

Approved: January 27, 2010
Date

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:30 p.m. on January 25, 2010, in Room 152-S of the Capitol.

All members were present except:

Senator Tim Owens- excused

Committee staff present:

Martha Dorsey, Kansas Legislative Research Department
Sharon Wenger, Kansas Legislative Research Department
Dorothy Gerhardt, Committee Assistant

Conferees appearing before the Committee:

Dave Trabert, President, Kansas Policy Institute
Mark Tallman, Assistant Executive Director/Advocacy, Kansas Association of School Boards
Dale Dennis, Deputy Commissioner of Education, Kansas State Department of Education

Others attending:

See attached list.

Introduction of Legislation

Senator Vratil moved to introduce legislation raising the cap on campaign contributions for State Board of Education candidates (SB 43). The motion was seconded by Senator Abrams. Motion carried on a voice vote.



Kansas Policy Institute

Dave Trabert, President, Kansas Policy Institute (Attachment 1), presented a report to the Committee on research conducted by the Policy Institute regarding available opportunities to reduce spending on schools while achieving the same or better outcomes. He pointed out that the purpose of their research was to find ways to achieve these outcomes at lower spending levels to avoid unnecessary tax increases and unnecessary reductions in other essential services.

Kansas Association of School Boards

Mark Tallman, Assistant Executive Director/Advocacy, Kansas Association of School Boards (Attachment 2), presented a report entitled "Student Achievement, School Funding and the Future of Kansas". The report attached is a review of the importance of public education in the state, increases in educational funding and the reasons for the increases, student achievements, and a comparison to other states.

Following each of the presentations, a question and answer session was held with the Committee members.

The next meeting is scheduled for January 26, 2010.

The meeting was adjourned at 02:30 p.m.

SENATE EDUCATION COMMITTEE GUEST LIST

DATE: January 25, 2010

NAME	REPRESENTING
Mark Tallman	KASB
Dave Trabant	Kansas Policy Institute
Bill Brady	SFTF
Mark Desetti	KNET
Kari Presley	Kearney & Associates Inc.
Ann Starnes	SBOE
Nodie Wellshar	USA/ILS
David R. Corbin	KDOR
Tracy Russell	SQE
Travis Lowe	Little Govt Relations
Chris Gjerstad	Federico Consulting
Diane Gjerstad	USD 259
Hershel Rose	Citizen
Linda Fund	KACCT
Kent Cornish	KAB
Brend Koops	Hein Law Firm
Walt Chappell	Ed Mngmt. Consultants
Ron Hein	Hein Law Firm, CHD
Levi Henry	Sandstone Group

Senate Education
1-25-10
Attachment 1

K-12 Spending and Unencumbered Cash Updates

1

Carryover Cash Reserves

- It's not just the existence of large balances that's noteworthy, it's also that they've been growing rapidly.
- Districts started the year with \$699 million, not counting capital projects and debt service (see K-12 unencumbered balances).
- Those balances increased 53% over the last 4 years, which means districts didn't spend all the money they received.

2

Carryover Cash Reserves

- Districts first said most of the money couldn't be used, but Dale Dennis agreed that schools can access the money by transferring less from the general fund.
- KSDE says total aid reduction this year is \$113 million, or only 16% of \$699 million total. Reserves jumped \$112 million just last year.
- Total aid per-pupil is down \$435. Only 11 districts had less than that in reserves. 220 districts had over \$1,000 per-pupil in reserves.

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Carryover Cash Reserves

- No independent analysis exists of the necessary ending balance in each fund. Some carryover is needed but the right amounts can't be whatever happens to be there.
- Cash flow is a valid issue and needs to be part of the independent analysis.
- Delays in state payments exacerbate the issue, although it's possible that delays were partially due to the fact that most districts have adequate cash on hand.

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1-2

Carryover Cash Reserves

- June 30, 2009 CAFR: "As a cash flow management policy, the State seeks to avoid borrowing from its own idle funds to meet expenditure obligations of the State General Fund."
- State (still) has considerable cash balances. SGF interest income was \$11.9 million through December. At today's low interest rates, there is a lot of cash somewhere.
- How much of the decisions to delay school aid payments were driven by choice versus necessity?

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K-12 Spending Can Be Reduced

- There's ample evidence that the same outcomes can be achieved at lower spending levels.
- July 2009 LPA study listed 80 recommendations to reduce costs and achieve same outcomes.
- Derby volunteered for the LPA efficiency audit; even though considered efficient compared to peers, it could still save \$1 million by changing scheduling system.

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K-12 Can Be Reduced

- 2006 LPA study is often cited as justification for higher spending...here's what it really said:

"...it's important to remember that these cost studies are intended to help the Legislature decide appropriate funding levels for K-12 public education. They aren't intended to dictate any specific funding level, and shouldn't be viewed that way.

Finally, ...we weren't directed to, nor did we try to, examine the most cost-effective way for Kansas school districts to be organized and operated. Those can be major studies in their own right."

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K-12 Can Be Reduced

- No independent study to establish necessary spending.
- Augenblick & Myers report hardly qualifies, even acknowledging the figures in their professional judgment approach largely "...reflect the assumptions that were used to calculate them...(and) could change more substantially if other people, informed by experience, research and expertise, thought the objectives identified to the panels could be met even if some components were modified or eliminated." (Volume II: Analysis of Montoy vs. State of Kansas, p. 28).

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K-12 Can Be Reduced

- A&M professional judgment approach merely reflected opinions of panel of education 'insiders'; 87% of panelists were employed by or retired from school organizations.
- A&M decided not to use efficiency in successful schools approach when their preliminary research found that 50 of the 85 districts they considered 'successful' would be excluded as inefficient spenders, saying that excluding them would preclude the possibility that higher spending is what allowed them to be successful (Vol. II, p. 29).

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Vol. 3: Analysis of K-12 Spending

- FY 2005-08: +\$1.15 billion / +27% (see Table 4).
- Largest non-instructional growth (millions):

Operations & Maint.	\$80.4	22%
Capital Outlay	\$73.5	37%
Debt Service	\$61.0	21%
Staff Support	\$55.7	36%
Student Support	\$46.5	24%
School Administration	\$44.3	20%
Food Service	\$35.5	19%
Central Services	\$31.1	35%

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Vol. 3: Analysis of K-12 Spending

- 55% of total budget goes to Instruction, about the same level as pre-Montoy. (Table 6).
- Per-Pupil spending FY 2008 ranged from \$9,017 to \$25,240 (Table 8).
- \$636 million potential savings if high-spenders had been at median cost-per-pupil of similar sized districts. (Table 9).

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Vol. 3: Analysis of K-12 Spending

- Data does not support schools' belief that higher spending causes higher achievement.
- Spending for districts that averaged over 80% achievement on state assessment tests varied by at least \$7,000 per pupil (Table 12).
- Districts with less than 1,000 students have the highest average cost-per-pupil, but 61 of them spent less than State average and averaged at least 80% on Reading (Appendix 'G').

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1-3

Vol. 3: Analysis of K-12 Spending

- 2006 LPA report often cited as the basis for 'higher spending = higher achievement' (page 15).
- LPA found a correlation *but not causation*. They said the educational research on that issue was mixed (page 15).
- 2008 KU study says "recent changes to school funding in Kansas reveal little evidence of improving student outcomes as measured by test scores." (page 15).

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Conclusions

- Tax increases are bad for any economy. We can avoid them by becoming more efficient.
- There's ample evidence that we can reduce spending and achieve the same outcomes by learning from the examples of more efficient districts.
- KPI is a big proponent of excellence in education and also of efficient use of taxpayer money. We believe (and the data supports) that these are both achievable.

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KANSAS
ASSOCIATION



OF
SCHOOL
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Testimony before the
Senate Committee on Education

by

Mark Tallman, Assistant Executive Director/Advocacy
Kansas Association of School Boards

January 25, 2010

Madam Chairman, Members of the Committee:

Thank you for the opportunity to offer some comments on educational issues. I want to begin with several items discussed by the Kansas Public Policy Institute. I will then review several attached documents, I have provided for your consideration.

Cash Balances

Total Budgeted District Expenditures, 2009-10: \$5,595.1 million

Total Cash Reserves, July 1: \$1,458.9 million

Restricted Funds:

Capital Outlay	\$451.7 million
Bond and Interest	\$344.3 million
Special Reserve	\$86.1 million
Textbooks	\$43.3 million
Supplemental General	\$42.2 million
Gifts and Grants	\$23.5 million
Special Liability	<u>\$8.7 million</u>

Total Unavailable: \$999.8 million

Remaining balances: \$459.2 million = 8.2% of budgeted expenditures

Average monthly expenditures: \$466.3 million (One-twelfth of total)

Senate Education
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Attachment 2

State General Statutory Ending Balance Requirement: 7.5%

Cash balances are maintained for the following reasons:

1. Legal requirements.
2. Building capital outlay reserves for major projects, earning interest without paying debt.
3. Providing "cash flow" for expenditures that occur before state aid arrives.
4. A cushion if state aid or other income is delayed or reduced.
5. Unexpected expenses (roof repair, bus replacement, etc.)

These decisions are made by local elected officials, accountable to the voters in their community.

School District Efficiencies

It has been suggested districts could save money by reducing spending to the "average" costs in various budget areas. However, school district budgets are essentially set by the state. Similar districts have similar budgets. Districts that are high spending in some areas compensate by being low spending in others. Suggesting districts can reduce spending to the "average" means they would have to give up the benefits of spending where they are "high," but must continue to live with the trade-offs where they are "low," as the following chart demonstrates.

	Instruction: Teachers	Leadership, Prof. Develop	Student Services	Total	Budget Based On Low Averages
District A	\$5,000	\$2,000	\$1,000	\$8,000	\$7,333
District B	\$4,000	\$1,000	\$3,000	\$8,000	\$6,666
District C	\$6,000	\$1,000	\$1,000	\$8,000	\$7,000
Average	\$5,000	\$1,333	\$1,667	\$8,000	\$7,000

Please remember the following: First, simply cutting costs is not the same as being more efficient. Efficiency means getting the same (or better) results at less cost. Second, school district spending should be valued for reasons other than test scores alone. Third, Kansas communities may have different values and priorities. That is why we elect local school boards, and why the authority of school boards is written into the Kansas Constitution.