

MINUTES

SPECIAL COMMITTEE ON EDUCATION

September 21, 2010
Room 548-S—Statehouse

Members Present

Representative Clay Aurand, Chairperson
Senator Jean Kurtis Schodorf, Vice-chairperson
Senator Steve Abrams
Senator Pete Brungardt
Senator Anthony Hensley
Senator Roger Reitz
Senator John Vratil
Representative Pat Colloton
Representative Steve Huebert
Representative Harold Lane
Representative Virgil Peck
Representative Arlen Siegfried
Representative Ed Trimmer
Representative Valdenia Winn

Staff Present

Sharon Wenger, Kansas Legislative Research Department
Theresa Kiernan, Office of the Revisor of Statutes
Jason Long, Office of the Revisor of Statutes
Dale Dennis, Kansas Department of Education
Dorothy Gerhardt, Committee Assistant

Others Present

Representative Don Hineman, 118th District
Derek Hein, Hein Law Firm
Terry Humphrey, Terry Humphrey Public Affairs
Jerry Cullen, Barber County North Unified School District 254
Martin Hawver, Hawver's Capitol Report
Bernie Koch, Kansas Economic Progress Council
Bill Brady, Schools for Fair Funding
Diane Gjerstad, Wichita Public Schools
Matt Casey, Gaches, Braden, and Associates
Rachel Whitten, kansasreporter.org
Travis Lowe, Little Government Relations

Scott Rothschild, *Lawrence Journal World*
John Milburn, Associated Press
Scott Frank, Legislative Division of Post Audit

School Finance Briefing

Dale Dennis, Deputy Commissioner of Education, appeared before the Committee to present current information regarding school finance in the state. The presentation began with a demonstration of the school finance formula (Attachment 1). Items included the weighting for various factors such as bilingual education enrollment, low-enrollment and high-enrollment weightings, vocational education enrollment, at-risk student enrollment, and virtual enrollment; new facilities, transportation, and ancillary facilities weighting; special education funding; and declining enrollment and cost-of-living weighting.

Other items presented included a brief accounting of the status of the State General Fund (SGF) for the time period of FY 2010 through FY 2012; general and special education funds for the 2010-2011 school year; special education maintenance of effort; special education excess cost; and a chart indicating additional revenue needed to fund current law at \$415,130,648. Mr. Dennis also presented National Education Association information showing Kansas ranked 38th in the nation in average salaries for public school teachers for 2008.

Other areas of concern which Mr. Dennis stressed included declining assessed valuations across the state and the resultant loss of general fund revenue; increases in free lunch applications; and projected enrollment increases resulting in increases in state aid.

Information regarding the use of school district budget funds and the flexibility of spending within those funds also were presented (Attachment 2) by Mr. Dennis. The following information was presented:

- Brief description of each school district fund, including the spending flexibility of each fund;
- Fund balances as of July 1, 2009; and
- Potential cash balances as of June 30, 2010, excluding capital outlay, bond and interest, federal funds, and the delayed state aid payments.

Review of Notice Filed by Schools for Fair Funding

Patrick Hurley, Chief Counsel and Deputy Attorney General of Civil Litigation, Office of the Attorney General, appeared with a brief presentation regarding the Notice of Claim received regarding a forthcoming lawsuit in the school finance matter. He stated that the Office of the Attorney General released a Request for Proposal for legal services regarding the defense of this matter. Six bids were received and reviewed and the firm of Hite, Fanning, and Honeyman, Wichita, was selected. Pursuant to statute, he stated he expects a lawsuit to be filed on or after October 15.

A short discussion with Committee members followed.

Proposed School Finance Plan

Representative Arlen Siegfroid appeared before the Committee with a proposal to change the current school finance formula in the State of Kansas. He stated many agree that the current formula is no longer sustainable and that a new approach for funding Kansas schools is needed. It is his intention to introduce legislation in January to revise the current formula. His plan will aim to simplify and localize school funding. Below are his two approaches as presented in a handout to Committee members.

Alternative Concept 1

- Replace the existing school finance law with a law that is more easily understood. Under the new law, school districts would have more authority to control their own budgets, yet the Legislature would still carry out its constitutional duty to make suitable provision for finance of the educational interests of the state. The new law would eliminate the pupil weightings.
- In order to carry out its constitutional duty to provide suitable funding for the educational interests of the state: provide for “hold harmless” educational state aid based on the amount of the state aid (excluding bond and interest and capital outlay state aid) each district received in the base school year; and equalize to the 81st percentile those levies which exceed the levies (excluding bond and interest and capital outlay levies) in the base school year.
- Increase accountability for funding provided for at-risk pupils and bilingual pupils and vocational education programs by establishing state-funded grant programs, under which school districts would submit application to the State Board of Education (SBOE) for such funds. Districts would have to provide approved programs to initially qualify for funding; renewal of funding would require districts to show improvement by those students in the programs. In the case of vocational education (career and technical education) funding, districts would have to demonstrate how the cost of the vocational education program exceeds the cost of general education.
- In the first year of implementation, districts would maintain base year funding (the actual dollar amount received as general state aid, supplemental general state aid, special education state aid, and professional development state aid in the school year prior to implementation of the new formula). There would be no increase in the cost to the state during the first year of implementation.
- Funding at the district level would increase through the increase in the actual number of mills levied by the district and also through increases in the assessed valuation of the district.
- The new law would recognize that some school districts want to provide more funding than other districts and would eliminate budget limitations to allow school districts to do so.
- Many of the existing school district accounting funds would be eliminated to provide flexibility.
- The procedure under which school districts transfer to the state the proceeds of a local tax to fund the cost of living, ancillary facilities, and declining enrollment pupil weightings would no longer be needed. The money would remain at the

school district level and the current method of authorizing the levy would be unchanged.

- Special education state aid would be distributed on a census basis using the following formula:
 - The SBOE would determine the total amount of special education state aid paid in the base school year;
 - Then divide the amount determined by the number of exceptional children in the state in the base school year; and
 - Multiply that quotient by the number of exceptional children in a district in the current school year. The product is the amount of special education state aid the district is entitled to receive in the current school year.

Alternative Concept 2

This proposal maintains most of the provisions of the current formula with the following exceptions:

- Freeze the Base State Aid Per Pupil (BSAPP) at \$4,012; maintain most of the pupil weightings; and determine enrollment of school districts each year using the pupil weightings; and
- Eliminate the current cap on the Local Option Budget (LOB) (31 percent of state financial aid of the district); school districts would be authorized to levy a tax in the amount they deem necessary to provide moneys in addition to the money provided by the state to pay the cost of educating the students in the district; and supplemental general state aid would be provided by equalizing tax levies in the same manner as current law (81.2 percentile).

Under either of the above proposals, the following concepts also should be considered:

- If school districts do not provide funding which allows pupils in the district to meet the SBOE and legislative standards, or which does not provide funding to meet Adequate Yearly Progress (AYP) and accreditation standards, and that failure continues for three consecutive years, the SBOE would have the authority to disorganize the district and attach the territory of the disorganized district to another district or districts.
- Eliminate provisions which have been enacted to “inflate” the general fund budget in order to increase the LOB.
- In order to avoid an unlawful delegation of legislative authority, establish, by statute, clear guidelines for what constitutes a suitable education and suitable finance of the educational interests of the state. Those guidelines would include, but not be limited to, requiring schools to provide courses that allow students to meet the qualified admission requirements; requiring schools to provide courses that allow students to meet high school graduation requirements; and common core curriculum standards.

- Mandate all school districts to provide a suitable education, but authorize districts to raise tax levies to enhance the suitable education.
- Give the Legislature more control of the total cost of funding education by requiring school districts to have a local investment in education.
- Require schools which are not meeting AYP and other standards to use the best practices of schools which are succeeding in meeting, or exceeding the standards.
- Eliminate unnecessary school district funds.

Committee discussion followed the presentation.

Review of Recent Legislative Post Audit Performance Audits

Scott Frank, Interim Post Auditor, Legislative Division of Post Audit, presented a summary of school finance findings from school district performance audits from the past five years, 2006 to present. The chart ([Attachment 3](#)) included a summary of the audit findings, Post Audit's recommendations, and legislative actions on the following items:

- At-Risk funding;
- Bilingual funding;
- Vocational education funding;
- Transportation funding;
- Special education funding; and
- Miscellaneous funding issues, including:
 - Virtual schools;
 - Second count date for military students;
 - Consolidation incentives; and
 - Contracting for grades between districts.

A report on uniform school district accounting issues also was presented ([Attachment 4](#)). A discussion of whether the state should require uniform *recording* or uniform *reporting* of expenditures was held. Mr. Frank stated that *recording* refers to how districts record the individual transactions in accounting ledgers; *reporting* refers to the type of information extracted from accounting systems and reported to the state. A 2007 audit surveyed 20 states similar to Kansas in terms of number of school districts, to review accounting systems used in these states. Results revealed all 20 states had uniform systems for how school districts *report* their expenditures to the state; but only 14 of the 20 states also required school districts to *record* their transactions uniformly, Kansas not being among those states.

Proposed School Finance Plan

Senator Steve Abrams appeared before the Committee in support of the Relevant Efficient Academic Learning (REAL) Education Act (Attachment 5). The objectives of the proposal included:

- Create greater opportunities for success for students in graduation and careers with relevance;
- Encourage the concept of Career and Tech Ed (CTE) for all students, no matter whether as a brain surgeon, welder, or teacher;
- Create opportunities to maximize the students' potential;
- Develop a system that will assist students, parents, and educators, as they move forward in making the best decisions for the student; and
- Create opportunities for economic development.

A question-and-answer session followed the presentation. Following a question from Senator Vratil, Senator Abrams stated his intention to introduce two bills in the 2011 Legislative Session. These would include a proposed new comprehensive and in-depth school finance plan, as well as the REAL Education Act.

Discussion of Other Issues

Representative Colloton presented a handout from the National Conference of State Legislators (NCSL) Legislative Summit held in July. A report regarding school finance and funding was highlighted (Attachment 6).

Senator Hensley presented a handout prepared by the Kansas Legislative Research Department (KLRD) regarding a ten-year review of legislative actions involving school finance (Attachment 7).

Representative Aurand reviewed the charge by the Legislative Coordinating Council to the 2010 Special Committee on Education to review various proposals considered in the 2010 Session on education policy and school finance to explore proposals to simplify and streamline school finance and improve the current funding formula. The charge included review of the following:

- Studying Legislative Division of Post Audit's school efficiency recommendations;
- Extension of school district audits;
- Various formula revisions;
- Uniform system of accounts;
- Performance-based compensation;
- Administrative reorganization;
- Local options;
- District coordination of information technology systems;
- Disparity among districts of unencumbered funds;
- Flexibility of unencumbered funds;
- Tenure reform; and
- Ten-year cost projection on statewide K-12 percentage of state funds for classroom and instruction expenditures.

Chairperson Aurand requested suggestions from Committee members. Items suggested were:

- A report on the \$9.0 million grant received by the State Department of Education related to the student data system;
- Finding ways to reach out to the schools to work together without having the courts involved;
- Developing a ten-year cost projection of state funds for education;
- Reviewing alternative school finance plans;
- Reviewing Race to the Top; and
- Identifying a number of school finance provisions, such as high-density at-risk weighting and low enrollment weighting, both being received by about 30 school districts, that need review.

It was agreed each member would offer at least one suggestion to include solutions or alternatives.

The meeting was adjourned at 3:40 p.m. The next meeting will be held November 16 and 17, 2010.

Prepared by Dorothy Gerhardt
Edited by Sharon Wenger

Approved by Committee on:

November 16, 2010

(Date)