

## Kurt A. Knutson

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Date: March 15, 2018  
To: Senator Molly Baumgardner – Chair  
Senate Education Committee  
From: Kurt A. Knutson  
Re: Support for S.B. 424 (Education Inspector General)

Madam Chair and members of the committee, my name is Kurt Knutson and I am appearing today as a Kansas citizen. Providing you with a little bit of context, I founded Freedom Bank, a community bank in Overland Park, with a group of local investors in 2005. Freedom Bank serves our local neighborhood and privately held businesses throughout the Kansas City metropolitan area. We opened our doors in 2006, which has turned out to be the most tumultuous time for banking in my lifetime. Freedom Bank has survived the storm which claimed over 500 banks across the country. We have created 29 jobs in Overland Park, and those employees paid taxes on over \$12,000,000 in income. Our bank has paid \$4,250,000 in state and federal taxes. The site of Freedom Bank, just east of the intersection of 143<sup>rd</sup> and Metcalf, was an empty grass field in 2005.

We have been actively involved with the Blue Valley School District. Freedom Bank was the first home to the Global Business class of the Center for Advanced Professional Studies (CAPS). I have personally taught many CAPS classes and we have worked with the CAPS students on financial literacy courses that were taught by CAPS students to other District students. Freedom Bank has raised thousands of dollars for the Blue Valley Educational Foundation along the way.

Governor Brownback appointed me to the Kansas State Banking Board in 2011 and reappointed me in 2013 and again in 2017 where I currently serve until March of 2019 -- I am grateful to those of you present who played a part in confirming my appointment. My peers elected me to serve on the board of the Kansas Bankers Association in 2013 and I currently serve as Chairman of the State Affairs Committee.

In late 2011 and early 2012, I was the Co-Chairman of the grassroots campaign to support the \$271,000,000 bond election for the Blue Valley School District. I was proud to represent the school's point of view to the taxpayers because the process was transparent and was put in front of the voters to decide. The taxpayers' enthusiastic passage of the measure demonstrated that the Blue Valley School District had earned the trust and support of their constituents. In other words, they were accountable to their customers just like every business in the private sector must be in order to succeed. Without transparency, there is no accountability.

In 2016 I was asked to serve on the Consensus Revenue Estimating Working Group to conduct a comprehensive review of the Consensus Revenue Estimating process. That experience affirmed my belief that a citizen legislature is comprised of hardworking citizens from all walks of life serving their state. However, many citizen legislators do not have experience in business ownership, managing people, building a culture, the budget process or financial analysis. Nor have they experienced the accountability that comes with their employee families expecting the payroll to be paid or shareholders expecting a return on their investment. Yes, most have run their family's finances, and feel the accountability to their family, but a state is significantly more complex.

Again, I am here today as a private citizen of the state of Kansas and the views I am about to express are my own. The views I am sharing are not necessarily those of Freedom Bank, the Office of the State Bank Commissioner, the Kansas Bankers Association or the Consensus Revenue Estimating Working Group.

The news of the "mistake" or misapplication of school funds is extremely disturbing. The auditor's report indicates \$45,000,000 in funds have been "misapplied" in just the past five years. Reports have further revealed that this has been taking place for the past 45 years which means the total of "misapplied" funds could be in excess of \$400,000,000.

This is a gross malfeasance perpetrated on the Kansas taxpayers.

The Kansas Legislature needs to restore public confidence and ensure that Kansas tax dollars are going to the places that are statutorily required and no place else.

The education budget is over 50% of the state's budget – an Education Inspector General is needed, and not only needed, it is needed badly and it is needed now. I believe in limited government, but in this particular instance, it has been proven that the government was not up to the task and needs the Education Inspector General to protect Kansas taxpayers!

As a banker, to think that one person could have this kind of access to this amount of funding, almost a half of a billion dollars, without dual control is unconscionable. This lack of dual control would not be allowed to happen in private business – heads would roll! If management did not take bold and swift corrective action in response to such misappropriation, the confidence in management would be shot – and capital (both debt and equity) to the company would dry up. To say that dual control came from a conversation with a lawmaker many, many years ago – and who has since passed away, does not pass the sniff test.

If the Kansas State Department of Education (KSDE) thinks the practice is necessary – take the issue directly to the voters and pass a law. In other words, the KSDE needs to be accountable to their customers, the taxpayers, just like every business in the private sector must be in order to succeed. Without transparency, there is no integrity or accountability. Without transparency, integrity and accountability, there is no public confidence.

The Blue Valley School District, the Shawnee Mission School District and the Olathe School District, in my part of the state, are extremely important to the state as a whole. In my mind, they are the drivers of the economy in Johnson County. While many are attracted to the Kansas City metropolitan area for all the area has to offer – they live in Johnson County because of the high quality education they can provide for their children. My children's education was earned through the Blue Valley School District

and the reason I chose to build the bank in Overland Park was driven because of the quality of the school system.

In 2015, the Kansas Legislature took \$4,000,000 from the Blue Valley School District and Shawnee Mission School District (Olathe was spared at the last minute) and sent the money to Wichita for property tax relief. The money was taken out of the schools, and out of Johnson County, for property tax relief -- in Wichita. The reason I bring this up is because the public confidence in the Kansas Legislature is already running thin.

Those legislators who signed the letter in support of Dale Dennis have asked "that any investigation into Mr. Dennis's actions be guided by integrity and transparency." I hope we can count on the 63 signers (those still serving), some of which are on this very Education Committee, to support this very important bill, SB 424, in establishing an Education Inspector General. This will provide integrity to the process along with providing the transparency you have so appropriately suggested as well as adding the accountability that has been missing.

Please let me be clear. This is not about a person. This is not about Dale Dennis. I do not know Dale Dennis and could not tell you if I was standing next to him. This is about providing the appropriate oversight into the spending of hardworking Kansans' tax dollars. It has been proven that there is a problem here. That problem needs to be corrected with a higher level of oversight to bring integrity, transparency and accountability to the tax dollars being spent on education.

Please do your own thinking and do the right thing in supporting SB 424.