

To: Board of Education

From: Kyle Hayden, assistant superintendent, business & operations, ext. 4309
David Cunningham, director, human resources, ext. 4937
Kathy Johnson, director, finance, ext. 2376

Re: Legislative & School Finance Update

Date: June 9, 2016

Background:

On February 11, 2016, the Kansas Supreme Court gave the Legislature until June 30, 2016, to cure the constitutional inequities created by the Classroom Learning Assuring Student Success Act (the CLASS Act), which was enacted through SB 7 in 2015. In response to the Court's order, the Legislature passed and the Governor signed Senate Substitute for HB 2655, which the Legislature feels addresses the inequities found in the CLASS Act.

Oral arguments were held on May 10, 2016, to determine whether HB 2655 cured the inequities identified by the Court in *Gannon II*. The Court determined the Legislature has cured the unconstitutional inequities in capital outlay. The Court held that HB 2655 failed to cure the LOB inequities found to exist in *Gannon II*. The Court found that applying the capital outlay aid formula to LOB actually increases the inequality among districts and stressed that just because it is constitutional in calculating capital outlay aid does not mean it works for LOB.

The Court found that at best the "hold harmless" provision returns districts to 2016-2017 CLASS distribution amounts, which the Court held in *Gannon II* as unconstitutionally inequitable. The Court points out even more inequities are created when the "hold harmless" funds are deposited in a district's general funds, because they then have the opportunity to raise even more LOB money, which is not equalized.

The Court is still giving the Legislature until June 30, 2016, to cure the LOB inequities. The court has not said it would "close schools" if the Legislature does not comply by June 30. Instead, it said it could not allow money to be "raised, distributed or spent" under an unconstitutional system, which means districts would not be able to receive or spend funds.

The Court has not yet provided any guidance on exactly what would be allowed or disallowed.

The next step is up to the Legislature. It must determine how to respond to the ruling. The Court is continuing to give the Legislature the same deadline to address the issue.

Eleven days after the Kansas Supreme Court said the new school finance equity law was unconstitutional, Gov. Sam Brownback said he would call a special legislative session to address the ruling and also repeated his criticism of the court. Brownback said the special session would be later this month, adding that he would set a specific date later. Some legislators have said the special session would likely be after June 20. It should be noted, during a special session, legislators can work on other measures as well and it is expected that some proposals will be floated.

For schools, it is now time to prepare for the worst and hope for the best. With this in mind, administrative staff has been in discussions regarding what a potential shutdown would look like and how the district would need to respond.

The Board of Education should engage in a discussion of what the inability to legally spend money would mean in the short term (July) and in the long term (August and beyond) and how it could impact our students, staff, families, and the community. Some of the impact items to consider include:

Students:

- Educational programs like summer school, extended school year, special needs services, and driver's education
- Summer meal program
- Student activities, athletics, and camps

Staff:

- Payroll (personal financial impact to living expenses and debt)
- Health insurance coverage
- Ability to hire and fill open positions and retain current staff

District Operations:

- Preparations for starting school in August
- Professional development and staff planning and collaboration time
- Bond construction projects
- Capital improvement projects
- Routine summer buildings and grounds maintenance
- Paying utilities and other outstanding bills

Parents and Community:

- Building access and facility use for other outside entities
- Boys and Girls Club programs
- Parks and Recreation programs
- KU camps

The focus of this report is to provide information to the board and allow time for discussion and questions. If it is determined that action is needed, recommendations would be brought by district administration at the June 27 regular Board of Education meeting.