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MEETING OF
 HOUSE COMMITTEE ON APPROPRIATIONS

JUNE 24, 2016
 COMMENCING AT 1:35 P.M.



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1 CHAIRMAN RYCKMAN: Good afternoon,
2 Committee. Thanks for convening in such a short
3 time. What we will be doing, but not right now,
4 we are still waiting on some more agreements to be
5 made, but what we are trying to do -- will be
6 doing is we will be -- the House has been
7 rereferred to House Bill 2001 and we will be
8 working that bill. Revisors are still working on
9 it. It is not done at this time, so we are
10 probably going to -- we'll come back and work it
11 around 2:30.

12 All along, our goal has been to provide the
13 most certainty as possible for our students and
14 our teachers and our parents that schools will
15 remain open, and what we will be bringing forward
16 is that certainty. And we will have agreements
17 from many parties, but that bill is still being
18 drafted and is something that we have been working
19 with Senator Masterson on, as well as other
20 leaders, to make sure, again, that we have
21 complete certainty that our schools remain open.

22 Any questions? Again, we will be working the
23 bill, but since it's not drafted, it's not
24 finished yet, we'll probably have to wait at least
25 an hour. Also, we want to make sure that all



1 parties have signed off. All right, we will
2 reconvene -- Representative Johnson.

3 REP. JOHNSON: Thank you, Mr. Chairman.
4 Thanks for the update. Would there be, before the
5 bill is prepared, any of the explainers that will
6 be ready if we would need any earlier than that
7 time?

8 CHAIRMAN RYCKMAN: We, basically, want to
9 make sure that the schools are in complete
10 agreement, the ones that brought the litigation,
11 as well as the rest of our -- the leaders that
12 have been working on these bills and other members
13 of our caucus. So we are still in that phase, but
14 we -- again, the bill is being drafted and we can
15 hopefully look at it about 2:30.

16 Any other questions? We will recess to 2:30.

17 (THEREUPON, a recess was taken.)

18 CHAIRMAN RYCKMAN: I will call the
19 meeting back to order. Our advisors and attorneys
20 are still working on the bill. We will recess
21 until 3:30.

22 (THEREUPON, a recess was taken.)

23 CHAIRMAN RYCKMAN: We will reconvene our
24 meeting. The committee will now work on HB 2001.
25 There has been further discussion. Agreement has



1 been reached on the components of the school
2 finance litigation.

3 As I mentioned earlier, we'll have a surety
4 that our schools will remain open and that our
5 students and teachers and community will be able
6 to have a stay in that assurance that the schools
7 will not be disrupted by litigation this fall.

8 I will ask Jill to give us a brief
9 explanation -- or, excuse me, a briefing on the
10 bill.

11 MS. WOLTERS: So just to walk through the
12 mechanics before you, you should have 16rs9055
13 which was handed out to you. This is identical to
14 2001, except the following things that I'm going
15 to point out to you, and you can find them on your
16 bill and we'll walk through that.

17 So the first thing that you'll want to note
18 is that on page 2, Subsection B is gone from the
19 bill. There was a section that general state aid,
20 all school districts, all U.S.D.s got general
21 state aid at 99.5 percent, that's gone. That's no
22 longer in the bill. It's gone. You can see B
23 starts into the amount of the lapsed from the
24 block grants.

25 Then your next change is the amount of the



1 block grants. The amount of the block grants used
2 to be 15.8, it's now 2.8. So that 13,000,000 that
3 was coming out of gen state aid is gone. That
4 amount is not getting lapsed from the block grant.

5 Nothing changed on virtual state aid.

6 Your next change is on page 4, the bottom
7 proviso. On the second line from the bottom, you
8 see "and provided however." These next three
9 provisos are new. They are additions to the bill.
10 And I'm going to have a pause right there and take
11 you to page 6, new Section 4 was added. And what
12 this section says is during fiscal year '17, if
13 the legislature or state finance council
14 authorizes the sale of the Kansas Bioscience
15 Authority, the amount of money in between the
16 25,000,000 and the 38,000,000, 13,000,000, will go
17 into SGF.

18 Now, you might recall that was House Bill
19 2632, part of the star bond and the KBA sale bill
20 that you passed in the 2016 session. So just two
21 months ago this bill would have passed. Current
22 law used to be that only the legislature could
23 authorize the sale of KBA, but you amended that
24 section and allowed the State Finance Council to
25 authorize the sale of KBA. So we are just



1 recognizing that. If and when that sale occurs, I
2 believe it's anticipated to occur, that the money
3 in between 25 and 38, which is 13,000,000, will go
4 into SGF. So that money will be there.

5 So if we would go back then to the amendments
6 on 4 and 5, one of the reasons that the
7 extraordinary need fund could be used for would be
8 the difference in that sale amount. So if the
9 sale is lower than 38,000,000, there is a
10 possibility, this bill grants the possibility of
11 the authority for state general fund to be
12 backfilled from the extraordinary need fund. So
13 the possibility is there.

14 And I think Eddie, Edward, is going to review
15 the actual numbers. But from the language, I'd be
16 pleased to stand for any questions of that, but
17 Edward is going to go through the numbers.

18 CHAIRMAN RYCKMAN: I think it might be
19 easier to explain if Eddie would go ahead and work
20 through the numbers and then we'll both let you
21 stand for questions.

22 MR. PENNER: Thank you, Mr. Chairman.
23 I'll start with the white sheet, which is the
24 state total, and then move over to the light
25 purple stapled sheets after that. The white sheet



1 is similar to the sources of funds summary that
2 Representative Carpenter requested yesterday.

3 As you see, at the top the estimated LOB
4 state aid cost for FY '17 is 467,000,000. Nothing
5 changed there. Nothing changed in the second
6 line, which is the current appropriation. Nothing
7 changed in the third line, which is the LOB
8 appropriation in this bill. What has changed is
9 the section of the sources of funds.

10 Within that section, the first is the hold
11 harmless from 2655. That is the same as it was
12 previously. The 2.8 in virtual is the same as it
13 was previously. The 7.2 in extraordinary need
14 fund is the same as it was previously. The 4.1 in
15 TANF is the same as it was previously. And I'll
16 skip one and go down to the bottom, the 10.5
17 remainder from the master settlement agreement is
18 the same as it was previously. What has changed
19 in this is that the 13,000,000 that was coming
20 from the general state aid adjustment, the 0.5
21 percent is gone, and that is replaced by the
22 13,000,000 from the Kansas Bioscience Authority
23 sale proceeds in excess of 25,000,000.

24 And then you'll notice there is an asterisk
25 to that. That indicates that if the sale of the



1 Kansas Bioscience Authority generates less than
2 38,000,000, up to 8,000,000 of the extraordinary
3 need fund, which is the entirety of the
4 extraordinary need fund, will be reduced by the
5 amount that the sale is less than 38,000,000.

6 If you'd like, I'll stop there for questions
7 on that page or I can proceed directly on to the
8 other pages.

9 CHAIRMAN RYCKMAN: Any questions of
10 Eddie? Please proceed.

11 MR. PENNER: The second packet is the
12 run for the districts on this. This is nearly
13 identical to the run that we handed out yesterday,
14 with the exception that the first column that was
15 the general state aid adjustment is eliminated,
16 and accordingly the totals are affected. However,
17 the three columns, the LOB adjustment, the capital
18 outlay adjustment and the virtual aid adjustment
19 are all still there. None of those changed, just
20 the total.

21 I would note, once again, same as yesterday,
22 the capital outlay adjustment was actually from
23 House Bill 2655 during the regular session. The
24 LOB adjustment and the virtual aid adjustment are
25 from this bill. And with that, I would stand for



1 any questions for that.

2 Mr. Chairman, J.G. just brought to my
3 attention that there is a typo in the current LOB
4 state aid appropriation. It says 376.6 million.
5 That is, in fact, 367.6 million. That would cause
6 the sum to get to 467. That would cause the sum
7 to be correct at the top, the 467 million.

8 CHAIRMAN RYCKMAN: Any questions? Eddie,
9 please continue.

10 MR. PENNER: No, I was just --

11 CHAIRMAN RYCKMAN: Any questions on the
12 purple sheet?

13 Okay, Representative Schwartz.

14 MS. SCHWARTZ: Thank you, Mr. Chairman.
15 I move to amend House Bill 2001 by replacing the
16 contents of House Bill 2001 with the contents of
17 the proposed substitute for House Bill 2001.

18 CHAIRMAN RYCKMAN: A second by
19 Representative Barker. All right. For
20 discussion. Any discussion on the motion?

21 Representative Henry.

22 MR. HENRY: Mr. Chairman, could you
23 enlighten the committee about -- I mean, we were
24 informed that the sale of Bioscience was
25 25,000,000, and now it's jumped to 38,000,000.



1 What information has come forward that would give
2 this committee some type of information or ease
3 that there is an additional 13,000,000 from the
4 Bioscience that we could use for schools?

5 CHAIRMAN RYCKMAN: Basically, this allows
6 any proceeds above the 25,000,000 to make that
7 payment, but the 13,000,000 has already been
8 lapsed. So the .05, half percent cut is no
9 longer, regardless of the sale of the Bioscience
10 Authority. The proceeds of the Bioscience
11 Authority, if they are greater than 25,000,000,
12 that would then first go and backfill the loss to
13 the state budget. If it does not get the entire
14 13, then the extraordinary needs would be used to
15 supplement the difference between the 13,000,000.

16 MR. HENRY: So if we don't have a robust
17 sale, then it will turn back to the schools in the
18 extraordinary needs and will deplete that fund, is
19 the alternative?

20 CHAIRMAN RYCKMAN: Yes. This -- again,
21 the proceeds over \$25,000,000, if they -- if it is
22 over 13,000,000, then the extraordinary needs fund
23 would not be adjusted.

24 MR. HENRY: Did we receive a letter from
25 someone that said we have a potential to sell it



1 more than 25 than what we had in the regular
2 session where we had discussion and a hearing on
3 that issue?

4 CHAIRMAN RYCKMAN: I believe that the
5 numbers were preliminary when you heard them. I
6 believe there really hasn't been a floor set, but
7 it is being brokered and discussed and could --
8 the complexities of the investments are still out
9 there to be determined by the market.

10 MR. HENRY: So passage of this bill, and
11 hopefully through the House and Senate and the
12 Governor's signature, does that -- does it entail
13 that we can tell the citizens of Kansas there will
14 be no cuts to public education?

15 CHAIRMAN RYCKMAN: The -- this -- the
16 certainty this bill provides is a joint
17 stipulation of Constitutional compliance that the
18 plaintiffs and the Attorney General will go
19 together to the Supreme Court, upon passage of
20 this bill, signature of the Governor, and again
21 the plaintiffs and the state will do a joint
22 stipulation of Constitutional compliance to give a
23 surety to our state that schools remain open.

24 MR. HENRY: Thank you, Mr. Chairman.

25 CHAIRMAN RYCKMAN: Any other questions.



1 Not seeing any, all in favor of the amendment say
2 aye. (Voice vote.) Opposed? This amendment
3 carries.

4 I do have one more amendment I'd like to add
5 on, and it's not drafted yet, so we are working
6 through it. To buy more certainty to schools, as
7 we know, the timing of the budget could come prior
8 to the sale of the Bioscience Authority. As
9 extraordinary needs funds is now, if this bill
10 passes, to be administered by the Department of
11 Education. The districts would, if they don't --
12 if they can't -- the money doesn't come during
13 their -- if the money does not come before their
14 budgeting period, the districts will not be able
15 to use the money this fiscal year. And so what
16 this would do is basically allow the Department to
17 still authorize funds that are contingent upon the
18 sale, but our districts will then be allowed to
19 budget the funds and they wouldn't have to wait
20 until next year to use them. So if the -- if the
21 money doesn't come in, then, of course, they
22 wouldn't be there. But if the money does come in,
23 when the money does come in, if it's past their
24 budgeting period, they could not spend it without
25 reauthorizing and publishing their budgets, and



1 that is to be drafted.

2 Second by Representative Schwartz.

3 Discussion?

4 Representative Barker.

5 REP. BARKER: Do we have a time period
6 when this amendment will be drafted so that we'll
7 have it on the floor?

8 CHAIRMAN RYCKMAN: It will be included in
9 the substitute bill, but would not be turned in
10 until Jill is finished drafting it.

11 REP. BARKER: Okay, thank you, Mr.
12 Chairman.

13 CHAIRMAN RYCKMAN: Any other questions?
14 Representative Grosserode.

15 REP. GROSSERODE: Thank you, Mr. Chair.
16 So clarification, it's drafted as a proviso,
17 correct?

18 CHAIRMAN RYCKMAN: Correct.

19 REP. GROSSERODE: And, basically, that
20 the Department of Ed is basically to act as if the
21 sale -- that able to realize 13,000,000 from
22 additional -- from the sale of KBA, even though we
23 have yet to have that sale go through. Is that
24 basically the language of the --

25 CHAIRMAN RYCKMAN: Right. It does allow



1 the schools to budget for the money. As all their
2 budgets, if the money does not come in, they don't
3 spend it. But if the money comes in and it's not
4 in their budget, although they have received the
5 money, they cannot spend it this fiscal year.
6 This allows them to spend it if they budget for
7 it.

8 REP. GROSSERODE: Thank you.

9 CHAIRMAN RYCKMAN: Any other discussion?
10 All in favor of this amendment, say aye? (Voice
11 vote.) Opposed? Amendment carries.

12 Representative Schwartz.

13 MS. SCHWARTZ: Thank you, Mr. Chair. I
14 move House Bill 2001 as amended be recommend
15 favorably for passage as a substitute bill.

16 CHAIRMAN RYCKMAN: Second by
17 Representative Claeys. Any discussion?

18 All in favor of passage of House Bill 2001
19 favorably as a substitute bill, say aye? (Voice
20 vote.) Opposed? Bill passes.

21 Committee, we are adjourned.

22 (THEREUPON, the hearing concluded at
23 4:03p.m.; WHEREUPON, the hearing reconvened at
24 4:55 p.m.)

25 CHAIRMAN RYCKMAN: The committee will



1 entertain a motion to reconsider a sub for House
2 Bill 2001.

3 Representative Schwartz.

4 MS. SCHWARTZ: Thank you, Mr. Chair. I
5 make the motion and move the committee reconsider
6 our action on substitute for House Bill 2001.

7 CHAIRMAN RYCKMAN: Representative by --
8 excuse me, second by Representative Barker. Any
9 discussion?

10 All in favor, say aye? (Voice vote.) Motion
11 carries.

12 We will have further discussion on the bill.
13 I have an amendment. The amendment would direct
14 5,000,000 from the vehicle modernization fee to
15 the extraordinary needs fund.

16 I move my amendment. Second by
17 Representative Grosserode. Discussion?

18 This does raise the funds from 8 to 13 inside
19 the extraordinary needs fund. Any other
20 clarification or questions?

21 All in favor of this amendment, say aye?
22 (Voice vote.) Opposed? Amendment carries.

23 Representative Schwartz.

24 MS. SCHWARTZ: Thank you, Mr. Chair. I
25 make a motion to move House Bill 2001 as amended



1 by the committee as a substitute bill and
2 recommend it favorably for passage.

3 CHAIRMAN RYCKMAN: Second by
4 Representative Hutton. Any discussion?

5 All in favor, say aye? (Voice vote.)
6 Opposed?

7 Senate substitute for House Bill 2001 as
8 amended passes favorably for passage. It's a
9 substitute bill. We are adjourned.

10 (THEREUPON, the hearing concluded at
11 4:57p.m.)

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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, C.C.R. No. 0602

