Special Session of 2005

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HOUSE RESOLUTION No. 6007

By Representatives Decker and O'Neal

6-24

A RESOLUTION responding to the Kansas Supreme Court's decision 10 in the case of Montoy v. State of Kansas. 11 12 13 WHEREAS, In January of 2005 the Kansas Supreme Court issued a 14 preliminary ruling that the Legislature had failed to make suitable pro-15 vision for finance of the public school system; and 16 WHEREAS, The Legislature passed provisions in 2005 House Bill No. 17 2247 in response to this ruling; and 18 WHEREAS, In crafting this legislation the Legislature considered all 19 relevant data, including information from the Kansas State Department 20 of Education, Office of Legislative Research, Office of Revisor of Stat-21 utes, Legislative Division of Post Audit, conferees who appeared before 22 various committees of the Legislature, and the further input of school 23 officials, community leaders and our constituents; and 24 WHEREAS, In crafting this legislation the Legislature considered, 25 along with other information, data from various studies commissioned by 26 the legislature in past years, including the Augenblick & Myers (A&M) 27 study referenced in the Court's decision of January 3, 2005; and 28 WHEREAS, In 2001, the Legislature enacted in K.S.A. 2004 Supp. 29 46-1225(e) a statutory definition of "suitable education" for the purpose 30 of the professional evaluation of school district finance; and 31 WHEREAS, The definition of "suitable education" enacted by the 32

WHEREAS, The definition of "suitable education" enacted by the Legislature was limited to "a curricular program consisting of the subjects and courses required under the provisions of K.S.A. 72-1101, 72-1103 and 72-1117, and amendments thereto, the courses in foreign language, fine arts and physical education required for a state scholarship under the provisions of K.S.A. 72-6810 through 72-6816, and amendments thereto, and the courses included in the precollege curriculum prescribed by the board of regents under the provisions of K.S.A. 76-717, and amendments thereto"; and

WHEREAS, The above-mentioned statutory references in the definition of "suitable education" refer to the required subjects in elementary school, required courses of instruction for graduation from high school, the requirement of a course of instruction in Kansas history and govern-

ment, the courses required to qualify for the state scholarship program, and the course requirements to meet the state's qualified admissions criteria; and

WHEREAS, The purpose for the study and of this definition of "suitable education" for purposes of the cost analysis was to "determine the cost of a suitable education for Kansas children" (K.S.A. 46-1225(a)). The Legislature wanted to know the cost of providing the courses mandated for K-12 Kansas students in order for them to accomplish one or more of the goals set forth in the referenced statutes; and

WHEREAS, The Augenblick and Myers study references and acknowledges the fact that, notwithstanding the statute, the legislatively enacted definition of "suitable education" was not used for purposes of their study (A&M, III. Setting a Suitable Education Definition); and

WHEREAS, During the 2005 legislative session it was confirmed that the definition that was ultimately used incorporated not only what the state required, but also included everything else districts chose to teach or offer in the way of curriculum or activities. Specifically, it was confirmed that pursuant to the expanded definition used by Augenblick & Myers, the Department of Education couldn't identify anything that schools currently offered that would not be included; and

WHEREAS, Accordingly, the Augenblick & Myers study, while making numerous spending recommendations based on funding of all mandated and nonmandated offerings did not address the question asked by the legislature, i.e., the cost of providing what every Kansas K-12 student is required to be offered; and

WHEREAS, The Augenblick and Myers study did not determine actual costs but instead took a blended percentage of its "professional judgment" analysis and its "successful schools" analysis; and

WHEREAS, Augenblick & Myers, in the Kansas study, noted that the "professional judgment" approach "assumes that people can be reasonably precise in specifying the resources schools need if they are expected to meet a particular set of objectives, however our experience contradicts that assumption." According to Augenblick & Myer's experience "people tend to overestimate the resources schools need. In part, this is because people believe schools should meet broader objectives than those defined by state accountability systems and, in part, it is because panel participants tend to avoid being Machiavellian (that is, they want to serve the needs of all students even when doing so is not necessary to meet state objectives.)"; and

WHEREAS, The "successful school" approach fails to accurately account for actual costs:

"The most obvious criticism of the "successful schools" approach... is that it makes no adjustment based on poverty, peer effects, family

status, and other demographic factors that may influence achievement..." Yale Law and Policy Review, Vol. 22, 571, 603 (2004); and

WHEREAS, Augenblick & Myers noted that one of the strengths of the "successful schools" approach to their cost analysis was that it allowed for the inclusion of spending efficiency to be used as a measure of success, and that in New Hampshire, e.g., the lowest spending half of successful districts were used to create the base cost figure. However, for purposes of the Kansas study, because, using Augenblick & Myers' methodology, a majority of the successful districts would be considered inefficient spenders, they discarded their methodology; and

WHEREAS, The Ohio Supreme Court deferred to the educational spending decisions of its legislature and has refused to allow further constitutional challenges to legislative spending authority. See, *DeRolph III* and *Lewis*; and

WHEREAS, During the 2005 Legislative session, some school districts pointed to the Augenblick & Myers study as support for their request for additional funds. However, some of the same districts were sharply critical of Augenblick & Myers' recommendation to, e.g., eliminate vocational education funding and its recommendation against increases in teacher pay. It was apparent throughout consideration of school finance legislation that Augenblick & Myers was cited by districts to the extent it suggested greater funding and criticized when Augenblick & Myers recommended action that was not favorable to the districts' position; and

WHEREAS, As a result of the lack of usefulness of the Augenblick & Myers study in determining the actual cost of a "suitable education" as defined by the statute for purposes of the study, the Augenblick & Myers cost analysis was not adopted. In view of the fact that this Court suggested in its January 3, 2005, preliminary decision that a lack of a true cost analysis has distorted some of the school finance law's weighting factors, the school finance plan embodied in 2005 House Bill No. 2247 includes a requirement that each school district shall compile, record and report expenditures by category and the Department of Education shall verify on an ongoing basis the costs incurred by districts to provide the programs required by law; and

WHEREAS, The enacted school finance plan requires the Department of Education to design and implement a uniform system of reporting of this data by district in a user-friendly, internet-based system. In that regard, the respective House and Senate committees working on school finance had representatives from the state of Wisconsin demonstrate their highly efficient system, and representatives of the Legislative Division of Post Audit were sent to Wisconsin to analyze its system. In March, the Legislative Division of Post Audit released its performance

audit report: "School Finance: Putting District Budgetary Data into a
More Accessible Database." Its audit of school finance information in the
Department of Education revealed that our current system "doesn't lend
itself to ready financial comparisons between districts, or to obtaining
more detailed financial information within a district. If legislators have
questions about revenues or expenditures that can't be answered from
the website, a Department programmer has to write a specialized program to answer them"; and

WHEREAS, The Legislative Division of Post Audit converted revenue and expenditure data from the 2004-2005 school district budgets to a more accessible format and noted that "[u]ntil the Department is able to convert its existing mainframe system to a database system, a website such as Wisconsin's that is directly accessible by the public won't be able to be built."; and

WHEREAS, In crafting a Legislative response to the Court's January 3, 2005, preliminary decision, the Legislature used the most updated financial data available, but it was not possible, in the time allotted, to perform a true cost analysis in all areas of court inquiry. The Legislature was hindered by the fact that, in many cases, funds allocated to school districts were comingled and it was not possible to sort out what districts had actually spent on certain categories of services. Two thousand five House Bill No. 2247 solves that problem in the future; and

WHEREAS, The enacted school finance plan also provides that in order to assist the legislature in gathering the necessary information needed to make suitable provision for the finance of the educational interests of the state, the Legislative Division of Post Audit will conduct a professional cost study to determine the costs of delivering the K-12 curriculum, related services and other programs mandated by statute in accredited schools. The cost study will include, inter alia, relevant information regarding the cost of such items as curriculum, services, administration, support staff, supplies, equipment and building costs, special education, bilingual education, at-risk programs, and LOB spending; and

WHEREAS, The cost study will also include a review of the relevant studies that assess whether there is a correlation between amounts spent on education and educational performance. The Augenblick & Myers study noted that "no research exists that demonstrates a straightforward relationship between how much is spent to provide education services and student, school or school district performance"; and

WHEREAS, To the extent actual cost data was available, the Legislature considered the actual cost of providing a suitable education; and

WHEREAS, In crafting the legislation the Legislature itself engaged in substantial open and public discussion and debate both in various com-

mittees and on the floor of both legislative chambers; and

WHEREAS, In passing 2005 House Bill No. 2247 the Legislature made full, proper and judicious use of the legislative process which is an integral part of our system of government as set forth in article 2 of the Constitution of the State of Kansas; and

WHEREAS, 2005 House Bill No. 2247 contains a provision dealing with the problems encountered by districts with extraordinary declining enrollments. The Legislature received evidence demonstrating that while current declining enrollment provisions in law are sufficient to aid most affected districts, extraordinarily large declines in enrollment in larger school districts presents a unique problem meriting legislative attention; and

WHEREAS, In districts with extraordinary declines in enrollment, reductions in funding based on per pupil budgeting are not sufficiently offset by reductions in necessary school district expenditures. Enrollment declines spread over a large number of buildings and grade levels do not result in significant savings on expenditures. Class size must remain within reason and some schools must be allowed to operate at diminished capacity to avoid significant overcrowding at another facility, until such time as the low enrollment center can be closed; and

WHEREAS, The extraordinary declining enrollment provisions of 2005 House Bill No. 2247 ensure cost justification. Districts must document to the Board of Tax Appeals (BOTA) its inability to absorb all the lost revenue from declining enrollment. If approved by BOTA, the district would be authorized to raise, through local taxes, the difference between what the district is able to absorb and the total lost revenue. Eligibility must be reaffirmed every two years; and

WHEREAS, The extraordinary declining enrollment provision is particularly important for districts with low per pupil operating expenses. These districts have less flexibility and are more at risk of having to cut programs without assistance; and

WHEREAS, The issue of extraordinary declining enrollment was not an issue in Montoy and represents an important matter of compelling public policy and merits reenactment and immediate implementation; and

WHEREAS, The "cost-of-living" provision in House Bill No. 2247 allows qualifying school districts additional budget authority to address the additional costs of residential housing for teachers in the qualifying districts; and

WHEREAS, The Legislature received information that regional factors such as cost-of-living differences have been addressed in other states and should be considered in Kansas; and

WHEREAS, The Legislature rejected recommendations, including

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Augenblick & Myers', that involved redistributing state dollars through a 2 formula that increased funding to some districts at the expense of other 3 districts. Instead, the Legislature determined that housing costs are a major factor in cost-of-living differences and are costs that are easily de-4 termined on a district-by-district basis; and

WHEREAS, The cost-of-living weighting is a self-funded weighting based on data provided by the Kansas Department of Revenue. Those districts with housing costs more than 125% of the statewide average qualify for the weighting, with the percentage based on the percentage of income an average wage earner might be expected to pay for a home purchase; and

WHEREAS, The Legislature considered expressed concerns relating to equity but determined, as a matter of public policy, that qualifying school districts should be allowed the authority to seek and access local funds to compensate teachers at a level that would enable them to purchase an average home in the district where they teach; and

WHEREAS, The cost-of-living provision was not an issue in Montoy and the Legislature finds that this provision merits reenactment and immediate implementation; and

WHEREAS, Members of the Legislature studied and discussed whether increasing local option budget (LOB) authority would cause or contribute to increased disparity in school district operating expenses per pupil; and

WHEREAS, In approving additional LOB authority in 2005 House Bill No. 2247, the Legislature concluded that increasing LOB authority will not cause or contribute to increased disparity in school district operating expenses per pupil. Larger school districts tend to use LOB authority more than do smaller school districts. Larger school districts generally have lower operating expenses per pupil. The Legislature finds there is a rational basis to conclude that increasing LOB authority will not increase disparity in spending. In fact, increasing LOB authority is likely to result in decreased disparity in spending; and

WHEREAS, Fifteen of the 17 school districts that may qualify for this cost-of-living weighting are in the bottom 25% of all school districts in terms of operating expenses per pupil. The Legislature finds that this new weighting is unlikely to result in increased disparity of spending; and

WHEREAS, The legislative history of the school finance law, the School District Finance and Quality Performance Act, relied upon a local option budget at the time of its adoption in 1992 to prevent some school districts from losing revenue under the Act and was immediately used as part of the basic school expenditures by various districts; and

WHEREAS, It is the legislative intent that the local option budget is a necessary part of funding for schools throughout the state; and

WHEREAS, It is the intent of the Legislature that the local option budget provisions be immediately available during the 2005-2006 school year; and

WHEREAS, The Kansas Legislature has appropriated moneys to support the following programs:

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6		Actual FY 2004
7	State Program	Expenditures
8	KPERS-Schools	\$110,806,841
9	Juvenile Detention Facilities and	
10	Flint Hills Job Corps Center	6,028,857
11	School Safety Hotline	6,840
12	School Food Assistance	2,369,551
13	Educational Deaf-Blind Program	97,859
14	Governor's Teaching Excellence	135,500
15	Parent Education	6,979,745
16	State Safety Fund	1,519,479
17	Motorcycle Safety Fee Fund	4,905
18	for a total of fiscal year 2004 expenditures of \$127,949	,577. Additionally,
19	the legislature has provided \$56 million to match h	ond and interest
20	requirements for local capital improvements and will pr	ovide \$403 million
21	to satisfy KPERS unfunded liability, all of which totals \$587,599,145.	
22	These expenditures of public moneys were not conside	ered by the Kansas
23	Supreme Court in its decision regarding the funding of public schools;	
24	and	_

WHEREAS, The state has provided to the State Department of Education the above moneys to be distributed to Kansas schools. These moneys will be counted as part of the K-12 funding for Kansas schools; and

WHEREAS, In crafting the legislative response to the Court's January 3, 2005, preliminary decision, the Legislature had the benefit of relevant school finance and performance data that was not available to the Court or the parties prior to the decision. For example, *EDUCATION WEEK*, a highly respected national education publication, released at the start of the legislative session its annual "Quality Counts" report card. Based on data from the U.S. Department of Education, National Center for Education Statistics, the Education Week Research Center, adjusting for regional cost differences, ranked Kansas 19th in the country for per pupil expenditures. (Their 2001-2002 figures were \$8,206 per pupil. 2002-2003 was actually \$8,894 and 2003-2004 was slightly higher.) Kansas received a grade of "B" for resources: equity, an important measure for evaluating a school finance formula. Kansas scored in the top 10 states in the area of equity (near the top in its "wealth-neutrality" score) and was the top state in school climate. Kansas also scored well with standards and ac-

countability. (EDUCATION WEEK, Vol. 24, No. 17-Jan. 6, 2005); and WHEREAS, Performance data for the 2003-2004 school years shows that Kansas rated among the top 10 states in student participation in the ACT college entrance exam. And that among these 10 high participation

states Kansas students had the second highest composite scores on the 6

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WHEREAS, Performance data for the 2003-2004 school year shows that with respect to state assessment tests Kansas students improved in all subject areas and across all grade levels. And that furthermore, the difference in performance between majority and minority students and advantaged and disadvantaged students decreased in all subject areas; and

WHEREAS, Article 6, section 3 of the Kansas Constitution, prior to the 1966 amendments, provided:

"State permanent school fund. The proceeds of all lands that have been or may be granted by the United States to the state for the support of schools... and all estates of persons dying without heir or will, and such percent as may be granted by congress, on the sale of lands in this state, shall be the common property of the state, and shall be a perpetual school fund which shall not be diminished, but the interest of which, together with all the rents of the lands, and such other means as the legislature may provide, by tax or otherwise, shall be inviolably appropriated to the support of the common schools."; and

WHEREAS, Article 6, section 6 of the Kansas Constitution, prior to the 1966 amendment, provided:

"Money applied to schools. All money which shall be paid by persons as an equivalent for exemption from military duty; the clear proceeds of strays, ownership of which shall vest in the taker-up; and the proceeds of fines for any breach of the penal laws, shall be exclusively applied in the several counties in which the money is paid or fines collected to the support of common schools."; and

WHEREAS, According to the report of the Kansas Legislative Council in December 1965, regarding the proposed education amendment to the Kansas Constitution:

"The proposed new article would establish a framework capable of providing for a modern educational system, possibly for the next 100 years. It would eliminate obsolete provisions, nullify portions of Article I relating to the election of the state superintendent, give the legislature greater freedom in dealing with educational problems, and provide constitutional guarantees of local control of local schools."; and

WHEREAS, The report cites to Lemons v. Noller, 144 Kan. 813 (1944) for the proposition that "Since the people have all governmental power, and exercise it through the legislative branch of the government, the legislature is free to act except as it is restricted by the state constitution..."

Also, "Our constitution limits, rather than confers, power, and hence, we look to it to see what it prohibits, instead of what it authorizes."; and

WHEREAS, The report stated:

"A constitution should be elegantly concise, shorn of detail. The people make succinct statements in their constitution and delegate to their legislature the obligation to supply the detail. They leave to the judiciary the obligation to interpret the legislature's action within the framework of the constitution."; and

WHEREAS, The report speaks to "equality of educational opportunity" and not adequacy of funding. The report refers to "finance" as the determination of sources of available funding, not to the level of funding; and

WHEREAS, In considering the constitutionality of a statute duly enacted by the legislature, certain basic principals [principles] apply. When a statute is attacked as unconstitutional a presumption of constitutionality exists and the statute must be allowed to stand unless it is shown to violate a clear constitutional prohibition. It is generally agreed that the Kansas Constitution limits rather than confers power and any power and authority not limited by the constitution remains with the people and their legislators; and

WHEREAS, If a legislative enactment is constitutional, it is not for the court to set policy or to substitute its opinion for that of the legislature no matter how strongly individual members of the court may personally feel on the issue; and

WHEREAS, In determining whether a statute is constitutional, courts must guard against substituting their views on economic or social policy for those of the legislature. Courts are only concerned with the legislative power to enact statutes, not with the wisdom behind those enactments; and

WHEREAS, The Kansas Supreme Court in U.S.D. #229 reaffirmed the proposition that Article 6 of the Kansas Constitution is a grant of legislative power. In discussing the 1966 amendments to the Education article to the Kansas Constitution, the court stated: "...the amendment reaffirmed the inherent powers of the legislature - and through its members, the people - to shape the general course of public education and provide for its financing."; and

WHEREAS, The Kansas Supreme Court in U.S.D. #229 held that the issue for judicial determination was "whether the Act provides suitable financing, not whether the level of finance is optimal or the best policy..."; and

WHEREAS, The district court in *U.S.D.* #229, as quoted with approval by the supreme court, found that "[s]uitability does not mandate excellence or high quality. In fact, suitability does not imply any objective,

quantifiable education standard against which schools can be measured by a court."; and

WHEREAS, Rules have to be made and lines drawn in providing "suitable financing." The drawing of these lines lies at the very heart of the legislative process and the compromises inherent in the process."; and

WHEREAS, The determination of the amounts, sources, and objectives of expenditures of public moneys for educational purposes, especially at the state level, presents issues of enormous practical and political complexity, and resolution appropriately is largely left to the interplay of the interests and forces directly involved and indirectly affected, in the arenas of legislative and executive activity. This is of the very essence of our governmental and political polity. It would normally be inappropriate, therefore, for the courts to intrude upon such decision-making; and

WHEREAS, The court in *State ex rel Stephan v. House of Representatives* provided a detailed discussion of the doctrine of separation of powers. The court recognized the doctrine and that through it "a dangerous concentration of power is avoided through the checks and balances each branch of government has against the other," and that, generally speaking, "the legislative power is the power to make, amend, or repeal laws; the executive power is the power to enforce the laws; and the judicial power is the power to interpret and apply the laws in actual controversies."; and

WHEREAS, Despite the outstanding performance of Kansas public schools and the continued legislative commitment to those schools evidenced in 2005 House Bill No. 2247, the Kansas Supreme Court ruled on June 3, 2005, that 2005 House Bill No. 2247 "falls short of the standard set by article 6, section 6 of the Kansas Constitution"; and

WHEREAS, The Kansas Supreme Court has now ordered the Legislature to appropriate an additional \$143 million in public school funding by July 1, 2005, and has further threatened to order the Legislature to appropriate an additional \$568 million in new money for public schools during the 2006 legislative session; and

WHEREAS, Under article 2, section 24 of the Kansas constitution the power of appropriations is vested exclusively in the legislative branch; and

WHEREAS, The judiciary is not free to exercise all state power; it may exercise only the judicial power. The confinement of appropriations to the legislative branches, both in our federal and state governments, was not random. It reflects our national ideal that the power of appropriation must be under the control of those whose money is being spent. This truth animated all of our colonial and revolutionary history; and

WHEREAS, On May 2, 2005, the Kansas Supreme Court issued on order stating, "Neither chamber of the legislature is a party to this action."

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1 However, as a nonparty the Legislature was the subject of an order by 2 the supreme court to appropriate a specific amount of money on a specific 3 date after final adjournment of the 2005 legislative session: Now, 4 therefore,

Be it Resolved by the House of Representatives of the State of Kansas. That 2005 House Bill No. 2247 was, as a matter of public policy, a proper legislative response to the court's January 2005 ruling; and

Be it further resolved: That given the delegation of the appropriation powers under the Kansas Constitution and the status of the Legislature as a nonparty to the Montoy litigation, the order of the court directing the legislature to appropriate a specific level of funding for public schools is viewed by this body as $\frac{1}{2}$ advisory in nature; and

Be it further resolved: That with respect to the determination of a specific amount to appropriate for the funding of public schools the House of Representatives of the State of Kansas will act based solely upon its own deliberative judgment as to the proper public policy determination in this area.