

Approved: March 2, 2012

(Date)

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30 AM on Thursday, January 26, 2012 in 548-S of the Capitol.

All members were present.

Committee staff present:

Jan Lunn, Committee Assistant
Melinda Gaul, Chief of Staff, Senator McGinn's Office
Eli Johns, Intern, Senator McGinn's Office
Alan Conroy, Director, Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department
Michael Steiner, Senior Analyst, Legislative Research Department
Bobbi Mariani, Fiscal Analyst, Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes

Conferees appearing before the Committee:

Landon Fulmer, Policy Director, Office of the Governor

Others in attendance:

See attached list.

There were no bill introductions.

Announcements:

Senator McGinn distributed subcommittee instructions, a list of subcommittee membership, and report due dates to the Senate Ways and Means Committee. She indicated that a calendar containing dates of scheduled meetings would be distributed later in the day. (Attachment 1) Tuesday, January 31, 2012, is the first scheduled subcommittee meeting. Questions or concerns should be directed to Melinda Gaul, Chief of Staff, or to Senator McGinn.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

Minutes of the SENATE WAYS AND MEANS Committee at 10:30 AM on Thursday, January 26, in 548-S of the Capitol.

Presentation on K-12 Education and Technical Education:

Landon Fulmer, Policy Director, Office of the Governor, reviewed the Governor's proposal for K-12 education and technical education policies that are contained in the Excellence in Education Act (Attachment 2). Mr. Fulmer indicated the bill resulted from stakeholder outreach, public meetings, and work from many individuals. The bill, which was introduced in the Senate Education Committee, will sunset after four years to ensure concepts are re-evaluated.

Mr. Fulmer described the bill as containing a Baseline Amount Requirement (BAR), which is similar to the concept of "hold harmless;" provides for Base State Aid (BSA) in the amount of \$4,492 per pupil; contains local effort (LE) provisions, includes a Property Valuation Equalization Fund (PVEF), proposes 106 percent PVEF Payment Cap (Cap) should a district's total aid payment from BSAF, LE, and PVEF exceeds 106 percent of its BAR; and ensures that Supplemental Equalization Fund (SEF) payments are made to any district not meeting its BAR through the addition of its BSAF, LE, and PVEF payments. The bill is designed to provide flexibility and accountability to school districts; it eliminates a district's Contingency Reserve Fund and allows a district to carry forward cash balances equal to or less than 7.5 percent of its annual BAR. If the district carries forward more than 7.5 percent, the excess funds would be credited to the district's KPERs account. In addition, the bill:

- Removes the value on vocational/technical and transportation weightings from each district's BAR;
- Continues the requirement of providing half-day kindergarten with options to provide all-day for an additional fee;
- Provides incentives for districts who decide to consolidate; and
- Suspends the state match on bond and interest for the life of the plan; bond issuances approved by voters prior to July 1, 2012, to which the state has committed will be honored through a New Facilities Fund.

Mr. Fulmer reported on the career and technical educational component contained in the bill, which would:

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

Minutes of the SENATE WAYS AND MEANS Committee at 10:30 AM on Thursday, January 26, in 548-S of the Capitol.

- End the .5 vocational education weighting and establish a fund equivalent in dollar value to the current value of the vocational educational weighting;
- Provide funding to the Kansas Board of Regents to pay tuition for all high school students enrolled in a career and technical education program in a community college or technical college;
- Provide transportation funding for high school students to commute to the postsecondary institution until high school graduation is achieved;
- Incentivize districts to increase the number of high school graduates with an industry-recognized credential in identified key occupations; and
- Continue to fund agricultural educational programs.

Mr. Fulmer commented that the Excellence in Education Act is a product of extensive research, ensures that districts are funded consistently and similarly, and resets the clock on education litigation.

Mr. Fulmer and committee members indicated:

- Cash in excess of a district's Contingency Reserve Fund was established at 7.5 percent. A committee member indicated that the Legislative Educational Planning Committee (LEPC) recommends a 10 percent limit; Mr. Fulmer indicated the Legislative Educational Planning Committee could amend that limit to 10 percent.
- With regard to bonus payments when a district exceeds the 106 percent PVEF Payment Cap and raises the BAR, Mr. Fulmer commented that additional appropriated SGF funds would be required to backfill the gap.
- The legislature could structure and appropriate funds for all-day Kindergarten (approximately \$70 million); the Excellence in Education Act requires half-day kindergarten with options for an all-day program at an additional fee.
- The vocational and technical educational component was structured to drive government efficiencies by accessing community college or technical college resources to prepare students to work upon high school graduation without penalty to local school districts.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

Minutes of the SENATE WAYS AND MEANS Committee at 10:30 AM on Thursday, January 26, in 548-S of the Capitol.

- Concerns were expressed related to the complexity of the formula and information presented. Also, the need for additional appropriations should the State be responsible to backfill with SGF.
- Appreciation was heard concerning the administration's recognition of the fact that school districts need to end fiscal years with some cash reserves.
- Should a district exceed the 106 percent PVEF Payment Cap and raises its BAR, the additional cash reserve is credited to the district's KPERS account, this means the district would receive less money from the state to pay their employer contribution rate to KPERS.
- According to a committee member, Standard & Poors recommends school districts have funds on hand equal to two months operation expenses which equates to 16-17 percent of its general fund budget. This is considered in the district's bond rating. Mr. Fulmer indicated that since bond and interested is eliminated, districts could use a capital outlay budget mechanism, which would ensure sufficient funds to meet bond obligations.
- A committee member questioned the rationale for the New Facilities Fund in the bill since under the current formula; the state has no obligation to fund the new facility. Mr. Fulmer indicated he understood that there was a new facility weighting (in the current formula); when the new facility becomes operational, the weighting is applied. He clarified that under the new bill, the value of the weighting is replicated in a fund that the state will pay out during the first two years of the facility's operations (which voters have approved prior to July 1, 2012).
- For school districts that have experienced significant funding losses there are ways in which funding can be increased within the formula; the legislature can increase funding: by increasing the base aid, by appropriating more supplemental equalization funding that is necessary to hold harmless at the BAR, and by raising the cap in the PVEF.
- The rationale for starting the base aid at \$4,492 was an attempt to maintain parity with current law that included transportation, consolidation, etc.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

Minutes of the SENATE WAYS AND MEANS Committee at 10:30 AM on Thursday, January 26, in 548-S of the Capitol.

Possible final action on **SB 258–Governmental ethics law; permitting certain communications related to contract negotiations involving state university employees**

Senator McGinn indicated the hearing was held on January 25, 2012. Senator Vratil was recognized and distributed an amendment that adds (on line 13): “Nothing in this section shall allow an employee of a state university to provide advice or recommendations which would directly affect such employee’s financial benefit.” Senator Vratil moved to adopt the amendment discussed; Senator Schmidt seconded the motion.

Considerable discussion was heard relative to the amendment’s intent: whether or not the amendment prohibits or fosters the employee’s attempt to provide technical or intellectual information that could affect not only the product or project but also the contractual financial outcomes being negotiated between the private sector and the university.

Jill Wolters, Office of the Revisor of Statutes, clarified the university employee could provide expert and factual information; the university representative is accountable for contract negotiations and approval. She added that the Governmental Ethics Commission is accountable to enforce the law; should any complaint arise, that agency would be responsible for resolving any issue.

Following discussion, the amendment passed on a voice vote. Senator Francisco requested that her vote be recorded as “no” in the permanent record.

Senator Vratil moved to recommend SB 258, as amended, favorably for passage. Senator Teichman seconded the motion, which carried on a voice vote.

The meeting adjourned at 11:56 a.m.