

**Senate Education Committee****Testimony on HB 2661**

Monday, March 11, 2013

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Thank you for the opportunity to appear in support of HB 2261. This bill would eliminate the cap on the contingency fund, would make permanent the ability to transfer unexpended balances, and would recommend that 65 percent of transfers be spent on instruction.

USA|Kansas supported an amendment to this bill in the House Education Committee that clarified it was a *goal* to have 65 percent of transfers spent on instruction. I thought it might appropriate to comment on this section, though it is not the primary function of this bill.

The definition of instruction is **very narrow**, as it is based on money spent on activities that occur directly between students and teachers. If you have been in a school lately, you know that there are more people in the classroom than just the teacher who impact on student achievement. You cannot educate the diverse student populations we have without the supports these staff members provide to the students and teachers in the classroom each and every day. The **Governor's Task Force on School Efficiency** discussed broadening this definition and recommended further review.

The other part of HB 2261 I would like to visit with you about today concerns some of the **funds that many districts have cash balances in at the end of the fiscal year** that are critically important to students and how districts have managed those unencumbered funds.

**Contingency Reserve**

Many school districts have **used contingency reserve funds to fill the gap left by reductions in BSAPP since 2009**. They depend on the ability to spend out of that fund to provide the flexibility to withstand further budget reductions and, in some cases, keep mill levies relatively stable. Local boards of education have done a fabulous job of listening to taxpayers, the majority of whom do not want to see marked raises in their property taxes.

Contingency reserve fund may also be used to negotiate raises with employees and fund any increases in those areas that continue to plague districts each year – increases in health insurance, fuel, utilities, and teaching supplies.

Having enough cash on hand to pay bills and keep the doors open in between revenue inflows is sound *cash management*. The Government Financial Officers Association best practices document

Senate Education Committee

Date 3-11-13Attachment 4

recommends that entities maintain, at a minimum, an unrestricted fund balance of no less than two months of general fund operating revenues.

### **Special Education Reserve**

Special education is a federally mandated program that is highly regulated and can be very costly. Many districts have students that have special education needs that would drain resources if there were no special education reserve. It is impossible to anticipate what these very needy students might require.

These funds are often used for extensive interventions, including personal nursing services, therapy equipment, space reconfigurations, and, in some instances, residential treatment. Some students may require specialized medical services while at school. Districts need to be agile enough to respond to these situations during the school year. It is not reasonable to expect a district to be able to respond to these types of unknown situations without a sufficient reserve specifically allocated to special education.

**School districts depend on the safety net of their Special Education Reserve funds to meet those special circumstances and to take good care of the unique needs of special education students.**

### **Textbook Funds**

Textbook funds are built up over several years prior to a scheduled adoption. In many districts, the **majority of those funds come from textbook rental fees** that parents pay at enrollment. Those dollars are not derived from state aid.

**The 286 school districts in Kansas all have different needs for the various funds listed in HB 2261 and those local Boards of Education have made decisions about particular fund balances that made sense for their school communities.** Board members and administrators are good stewards of taxpayer dollars. They are concerned about the fiscal health of their districts and, after significant state budget cuts in BSAPP, and no new money this year or last, are probably very reluctant to spend out of their contingency reserve.

Although HB 2261 requires the reporting of unencumbered balances at the June school board meeting each year, we hope that you will visit with your local school districts to understand why balances are being carried over and what plans may exist for spending them down.

Thank you for allowing me to share my thoughts with you on HB 2261 and I would be happy to answer any questions you might have.