



League of Women Voters of Kansas

Policy Watch Weekly Update by Paul Johnson

Members receive *Policy Watch Weekly Update* throughout each Kansas legislative session. Reports may also be found at lwvk.org.

Week #8

SCHOOL FINANCE CHALLENGE

March 10, 2017

The Kansas Supreme Court has spoken. The existing school funding block grant is unconstitutional. The Kansas Legislature has till June 30 to write a constitutional finance formula. Frustration is growing. The Republican plan was for the two year block grant to give lawmakers the time to write a new school finance plan. This effort has not worked



and only now are actual bills starting to emerge. The old school funding formula was declared constitutional but it needs to be adequately funded and certain groups of struggling students must be given greater support. The Kansas Supreme Court did state that 'total spending is not the touchstone of adequacy' and that it is not the role of the Courts to order a monetary remedy.

In the midst of a severe revenue and budgetary crisis, how will adequate funding be decided? If a brand new school finance plan is developed, the Kansas Supreme Court will be brought in for review.

The Kansas Supreme Court ruled that the block grant was unconstitutional in both structure and implementation. The Court ruled the block grant was a funding stopgap and only minimally responsive to financially important changes such as increased enrollment. The previous school finance formula had been previously determined by the Court to be constitutionally adequate in structure. The Court held that the block grant violates Article 6 of the Kansas Constitution because it does not meet the *Gannon 1* test for adequacy through implementation. It was proven that students are falling behind,

especially certain subgroups (Afro-American, Hispanic, low-income), and that declining performance is related to declining funding.

The Court makes it clear that the legislature has a myriad of choices available to perform its constitutional duty. The Court did determine that alternative sources of funding (local option budget, federal funds, retirement contributions) should be considered when determining adequacy. Without a constitutional system meeting the adequacy requirement, no valid school finance system exists through which funds can be lawfully raised, distributed or spent.

Neither the House K-12 Education Budget committee or the Senate Education committee has passed out any school finance bill to be debated by the full House or Senate. The House committee is closer with **House Bill 2270** that is modeled after the old formula plus extra funding for all day kindergarten, and **House Bill 2324** that reinstates the old formula but with a lower level of state aid and no all-day kindergarten.

The Senate Education committee has held numerous informational sessions but has yet to produce a bill. The Senate has now appointed a Select Committee on Education Finance of nine members to come up with a school finance formula to replace the block grant. About 25% of school children identified by the Supreme Court are not getting the education needed to meet the standards of a 'suitable education'. A new 'old' school funding formula may change the weightings to meet the specialized educational needs of these underperforming students and shift to school districts more responsibility for improving the educational outcomes without the state contributing significant new funding.

The clock keeps moving. The final day of the regular session is April 7 with the veto session starting on May 1. Given the uncertainty of the revenue picture and what additional funds may be available for a new school funding formula, the veto session - possibly lasting several weeks - will be a full view debate on the value and future of public education in Kansas.

BUDGET AND TAX DEBATE

The budget debate barely moves. The plan was to finalize the 2017 budget (that ends on June 30), pass budgets for 2018 & 2019, develop a structurally balanced revenue package and write a new school finance formula. The House adopted the Governor's plan of transfers, delayed payments, lower retirement contributions and a loan from 'idle state funds' to patch together the 2017 budget.

The Senate was insistent of less gimmicks and budget cuts to get through 2017 but no consensus was found and no floor debate. On Monday March 13, the Senate Ways &

Means committee will finally work the House plan (**House Bill 2052**) to see if that can pass the committee and the whole Senate. Any budget cuts now would have to be made in the remaining three months of this fiscal year thus magnifying the impact of those cuts.

The budget process for 2018 and 2019 drags on. The blueprint used is the Governor's budget plan that restores none of the budget cuts made over the last five years. The raid on the highway plan continues as lower payments are made to fix the retirement system (KPERS). The Governor's plan to sell off the tobacco settlement for one time funding to finance these budgets and build an ending balance has had the greatest negative response. The Governor's revenue package of higher consumption taxes (liquor, tobacco) and higher business filing fees died in the Senate on a 37 to 1 vote. The Governor appointed a special Blue Ribbon Task Force of Water Funding, but ignores all its recommendations and the water plan continues to decline from close to \$25 million in 2008 to \$11 million for 2019.

Social services remain tattered. The Medicaid (KanCare) eligibility system remains troubled with a large backlog, and medical providers are having fits with services and payments from the three private KanCare managed care organizations (MCO's).

The tax debate is also stalled after the Governor's veto of the income tax bill. Now the Court's decision on school finance adds greater complexity. This is a chicken and egg scenario. Do you first raise revenues by a certain amount and develop budgets including school finance from that given amount of revenue? Or do you pass the budgets along with school finance and that necessitates the size of the revenue package to be raised?

With so many new lawmakers and a disinterested, lame duck Governor, what is politically possible? The deficit is staggering. The vetoed income tax bill raised \$590 million for 2018 and that barely covered the structural deficit for 2018 with little room for an ending balance and no new school funding. In terms of school finance, bringing basic student aid per pupil (BSAPP) spending from \$3,852 today to \$4,895 (BSAPP adjusted for inflation from 2009) would cost \$700 million. If not adjusted for inflation and targeted to \$4,400 - that it was in 2009 - would cost over \$400 million. The Court will probably accept a 2-3 plan to fix the underfunding, but the Court will demand a verifiable funding plan.

The process now is counting votes. What levels of income tax, property tax, consumption taxes and fuel taxes will garner a working majority in the Senate and House? What is that amount of additional school funding (\$100 million, \$200 million, \$400 million) that will satisfy the Courts? 70% of state funding is education and

Medicaid. What meaningful budget cuts could you make to education without a Court challenge or health care? How much further can you decimate the other state programs such as the prisons or state hospitals that have already lost federal certification? What is politically possible and what damage would the Governor inflict on Kansas with his conservatives allies upholding any veto? The State of Illinois has gone over 18 months with no state budget.

LEGISLATIVE NOTES

House Bill 2374 will expand state tax credits for students to attend private schools. It is scheduled for a hearing late next week before the House K-12 Education Budget committee. The current program allows granting of tax credits to those who contribute to a scholarship fund that is then used to pay the tuition of students to go to private or home schools. This program was slipped into the school block grant passed two years ago. There are currently 329 students participating with 92% of the scholarships made by the Catholic Education Foundation. To this point \$1 million in tax credits have been approved. HB 2374 expands the tax credits to \$10 million annually and allows individuals taxpayers to receive an income tax credit up to 90% of their contribution. Currently it is only corporations that qualify for the tax credit.

House Bill 2044 expands Medicaid in Kansas. It passed the House on a vote of 81 to 44 and has now been assigned to the Senate Public Health and Welfare committee. Hearings are tentatively scheduled for March 20 and 21. This bill will pass the committee but the question is whether Senate leadership will allow HB 2044 to be debated on the Senate floor? The United States House Republican bill to repeal and replace the Affordable Care Act has a three year time frame to alter Medicaid expansion so Kansas still has time to expand and draw down the extra federal funds.

Overview. There have now been 225 bills introduced in the Senate and 382 introduced in the House. The Thursday March 9 calendars for the House and the Senate have the listings for the committee hearings for the week of March 13 to 17. These calendars can be viewed at the Kansas Legislature website www.kslegislature.org under calendars at the top of the page.

As mentioned above, the Senate Ways & Means will work the 2017 budget on Monday March 13. On Tuesday March 14, Senate Assessment & Taxation will hold hearings on SB 192 – income tax rate changes – and SB 146 on 20 mill statewide levy for schools.

The House K-12 Education Budget committee will have discussions on school finance both Monday and Tuesday where school finance bills may be worked.



The **League of Women Voters of Kansas** is a grassroots, volunteer, political organization with [nine local Leagues across the state](#). For nearly 100 years, LWVK has encouraged the informed and active participation of citizens in government and has influenced public policy through education and advocacy. The League never endorses candidates or political parties.

Support our ongoing work. [Donate to LWVK](#), today.

***Policy Watch Weekly Update** is a publication of the Kansas Rural Center with sponsorship from the following: League of Women Voters of Kansas, Kansas Natural Resource Council, Audubon of Kansas, Kansas Association of Regional Development Organizations, and Kansas Farmers Union. Friends of Policy Watch include: Women for Kansas and Flint Hills Renewable Energy and Efficiency Cooperative. Visit KRC's website www.kansasruralcenter.org/legislative-policy-watch/*