

E-REPORT #3 LEAGUE OF WOMEN VOTERS OF KANSAS

Paul Johnson – January 23, 2015

SCHOOL FUNDING FORMULA UPDATE

The Governor proposed a block grant to fund public schools for the next two years. The theory of a 'block grant' is simple. The details are hard. Legislation has not been proposed yet to establish a block grant. The questions are many. School districts are waiting to see how state aid would be distributed if weighted enrollment for poor and special needs children are not factored in. School districts are waiting to see what authority they may have to raise local property taxes for school district operating expenditures and what restrictions might be placed on those levies.

From the Governor's budget numbers, the block grant for 2016 combines four state aid sources: general state aid, local option budget state aid, capital outlay state aid and the revenue from the 20 mill state property tax levy. From 2015 to 2016, the block grant is a reduction of \$127.4 million or approximately 3.1 % of this year's estimated total of school district general funds, special education state aid and local option budgets. Per pupil (for the weighted enrollment of 686,000 students), the reduction works out to \$186 per student from today's base of \$3,852. The Governor does increase state funding for school employees contribution to the Kansas Public Employee Retirement System by \$90.6 million over the current year and increases bond and interest aid by \$8 million but these dollars do not make it to the classroom for operating costs. Last March, the Kansas Supreme Court ruled the school finance system was unconstitutional because the state was not fully funding state aid for local option budgets and capital outlay. Hard to say how the Court will respond to a frozen block grant for two years?

The '[Kansas Education Achievement Report Card,2015](#)' by the Kansas Association of School Boards compares student outcome and funding data with the other 49 states. Kansas ranks eighth in educational achievement, which covers a broad spectrum of measurements. The 7 states that rank ahead of Kansas spend more per student. In fact Kansas ranks ahead of 17 states that spend more per pupil. Kansas does have a larger percentage of children in poverty than the seven states that rank ahead of Kansas. Educational costs associated with poverty are much higher. This study ranks states exclusively on student outcomes and provides background information on funding and student characteristics.

<http://www.kasb.org/assets/Publications/KSEdAchievementFundingRptCard.pdf>

In the State of the State speech, the Governor stated: "Thanks to the efforts of our teachers and parents, Kansas students score among the best in the country, record numbers of Kansans are enrolled in technical education and our institutions of higher education are global leaders in fields from animal health to aeronautics to the universal fight against cancer." Later in the speech, "A majority of the projected (budget) shortfall is due to increases in K-12 spending since Fiscal Year 2014. I want to repeat that. A majority of the projected shortfall we face is due to

increases in K-12 spending”. Will a revamped and reduced new school funding formula get the same student scores and be equitable across diverse economic regions found in Kansas?

‘KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (KPERS)’ DEBATE

Over the last few years, legislation has been passed to guarantee the solvency of KPERS. Employer and employee contributions have been increased. Right now the KPERS trust fund of \$16 Billion is projected to cover 60% of the unfunded actuarial liability. The greater contributions and putting new employees on a less generous retirement benefit plan will bring the trust fund into complete balance by 2033. Today KPERS has 289,000 members – 10% of the Kansas’ population – with 155,446 members paying into the system, 86,843 retirees drawing benefits and 46,096 inactive. (The average annual benefit for state & school retirees is \$13,325, for police & firemen it is \$29,721 and for judges it is \$39,809.) The Governor’s plan is to reduce KPERS contributions from the state and move the ‘in-balance’ date from 2033 to 2043. The Governor also wants to sell \$1.5 Billion in bonds to immediately strengthen the trust fund with the state obligated to pay \$95 million annually for thirty years to pay off these bonds. Kansas floated \$500 million in ‘pension obligation bonds’ in 2004. As of September 30, 2014, the investment return on these bonds has netted \$174 million. Calculating these two changes of lower KPERS contributions that extends the balance date to 2043 and the issuance of the new \$1.5 Billion in bonds, it will cost Kansas \$3.7 Billion more than the present course.

ENVIRONMENTAL PROTECTION AGENCY (EPA) CLEAN POWER PLAN

This proposed EPA plan is pursuant to Section 111(d) of the Clean Air Act and would cover 1,000 US fossil fired power plants. The plan allows states to work individually or in regional groups. This proposed rule will probably be finalized by summer. States are required to prepare and submit a plan to the EPA. If states do not submit a plan, EPA will issue a federal plan. Future goals for 2020 and 2030 on state emission reduction measures are calculated from a 2012 baseline. For Kansas, the final goal for 2030 will result in a 23% reduction from 1940 lbs. CO₂ (carbon dioxide) per MWhr (one million watts per hour) to 1499 lbs. CO₂/MWhr. With the rule finalized by this summer, Kansas must file a final plan by 2016 or 2017 if Kansas is working with other states. The Kansas Legislature will have to decide if Kansas will file a plan or just let the EPA develop our plan. The major utilities in Kansas along with the Kansas Corporation Commission support Kansas developing its own plan instead of deferring to EPA.

In essence, this clean power plan will result in less coal burned, more reliance on natural gas, greater expansion of renewables (particularly wind farms) and the systematic development of energy efficiency programs. Kansas is one of eight states in the Southwest Power Pool (SPP). The SPP coordinates and regulates the movement of electricity among the eight states. Last March, the SPP began operating a central dispatch system in Little Rock, Arkansas. Instead of Westar or KCP&L making their own decisions on producing and dispatching power in their electrical service area, the SPP is now coordinating this effort over the eight states. The most efficient power

plants are now used throughout this integrated system. This system has greater capabilities to utilize more wind energy. The SPP will come testify to the Senate Utilities Committee in the next few weeks to give information on the new central dispatch system and how it interfaces with the proposed 'clean power plans'. This EPA plan may finally force Kansas to systematically evaluate energy efficiency opportunities. Kansas has 1.1 million occupied housing units and no idea how many of those homes are adequately insulated. Kansas's greatest use of electricity comes in the summer caused by air conditioning demand. Kansas has no idea how efficient these air conditioners are. Energy efficiency investments are far cheaper than constructing new generation. This debate will go on for the whole legislative session and I will keep reporting.

WIND ENERGY INFORMATION

Kimberly Svaty of the Wind Coalition gave an update on wind energy to the Senate Utilities committee. In 2013, 19.4% of the electricity generated in Kansas came from wind. Kansas has the second best wind resource in the nation. Kansas now has 21 operating commercial wind projects which equates to \$8 Billion in capital investments and 13,000 new jobs. There are seven more wind projects in construction. By the end of 2013, Kansas wind projects powered more than 870,000 average American homes and saved over 2 Billion gallons of water not needed by wind turbines. There are now 500 component part facilities for wind systems in 43 states, including Kansas. At least 78% of the value of a wind turbine is now produced domestically compared to 25% in 2005. There will be legislative battles over the Renewable energy Portfolio Standard (RPS) in Kansas and possibly efforts to eliminate the exemption of paying property taxes by the wind farms.

KANSAS SUPREME COURT JUSTICE CONSTITUTIONAL AMENDMENTS

Three constitutional amendments have been filed to change the selection of Kansas Supreme Court justices. HCR 5004 would establish partisan elections for the Supreme Court and the Court of Appeals. HCR 5005 would give the Governor the authority to appoint Supreme Court and Court of Appeal justices with Kansas Senate confirmation and also abolish the Supreme Court nominating commission. HCR 5006 would give the Governor the authority to appoint Supreme Court and Court of Appeals justices with Kansas Senate confirmation and modify the membership of the Supreme Court nominating commission. These concurrent resolutions have been referred to the House Judiciary committee but hearing dates have not been set.

LEGISLATIVE INFORMATION

As of today, there have been 69 Senate bills and 86 House bills filed. You can scroll through these bills at <http://www.kslegislature.org/li/> by clicking on the heading 'Bills and Laws'. There are also House and Senate resolutions and concurrent resolutions. You can check the Friday calendar for committee meetings scheduled for next week. To this point, committees have had more informational presentations than bill hearings. The budget debate on the Governor's rescission bill and supplemental bill for 2015 will begin next week in Senate Ways and Means and House Appropriations committee.

Kansas Legislative Research Department (KLRD) has now posted the '2015 Kansas Legislator Briefing Book'. This book is a compilation of background issue memos on several topics of import and debate. KLRD has also posted 'Committee Reports to the Kansas Legislature'. This is a partial listing of the work done by interim committees last summer and fall. There are more interim committee reports yet to be completed. If interim committees decide to recommend legislation, those recommendations are given greater consideration and have a much better chance of passing the Legislature. <http://www.kslegresearch.org/Repts&PubsShortcuts.htm>