



Oral Testimony as Neutral before the  
**House Committee on Financial Institutions and Pensions**

on

**HB 2197 – Amortizing the state and school KPERS actuarial accrued liability over a 30-year period  
and eliminating certain level-dollar employer contribution payments**

by

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**Kansas Association of School Boards**

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Mr. Chairman, Members of the Committee:

The Kansas Association of School Boards appears as neutral on **HB 2197** because our membership has not adopted a specific position on the issue of KPERS reamortization. However, we want to share the following points with the committee.

First, our members strongly support both the school finance bill passed last session to resolve the *Gannon* case and the inflation adjustment proposed by the Kansas State of Board Education and recommended by the Governor as what appears the final step in restoring constitutional funding.

Reamortization is one of a number of choices the Legislature could consider in managing the SGF budget. Whether it is the right choice at this time is obviously something the Legislature will have to decide. But it also seems likely that it will occur at some point.

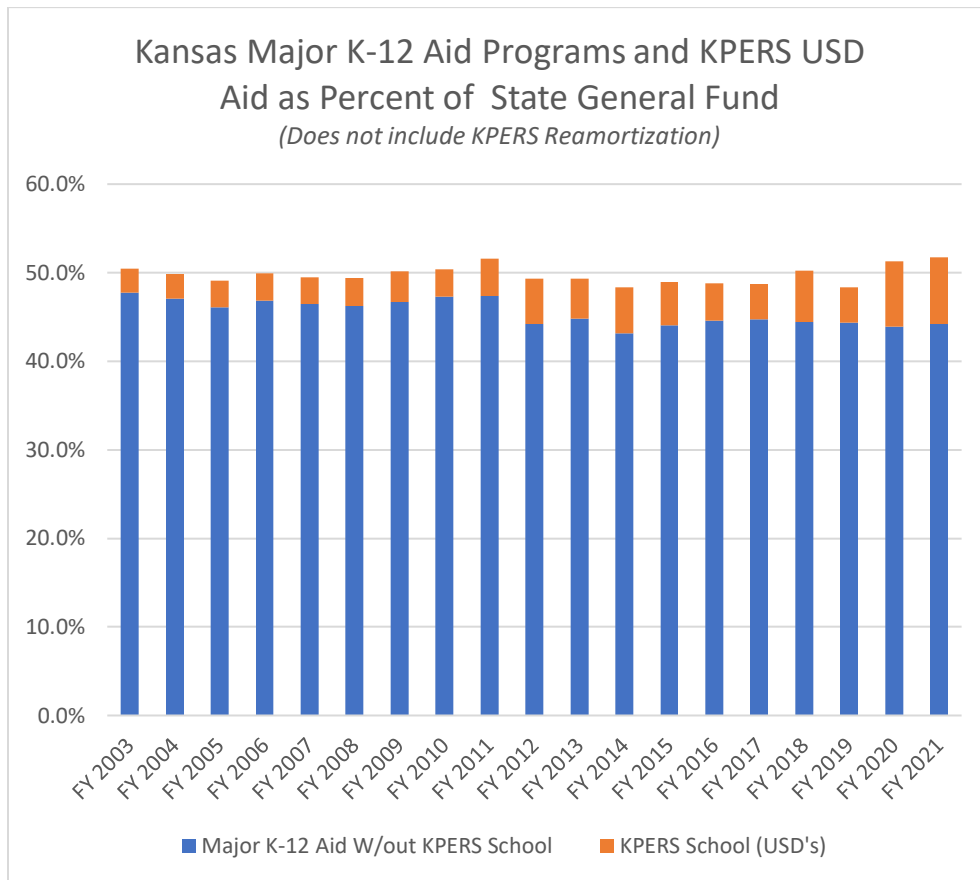
Second, because expenditures for the KPERS school group on behalf of school districts is tied to school funding, and school funding is the largest part of the state general fund budget, we know there are concerns about this impact of K-12 aid on other programs.

We often hear concerns that K-12 education takes up half of the state general fund budget; that this level of funding is not sustainable, and that K-12 aid, partially response to school finance lawsuits, is crowding out funding for other programs.

KASB compared state aid for major school finance programs - general state aid, special education state aid and equalization aid for local option budgets, capital outlay and bond payments – with payments for school district employees covered by KPERS.

As the chart below shows, *combined* school finance aid and KPERS funding for school districts equaled just over 50 percent of SGF expenditures in 2003. That percentage remained close to 50 percent through 2011, when it rose to 51.5 percent, before dropping back below 50 percent of SGF every year until last year, 2018, the first year the Legislature began increasing general school funding in response to the Gannon decision.

But within that total, since 2003 major school aid programs dropped from 47.8 percent in 2002 to 44.2 percent under the Governor’s recommendation for 2021. At the same time, KPERS aid to school districts increased from 2.7 to 7.5 percent, pushing school aid over 50 percent in 2020 and 2021, based on the Governor’s proposed budget for 2019 and 2020 and Kansas Legislature Research Department projections for 2021, but NOT including the Governor’s proposed KPERS reamortization.



Spending about 50 percent of the state general fund on K-12 education is not new. Kansas has spent approximately half of the SGF budget on K-12 education since it implemented the 1992 school finance act. Then, the state assumed a much larger role in K-12 funding in order to reduce and equalize property taxes.

Kansas continues to rank *high* compared to other states in the share of funding from *state* sources and rank *low* in terms of *local* revenues sources. At the same time, Kansas ranks below the U.S. average in *total* revenues provided to school districts from *all* sources, and that ranking has been dropping.

However, as this data shows, despite increased funding following school finance challenges in the 2000’s (the *Montoy* case) and the 2010’s (the *Gannon* case), the share of state general fund spending going to school finance programs has actually been declining. At the same time, the share going to funding the KPERS school group has been rising.

The primary reason for this has been consistent underfunding of the KPERS school system, certainly since the system was last “reamortized” in 1993. The Legislature has never made the “actuarially required” contribution level. Payments were reduced or delayed several times in recent years to manage state spending during revenue shortfalls. As a result, the annual requirements to get “on track” to pay off the unfunded liability by 2034 continue to grow. It is the large increase in KPERS payments scheduled for next year, 2020, that pushes K-12 aid above 50 percent of the SGF.

The state's own response to the *Gannon* decision shows that foundational school funding is hundreds of millions of dollars below 2009 levels when adjusted for inflation. Kansas has fallen behind other states in total per pupil funding and teacher salaries, which threatens our ability to compete in education outcomes. KASB believes cutting current education commitments and failing to add an inflation adjustment is not an option.

The state *does* have a choice in the level of KPERS funding, which this bill represents. However, we understand that choice will increase the total cost to the state by stretching payments over a longer period of time.

The unfunded liability of the KPERS school group has grown in part because the Legislature has protected other parts of the state general fund budget, including general state aid, special education aid and equalization aid, when revenues have fallen short due to both economic reasons and policy choices like tax cuts. That liability will have to be addressed. However, there is nothing "set in stone" about the current pay-off date of 2034. The Legislature must balance the annual cost of meeting that target, the additional cost of extending that date, and the current needs of state programs, including constitutional school funding.

Thank you.