mr. Chairman. The
10 modernization fund is based on that \$4 fee that's
11 added to driver's licenses. That brings in a
12 total of about 12.2 million dollars. In the
13 appropriation bill, there was \$3,000,000 that was
14 appropriated to the Department of Revenue, to
15 Department of Commerce and --

16 MR. SULLIVAN: Department of
17 Administration for the digital imaging fund for --
18 and also to the Department of Revenue, not
19 Commerce.

20 REP. HUTTON: 3,000,000 each or --

21 MR. SULLIVAN: No, 3,000,000 total.

22 MR. SCOTT: And with the remaining
23 funding, that's the 9.2 million dollars. The 9.2
24 million dollars is transferred into the state
25 highway fund. That was done in a transportation



1 bill. Once the Modernization Fund and DMV was
2 completed, it's supposed to shift over the \$4 into
3 the state highway fund. So the 9.2 million
4 dollars is scheduled to go into the State Highway
5 Fund from the modernization fund.

6 REP. HUTTON: So that transfer hasn't
7 occurred yet?

8 MR. SCOTT: The transfer has occurred to
9 the state highway fund. That's sitting in the
10 state highway fund. If you were to eliminate
11 that, it will be transferred back -- it would
12 literally be a transfer from the state highway
13 fund into the state general fund, but it will be
14 because of the modernization fund fee.

15 REP. HUTTON: Another question. You
16 mentioned that there was \$1,000,000 that went into
17 the Department of Administration's imaging deal.
18 Isn't there -- wasn't there already a balance in
19 that, as well?

20 MR. SULLIVAN: I believe the balance at
21 the end of this year is \$400, something like that.

22 REP. HUTTON: After the \$1,000,000
23 transfer?

24 MR. SULLIVAN: They spent the money this
25 year. We transferred part of it, as well, the



1 unused money for '16. But they are scheduled to
2 get a new \$1,000,000 in fiscal year 2017.

3 REP. HUTTON: So the money that was in
4 last year's budget that they never spent, they
5 spent it this year. As I recall, there was some
6 discussion that they had some funds that they
7 hadn't spent in that imaging fund.

8 MR. SULLIVAN: They spent, I believe,
9 half of it in fiscal year 2016 and then I
10 transferred the other half to the state general
11 fund as part of the round of allotments that we
12 did.

13 REP. HUTTON: So it's gone?

14 MR. SULLIVAN: Yes.

15 REP. HUTTON: Okay, thank you.

16 CHAIRMAN RYCKMAN: Representative Lunn.
17 Lunn passes.

18 Any other funds of money we are looking at?
19 Representative Carpenter.

20 REP. CARPENTER: Thank you, Mr. Chair.
21 Are we on the bill that's introduced or are we
22 on --

23 CHAIRMAN RYCKMAN: Not yet. I wanted to
24 get some more questions and other ideas floated.

25 REP. CARPENTER: Well, could I get a



1 couple clarifications from Mr. Penner? I'd like
2 the breakdown of all the figures that you had
3 earlier, the 4.1, how they all add up. If you
4 could get that copy. Do you have that? I don't
5 really need you to go over it. I'd just like to
6 have it.

7 MR. PENNER: Oh, you just want a --

8 CHAIRMAN RYCKMAN: While you are here,
9 you might as well go over it as far as the
10 transfer of money.

11 MR. PENNER: I'd be happy to. The
12 estimated LOB cost for next year, from the state's
13 perspective, is 467,000,000, and we currently have
14 367.6 million appropriated. And this bill
15 appropriates an additional 99.4 million.

16 The sources of that 99.4 million are, first,
17 that we eliminate the hold harmless money that
18 existed in 2655. That is 61.8 million. Next, the
19 0.5 percent adjustment to general state aid is
20 13,000,000. Next, the adjustments to virtual
21 school state aid are a total of 2.8 million. The
22 adjustment to the extraordinary need fund provides
23 7.2 million. The TANF changes provides 4.1
24 million. And the remaining 10.5 million comes
25 from the master settlement agreement money that



1 was vetoed from Section 56 -- 50(C) of the Senate
2 Bill 249, the budget bill.

3 REP. CARPENTER: Thank you, Mr. Chair.
4 Could we get copies of that? I've had a lot of
5 questions about where it's coming from, and as old
6 as I am, I forget.

7 CHAIRMAN RYCKMAN: And we'll have -- I'll
8 have -- J.G. will go over our runs in a little
9 bit.

10 I think we probably ought to take time to
11 take a step back and look at the snapshot in time
12 where we are now financially. I'll ask J.G. to
13 come up and talk about where we are at and what
14 our projected balances will be next year, and
15 maybe the Budget Director can fill in on what some
16 of our actuals are today.

17 MR. SCOTT: Thank you, Mr. Chairman.
18 Going back to where we were prior to the special
19 session, we had an ending balance in the current
20 year of 21.5 million dollars and a projected
21 ending balance of a little over \$87,000,000 in
22 2017. So that's kind of where we started.

23 If we go back to our state general fund
24 receipts from last month, we were over \$66,000,000
25 short in total receipts. And with a \$21,000,000



1 ending balance, if that continues, and right now
2 it appears as though we are not going to make that
3 up, and it may get worse in June, we would not
4 have that \$21,000,000 ending balance. And in
5 fact, we would have to probably sweep funds for
6 some flexibility to get through the year or
7 perhaps not make some payments in the current year
8 to get through this year. So I would anticipate,
9 you know, having very little, if any, ending
10 balance.

11 So if that's the case, our \$87,000,000 ending
12 balance will be reduced because we said we had a
13 \$21,000,000 beginning balance. So if we reduce
14 that, we are down to about \$66,000,000. If we
15 have to delay some types of payments, that would
16 reduce that, you know, \$66,000,000. So when we
17 are just looking at where we are right now based
18 on the information that we have, the ending
19 balance would be substantially below, I would say
20 below the 66,000,000. And depending on how much
21 of those gets delayed, it could be, you know, 10
22 or \$15,000,000 ending balance for 2017 very
23 easily. And that would then be, assuming that
24 revenue for 2017 would be coming in, the same type
25 of projected increase that we have originally



1 planned.

2 CHAIRMAN RYCKMAN: So if our revenues
3 remain constant next year and everything we know
4 now, we would have a little over \$10,000,000 in
5 any of the funds that we talked about so far that
6 could be swept by the Governor to fill the gap for
7 all other programs?

8 MR. SCOTT: For those in the current
9 year, yeah. I mean, like some of the funds that
10 are out there mainly to be used this year to get
11 through expenditures for this year. And if those
12 expenditures are used -- or the revenues used,
13 then they wouldn't be available for next year.

14 CHAIRMAN RYCKMAN: So, okay. Any other
15 questions on the big picture, where we are at and
16 how -- as we look at these funds, I think we have
17 all looked at different ways of angles, some, yes,
18 are available, but it looks like they will be
19 needed to fund the rest of the state government.

20 To Representative Ballard's comments earlier
21 about some of the Medicaid cuts, as this committee
22 has always done it looks at the entire balance of
23 the state, and not just one of our largest
24 expenditures. That's why this bill has been kind
25 of crafted as it has in kind of the narrow scope



1 that it has.

2 Any other questions for J.G.? I know one
3 more thing I'd like to some information on TANF
4 that I want to clarify. Before that,
5 Representative Finney.

6 REP. FINNEY: Thank you, Mr. Chair. I
7 was just wondering if you could just give us a
8 brief overview of that \$900,000,000 indebtedness
9 of the State Finance Council?

10 CHAIRMAN RYCKMAN: I don't want to get
11 too sidetracked on this, but basically the state
12 authorizes -- kind of borrows from itself to pay
13 the bills. It's been happening for quite a few
14 years. Yesterday, we did approve 900,000,000.

15 Any other questions? I would like to get
16 some information on TANF here this morning that I
17 want clarified. And Representative Carpenter,
18 question on that for Director Sullivan?

19 REP. CARPENTER: Yes. Shawn, could you
20 clarify the transfer from the -- to TANF from CIF
21 for me?

22 MR. SULLIVAN: As I understand what's
23 proposed of being transferring 4.1 million dollars
24 that currently flows through the Children's
25 Initiative Fund, or CIF for short, to the Pre-K



1 Pilot program of the Department of Education.

2 There were some statements made this morning,
3 I'll quote, that equalize school funding probably
4 will have little impact if we strip the lifelines
5 of our youngest children. They need to enter the
6 kindergarten ready to learn. That's a ridiculous
7 statement. The proposal of moving 4.1 million is
8 purely record keeping. It's using TANF, instead
9 of CIF money. It will not change the children
10 served or the numbers served or anything like
11 that.

12 REP. CARPENTER: Thank you. Thank you,
13 Mr. Chairman.

14 CHAIRMAN RYCKMAN: J.G., if you want to
15 kind of clarify too from your perspective on what
16 this does to programs.

17 MR. SCOTT: Yeah, Mr. Chairman. We
18 talked with the Department for Children and
19 Families and wanted to make sure that what we are
20 saying is correct, and that's what we found, as
21 well; that we can serve the same children with the
22 same services that are out there. There would
23 just be some additional reporting that would be
24 required in order to use the TANF funding. That's
25 what we found in our request from the Department.



1 CHAIRMAN RYCKMAN: Representative

2 Ballard.

3 REP. BALLARD: I got a response to that
4 answer this morning and now it's really confusing
5 because I thought I was understanding it. If it's
6 not going to affect that program at all, and it's
7 -- but it's still going to reduce that fund to
8 37.9, so it's going to be less than 42. And we
9 are talking about record keeping, I understand
10 that. So again, I would have to ask for a
11 clarification. If we have \$42,000,000 and we take
12 4.1, you say it's record keeping and the program
13 gets to stay the same - I don't have my notes from
14 this morning where I understood it - I think -- I
15 would still like to understand when you say what
16 the record keeping would be. Are we reducing
17 those funds or not? And once we determine that,
18 then I can ask you another question. Are we
19 reducing the funds or will we keep 42,000,000 in
20 the Children's Initiative Fund?

21 CHAIRMAN RYCKMAN: There was an allotment
22 that was made. I think that's what's causing the
23 confusion. There was additional money from TANF
24 being put into the fund. That additional money
25 that we put into the fund is now being taken out



1 of the fund. I think the confusion comes from the
2 allotment of around \$3,000,000 that happened prior
3 to this bill.

4 REP. BALLARD: Okay, now, that's the
5 3,000,000, but that 3,000,000 is not the 4.1. I
6 mean, it's not included in the that. Am I
7 correct?

8 CHAIRMAN RYCKMAN: Yes, 4.1 is not in the
9 fund. 4.1 is coming out of the fund.

10 REP. BALLARD: Okay. The way I see it,
11 if I put 4.1 in and I take 4.1 out, it's not in.

12 CHAIRMAN RYCKMAN: That's right, and
13 nothing is going to affect it.

14 REP. BALLARD: It does. But for
15 reporting purposes it says TANF, but yet you say
16 it's coming out of --

17 CHAIRMAN RYCKMAN: Maybe we'll let J.G.
18 try to explain this better than I'm failing to do.

19 MR. SCOTT: Mr. Chairman, what we would
20 do is we would have the \$42,000,000 that is in the
21 fund, in the Children's Initiative Fund. We would
22 take 4.1 million dollars out of the Children's
23 Initiative Fund and transfer it to the state
24 general fund. So the Children's Initiative Fund
25 is being reduced 4.1 million.



1 What is done following that is we are
2 substituting 4.1 million dollars of TANF funding.
3 So we are increasing the amount of funding going
4 in from a different source, from the TANF fund
5 rather than Children's Initiative Fund, of 4.1
6 million dollars. The net effect to the program on
7 this portion of it is zero. Instead of spending
8 Children's Initiative Fund, it will be reduced,
9 but TANF funds will be included in that 4.1
10 million dollars. So the net effect to the program
11 would be zero. They would spend 4.1 million less
12 in TANF and 4.1 million in -- I'm sorry, they
13 would spend 4.1 million less in Children's
14 Initiative Fund and 4.1 million more in TANF.

15 REP. BALLARD: So this is the Pre-K
16 program that we are talking about?

17 MR. SCOTT: Right.

18 REP. BALLARD: So they still have their
19 program, we are just going to fund it differently.
20 So you are not taking the 4.1 million and taking
21 the program? I see you're shifting the money all
22 around, but the program is still intact, but they
23 will -- but CIF will be reduced, but you are going
24 to put the money in another way?

25 MR. SCOTT: Correct.



1 REP. BALLARD: And now you wonder why I
2 was asking the question?

3 CHAIRMAN RYCKMAN: It's a great question.
4 Thanks for asking.

5 Committee, we will hand out the runs for the
6 districts and J.G. will work through them with us.
7 So it looks something like this.

8 MR. SCOTT: Now that everybody is up
9 there on the Children's Initiative Fund, we'll go
10 ahead.

11 And one of the documents that the Chairman
12 had requested was a summary of all the changes
13 that have happened basically to the block grant in
14 one document. So what's -- what we have done is
15 we went through and pulled out all of the runs
16 that the Department of Education had done and just
17 picked out the differences from the block grant to
18 what is proposed here or what was included in the
19 capital outlay. Okay? And put it on one sheet of
20 paper.

21 So the first column you'll see, column 3, it
22 talks about general state aid, and this reflects
23 the half a percent reduction to the block grant.
24 So the proposal was to reduce one half of one
25 percent, and that totaled about \$13,000,000.



1 That's what is reflected here is that reduction by
2 school district.

3 When we put money in the block grant, we
4 identified a new formula to use. This goes from
5 the block grant, in column 4, to the new formula
6 based on the 81.2 percentile, which is the old
7 formula. So we went back to pre block grant. The
8 total effect of that is an increase of about
9 \$16,000,000. This identifies all of those that
10 are being reduced and all of those that are
11 getting additional funding. So the negative, the
12 amount that they are getting from the local option
13 budget state aid is going down. The positive, the
14 state aid is going up.

15 Capital outlay, this is stepping back for
16 just a little bit because this is what we have as
17 our proved already. So this isn't in the bill,
18 but this is part of what the school districts are
19 getting. This is based on the -- once again, we
20 changed the formula in the block grant. This is a
21 change from the block grant to what is now in the
22 approved budget, and that's in column 4. Once
23 again, the positive, they are getting additional
24 state aide; negative, they are getting less state
25 aid.



1 The second column 3 identifies the changes
2 for the virtual aid, and this is going to the
3 block grant. We are being consistent on that.
4 The block grant --

5 CHAIRMAN RYCKMAN: Can we have someone
6 shut the door please?

7 MR. SCOTT: The virtual state aid is
8 supposed to change from \$5,000 for full-time
9 students in 2016 to 5,600 in '17. If we go back
10 to what it was before, it was at 4,045. So in '15
11 it was 4,045, '16 it was supposed to go to 5,000
12 and in '17 it is supposed to go to 5,600. What
13 this does is it does not increase from '16 to '17.
14 So instead of going from 5,600 -- or from 5,000 to
15 5,600, this stays at the 5,000. So we show it as
16 a negative here because we are going back to the
17 block grant. But when you compare to what they
18 have this year and next year, these amounts would
19 be flat depending on the number of students.

20 Then the final column we just added up all of
21 the adjustments to total the total adjustments for
22 each of the school districts based on what's
23 happened. And it shows that when you look at it
24 in total, it's about 23.5, almost 23.6 million
25 dollars in increases that are offset by some



1 reductions.

2 CHAIRMAN RYCKMAN: Representative
3 Rhoades.

4 REP. RHOADES: Thank you. And just so I
5 understand, and I'll just use the first page so
6 it's easy for you, just to look at the top line,
7 as an example. Am I right or am I wrong that
8 column 4, or that the LOB state aid part, that
9 money is, in the case of Marmaton Valley, 400,000.
10 That's not money that's being taken from the
11 district, that's money that's being taken from the
12 -- not the school -- not from the school operating
13 funds, but from the district itself in terms of
14 the municipality, the property tax, or am I wrong
15 about that?

16 MR. SCOTT: It's just the opposite.
17 Actually, if it's negative, they would have been
18 getting state aid from the block grant. And if
19 it's negative, they are not getting as much anyway
20 in the new formula -- or the old formula, if you
21 will. So they were expecting \$400,000 in state
22 aid in Marmaton Valley that they are no longer
23 receiving. So this would actually reduce the
24 dollars that the school district is getting.

25 You might be thinking about, perhaps, Iola



1 where they are getting \$70,000 more for the school
2 district, but most of that money is going to go
3 into property tax relief for most of these because
4 of the amount of the LOB that is captured, the 30
5 or the --

6 REP. RHOADES: And I guess that's the
7 confusing part. So when we are talking about
8 \$38,000,000, you know, in the discussion that we
9 are having, but the discussion is none of that
10 goes into the districts. If we bring that
11 \$38,000,000 in, it doesn't go to the district, it
12 goes to property tax relief, correct?

13 MR. SCOTT: Correct.

14 REP. RHOADES: So that's a little
15 confusing in looking at this to know. I guess for
16 me I'm interested in knowing are you telling me
17 the total adjustment from the block grant on the
18 far right, if it's negative, it's going to mean,
19 in the case of Marmaton Valley, that their
20 operating budget is going down \$410,000?

21 MR. SCOTT: That would be my
22 understanding.

23 REP. RHOADES: The school district?

24 MR. SCOTT: Yes.

25 REP. RHOADES: So that's the confusing



1 part is knowing how the property tax component
2 figures.

3 CHAIRMAN RYCKMAN: Can I just add, this
4 is the safe harbor option. This is what 81.2
5 does, and the state aid for Marmaton Valley would
6 be dropped 400,000. They would have the authority
7 to raise it back up locally and so their operating
8 budget would be -- not be affected if they chose
9 to do that. They also do have the option at the
10 State Board of Education to petition that they fit
11 that criteria that we talked about earlier where
12 they are already above 19. I don't have their
13 bills in front of me to know if they would or not.
14 And it would take more than two and a half mills
15 to make that difference. But if they chose --
16 again, this is just going back to the old formula.
17 This is not what the bill that we already passed
18 did, it was voted unconstitutional. This is what
19 the safe harbor is.

20 MR. SCOTT: Mr. Chairman, I would say
21 that while the LOB is somewhat confusing about
22 whether they are losing money for the school
23 district or -- or additional money going into
24 property tax relief, most of the capital outlay,
25 if that is a positive number, that is money that



1 goes into the school districts. So that is an
2 actual increase. So that money stays with the
3 school districts. So all of the capital outlay
4 increase of about \$23,000,000 does increase their
5 -- the funding available for those school
6 districts.

7 REP. RHOADES: But in the case of
8 Humboldt, the second line, even though they've got
9 capital outlay of 59,000 coming in, they are still
10 losing 312?

11 MR. SCOTT: Correct.

12 REP. RHOADES: Thanks. I just need to
13 understand it.

14 CHAIRMAN RYCKMAN: Representative
15 Johnson.

16 REP. JOHNSON: Thank you, Mr. Chairman.
17 And just following along, to make sure I have a
18 handle on it, we were looking at Marmaton Valley.
19 And if that change was made, there would be a
20 reduction which they could make up, should they
21 choose to hold themselves harmless, of that
22 400,000, if I'm reading that correctly. If I go
23 down a little further to about, oh, two-thirds to
24 three-quarters of the way down the page to Clay
25 Center, as another example, where they would lose



1 34 on the LOB but a piece in capital outlay and
2 virtual, would that be a situation where they
3 could not make up the entire amount through their
4 LOB if they happen to be at the cap already?

5 CHAIRMAN RYCKMAN: I'm not certain if
6 they are at 30, 31 or 32.

7 REP. JOHNSON: I'm not certain that the
8 are, just looking at to see if that might be
9 one --

10 CHAIRMAN RYCKMAN: Almost everything in
11 column 4, LOB state aid, could be adjusted based
12 on going back up locally to supplant the loss of
13 state aid, either going back to 81.2.

14 REP. JOHNSON: Thank you, Mr. Chair.

15 CHAIRMAN RYCKMAN: Representative Kleeb.

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

17 J.G., I just wanted to see if I'm understanding
18 this correctly. These are Iola and Marmaton. So
19 Iola gets LOB state aid adjustment. They get to
20 lower their mill levy, lower their taxes?

21 MR. SCOTT: If they are at their cap,
22 yes.

23 REP. KLEEB: While Marmaton, they get to
24 enjoy the other side of the coin; they have to
25 raise their taxes. This is where we have our



1 winners or losers. Somebody has to raise their
2 taxes because somebody else gets to lower theirs?

3 MR. SCOTT: Yes, and that's going back to
4 the equity basis, you know, that the Court wants
5 the legislature to approve. This would be the
6 effect of that, the change from the block grant to
7 the old 81.2 percentile formula, yes.

8 REP. KLEEB: Thank you, Mr. Chairman.

9 CHAIRMAN RYCKMAN: And one more factor in
10 there that you possibly couldn't show on the sheet
11 is the actual valuations of each district. If the
12 valuations are on the way up and this number would
13 go down, the mill levy may not adjust. Of course,
14 it could have went down if the money stayed
15 constant. But if you're in a district, which, in
16 theory, it's not a real formula to work with, your
17 valuations went up and your student population
18 didn't change much, you collected more locally and
19 less came in from the state, and this is just
20 resetting it back prior to the block grant back to
21 the safe harbor.

22 Any other questions on the runs?
23 Representative Carpenter.

24 REP. CARPENTER: Thank you, Mr. Chair. I
25 don't have a question, it's more just stating how



1 frustrating this is with the local option and the
2 mill levy, you know, because I'm not sure where
3 Humboldt is or where Marmaton, is as far as that
4 goes, but it's very hard to figure that out when
5 they could be at 25 or 30 or whatever, and we have
6 that all over the board throughout this whole
7 thing as we've seen in the past. So it's kind of
8 confusing sometimes when you deal with that LOB
9 option.

10 CHAIRMAN RYCKMAN: Any other discussion?
11 Representative Highland.

12 REP. HIGHLAND: Thank you, Mr. Chair.
13 Will you explain one more time the criteria for
14 whether they can raise mills up and where they
15 fall on the scale then if they can come in and ask
16 for help?

17 CHAIRMAN RYCKMAN: Okay. You're talking
18 about to apply to the extraordinary needs fund
19 through the Department of Education?

20 REP. HIGHLAND: And they have to have
21 that one or two percent.

22 CHAIRMAN RYCKMAN: Okay, this would be a
23 policy decision, but the way this bill is drafted,
24 it allows for this LOB fluctuation to be a
25 criteria to the funds they (inaudible) decide how



1 to handle this. The policy would be that if you
2 are already at or above the median LOB of 19 mills
3 and it does not cost more than two and a half
4 mills to adjust, then you would qualify.

5 We could look at, you know, Shawnee Mission,
6 who graciously presented the idea, their district,
7 where they would lose -- Shawnee Mission would
8 lose 1.4 in their LOB state aid. Now, there is a
9 possibility that their valuation has gone up and
10 so there wouldn't be a mill reduction -- or
11 increase to make that up. I'm not certain. But
12 let's say if it was the same, I am confident that
13 it would -- two and a half mills would be more
14 than 1.4, so they would not qualify.

15 REP. HIGHLAND: Thank you.

16 CHAIRMAN RYCKMAN: Any other questions?
17 Representative Hoffman.

18 REP. HOFFMAN: Thank you, Mr. Chairman.
19 The values are based upon their last value in '15,
20 or what are these values based on as far as the
21 property tax or value of the properties?

22 CHAIRMAN RYCKMAN: I'll let Mr. Penner
23 answer this one.

24 MR. PENNER: So the aid amounts on this
25 are based upon the school district's assessed



1 valuation per pupil during this year. That was
2 always the way the formula had worked prior to the
3 block grant was that the prior year assessed
4 valuation per pupils -- assessed valuation per
5 pupil were used to determine equalization funding
6 for the following year.

7 CHAIRMAN RYCKMAN: Anymore questions? Not
8 seeing any, Committee will begin working HB 2001.

9 Any other comments, amendments, discussion?
10 I don't see any comments or questions.
11 Representative Schwartz.

12 MS. SCHWARTZ: Okay. At this time then
13 if there is no further discussion, I move House
14 Bill 2001 favorable for passage.

15 CHAIRMAN RYCKMAN: Second by
16 Representative Barker. We will go to discussion.
17 Representative Wolfe Moore.

18 REP. WOLFE MOORE: Thank you, Mr. Chair.
19 I know I said this earlier in the day. My problem
20 isn't with this particular plan, my problem is
21 with using adequacy, touching adequacy to solve
22 the equity program. And my biggest fear is that
23 the courts will say no to this, and that's really
24 a disaster. So that's my biggest fear. We can't
25 be sure this won't trigger a Supreme Court



1 rejection of this plan. And if we have to use
2 this plan, if that's the will of this group, is
3 there not a way we could chip that 13,000,000 down
4 with the job fund or something to at least make it
5 a little more palatable to the school districts.
6 I mean, I -- in my district in KCK, one of my
7 districts, if schools closed July 1st and this
8 isn't solved, we lay off 400 to 500 people, we
9 furlough those people. We don't have special ed
10 programs in the summer; we don't have summer
11 programs; we can't do maintenance projects to
12 allow the schools to open. Every school district
13 has to have their busses checked out by the
14 Highway Patrol, and that's a very tight timeline.
15 And so July 1st, that's when -- that's when the
16 damage starts occurring.

17 So I respect all the work that's gone into
18 this plan, I truly do, but I think it has to be a
19 plan that we can be as clear as we possibly can
20 that the Supreme Court is going to okay. So
21 that's -- I don't have any problem with the other
22 things you're cutting, that's just the sacrifice
23 that has to happen, in my mind, but I truly have a
24 problem with the 13,000,000 that's spread across
25 the school districts. And if there is any way



1 that we could make that a little smaller, and I
2 would totally favor using the other 7,000,000 in
3 the Job Creation Fund to inch that down a little.
4 So maybe that makes it a little less
5 unconstitutional, I don't know, but I'm truly
6 worried about that. Thank you, Mr. Chair.

7 CHAIRMAN RYCKMAN: Thank you. The
8 Supreme Court in Gannon II directed the
9 legislature to comply with Article 6 of the
10 alleged equity component in one of two ways, and
11 the first one is the safe harbor consisting of
12 funding the old LOB and the capital outlay
13 formula. That is what we are doing here and
14 that's what we are addressing today.

15 REP. WOLFE MOORE: And Mr. Chairman, I
16 sincerely hope you're right. I just worry that
17 that will go another way. Thank you very much.

18 CHAIRMAN RYCKMAN: Any other comments? We
19 have a motion and a second. All in favor of
20 passing HB 2001 favorably, say aye. (Voice vote.)
21 Opposed? (Voice vote.) Motion -- the bill
22 passes.

23 Any other discussion before we take this up
24 to the floor. We are adjourned.

25 (THEREUPON, the hearing concluded at



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C E R T I F I C A T E

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 26th day of June, 2016.

Lora J. Appino

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

