KANSAS ASSOCIATION OF SCHOOL BOARDS

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Testimony before the
Senate Committee on Education
on
HB 2261 – School District Fund Balances; Contingency Fund Cap

by
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Mr. Chairman, Members of the Committee:

Thank you for the opportunity to testify on **HB 2261** on behalf of the Kansas Association of School Boards. Over the past two years, KASB has developed a plan for making Kansas the leading state in graduating college and career-ready students, called "First in Education, the Kansas Way." It is based on three core principles: raising educational standards for students, educators, schools and districts; providing suitable finance for educational improvement; and strengthening local leadership to determine the best way to meet higher standards in each community.

In other words, the state should set ambitious, agreed-upon goals, provide adequate resources, and give school districts the maximum flexibility for achieving those goals, while holding them accountable for results.

We support **HB 2261** because it is consistent with the approach. It gives school district permanent flexibility in using dollars that are placed in the various budget funds established by the state, and removes limits on dollars placed in the contingency fund. Over the past two years, KASB has supported the concept of greater fund flexibility originally passed in **SB 111**, and supported a higher contingency reserve limit last session.

We believe school districts have accumulated cash balances for three major reasons. First, as budgets increased in the last half of the 2000's, ordinary district cash flow requirements also increased. Second, the financial crisis beginning in 2009 resulted in frequent late payments of state aid, which districts covered by having larger cash reserves.

Finally, districts have faced significant uncertainty over the future of school finance. These results from the temporary support and eventual loss of federal stimulus, suggestions by the Governor to make significant changes in school finance leading up to last session, and the major income tax cut passed last session resulting in a projected shortfall in the state general fund last fall when districts were adopting budgets.

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Even now, school districts are waiting to see if the Legislature will adopt the Governor's new revenue proposals to "hold harmless" school funding, or face another round of significant budget cuts. At the same time, the Governor's revenue plan could lead to another major SGF shortfall by 2018. While it is impossible to predict the state of the economy and state revenues several years into the future, school leaders are reacting to financial uncertainty much like the private sector has done: many are conserving cash out of caution. We believe that will change when – and if – the state adopts a more stable budget plan for the future.

Finally, we support the House Education Committee amendment that makes expenditure of 65% of funds a public policy goal rather than a requirement. Directing school districts to spend funds on certain activities is exactly the opposite of the spirit of this bill, which is to allow more flexibility to spend resources based on the actual needs of the district. We believe there are significantly problems with the "65% provision in state law, which should either be revised or repealed. However, that is probably best addressed through another bill at another time.

Thank you for your consideration.