

Approved:

*Barbara Lawrence*  
Date 1/17

## MINUTES OF THE SENATE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairperson Barbara Lawrence at 9:00 a.m. on January 16, 1997 in Room 123-S of the Capitol.

All members were present except: Senator Hensley

Committee staff present: Ben Barrett, Legislative Research Department  
Carolyn Rampey, Legislative Research Department  
Avis Swartzman, Revisor of Statutes  
Jackie Breymeyer, Committee Secretary

Conferees appearing before the committee: Trish Pfannenstiel, Legislative Post Audit

Others attending: See attached list

Chairperson Lawrence called the meeting to order and asked those who were present that were affiliated with education that were not present at the prior meeting to give their names. Those who responded were: Bob Van Crum, Blue Valley School District; Denny Apt, United School Administrators; and Marsha Stram, Concerned Women of America.

Chairperson Lawrence next introduced two new members of the State Board of Education, Mary Brown from Wichita and Scott Hill, Abilene. Ms. Brown and Mr. Hill rose and gave a few comments about themselves.

Chairperson Lawrence stated she had a bill that she would like to see introduced dealing with the compulsory age for school attendance. She would like to see it moved back from 18 to 16, and stated that a youth who no longer wants to attend school very often becomes a problem.

Senator Emert moved the introduction of the bill, with a second by Senator Langworthy.  
The motion carried.

The Chairperson welcomed Trish Pfannenstiel, Legislative Post Audit, who was present to give an overview of **SB 13**, which addresses lease-purchase agreements made by school districts to acquire land or buildings. This bill was drafted in response to the performance audit that identified two issues requiring attention by the Legislature.

The first issue Ms. Pfannenstiel addressed in her overview was the concern that school districts were using lease-purchase agreements to acquire land or buildings without involving the district's voters in the decision, particularly if the voters had turned down a related bond issue. The second issue dealt with State limits on the period of time covered by a school district's lease-purchase agreement. (Attachment 1)

After Ms. Pfannenstiel ended her overview one of the members commented that she assumed this would not be retroactive.

Ms. Pfannenstiel stated that she did not think this legislation would make a burden on those school districts with populations of over 300,000.

The concern was voiced that this legislation might limit the ability of local school districts to manage their own money.

Ms. Pfannenstiel commented that an in-depth audit was not done. It was only a 100 hour audit so the area of concentration was limited.

When asked where this bill came from, Senator Oleen responded that the Legislative Post Audit Committee had brought forth this bill.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON EDUCATION, Room 123-S Statehouse, at 9:00 a.m.  
on January 16, 1997.

Another comment was made that lease-purchase was used in some cases to get around the public vote.

A further comment was made that it is not as if the public had no say. School Boards are elected to make these type decisions.

After several further comments, Chairperson Lawrence asked what the committee's wishes were with respect to this bill. Several members responded that they would like to study the bill further. The Chairperson stated that discussion and final action on the bill would be next week.

The meeting was adjourned.

The next meeting is scheduled for January 21, 1997.

# SENATE EDUCATION COMMITTEE GUEST LIST

DATE: Jan. 16, 1997

NAME	REPRESENTING
Sub Hinton	Post Audit
Trish Pfannenstiel	"
Leet Hill	SBOE
Tim Potter	Nichita Eagle
Grant Denny	Sen. Goodwin's Office
Maryl Braun	STATE BOE <sup>DIST 8</sup> WICHITA
Jacque Oakes	SQE
Heuse Apt	USTA
Craig Grant	HNFA
Karen Duvary	<del>HNFA</del>
Meggan Griggs	KAAVTS
Murshah Strubbe	CWA
Pat Lehman	Olath School USD 233
Robin Lehman	Olath USD 233
Bob Vancrum	Blue Valley Schools USD 229
Mark Tallman	KASIS
Ken Bobb	Kays #489

**TESTIMONY BEFORE THE SENATE EDUCATION COMMITTEE**  
**SENATE BILL No. 13**  
**Legislative Division of Post Audit**  
**Trish Pfannenstiel, Senior Auditor**  
**January 16, 1997**

Senate Bill No. 13, introduced by the Legislative Post Audit Committee, addresses lease-purchase agreements made by school districts to acquire land or buildings. This bill requires a school district to publish its intent to enter into a lease-purchase agreement for land or buildings if the agreement is for more than \$100,000, and limits the length of those agreements to no more than 10 years.

The Legislative Post Audit Committee requested that this bill be drafted in response to the performance audit conducted by our office entitled, *Assessing Selected School Districts' Use of General Fund Moneys and Lease-Purchase Arrangements for Capital Improvement Projects*. That audit identified two issues requiring legislative attention.

The first issue dealt with a concern that school districts were using lease-purchase agreements to acquire land or buildings without involving the district's voters in that decision, particularly if the voters had turned down a related bond issue. In fact, we found five such cases. The 1996 Legislature had taken action to address this issue requiring public notice of a school district's intent to enter into a lease-purchase agreement with "annual payments which in the aggregate exceed \$100,000." This public notice would allow the public an opportunity to protest the lease-purchase agreement and force a vote on the issue.

Officials at the Department of Education told us they thought the intent of the legislation was to cover those agreements with total payments over the life of the agreement of more than \$100,000. However, representatives of one school district told us that the language could be interpreted to cover only those agreements with annual payments of more than \$100,000. For example, if a school district were considering a lease-purchase agreement for \$270,000 covering three years with annual payments of \$90,000, the Department of Education's interpretation would require public notice, while the other interpretation of the same language would not because the payments wouldn't exceed \$100,000 in any one year. In proposing a clarification, the Legislative Post Audit Committee directed that this bill be drafted to cover agreements with total payments of more than \$100,000 over the term of the agreement.

*Senate Education*  
*1-16-97*  
*Attachment 1*

The second issue dealt with State limits on the period of time covered by a school district's lease-purchase agreement. We found that State limits weren't always consistent with each other. Currently, one State law limits the agreements to 10 years for school districts in counties with populations of 300,000 or less, and 20 years in counties with populations of more than 300,000. Another State law allows an agreement of up to 50 years if the agreement is with a public building commission. Given the inconsistency, school districts considering a lease-purchase agreement with a public building commission can't be certain which law applies. In proposing a consistent treatment, the Legislative Post Audit Committee directed that this bill be drafted to limit all lease-purchase agreements by school districts to a period not to exceed 10 years. The attachment from our report shows the lease-purchase agreements that school districts had during fiscal year 1996.

**Lease-Purchase Agreements Using General Fund Moneys Only**

<u>District Number</u>	<u>Name</u>	<u>Property Being Purchased</u>	<u>Agreement Terms In Years</u>	<u>Total Payment FY 96</u>
205	Bluestem	3 mobile classrooms	3	\$ 34,149
240	Twin Valley	building addition—classrooms	10	67,485
247	Cherokee	building addition—classrooms and gym	9	150,000
327	Ellsworth	auditorium	20	130,217
329	Mill Creek Valley	mobile classrooms	4	26,422
336	Holton	building addition—classrooms	8	86,424
341	Oskaloosa	middle school	5	256,136
366	Yates Center	rebuilt 1/3 of the high school	7	162,307
366	Yates Center	high school gym	10	97,433
394	Rose Hill	metal building—offices, 2 gyms, cafeteria	8	104,945
406	Wathena	building addition—classrooms, library, & offices	10	127,486
408	Marion	reconditioned historical school building	3	36,244
408	Marion	metal building—offices, special-ed coop	5	45,500
429	Troy	building addition—vo-tech, industrial arts	3	109,174
451	B and B	building addition—gym and offices	7	44,339
455	Hillcrest	mobile classrooms	4	<u>12,579</u>
			<b>Total</b>	<b>\$ 1,490,840</b>

**Lease-Purchase Agreements Using Supplemental General Fund Moneys Only**

<u>District Number</u>	<u>Name</u>	<u>Property Being Purchased</u>	<u>Agreement Terms In Years</u>	<u>Total Payment FY 96</u>
243	Lebo-Waverly	building additions to two elementary schools	4	\$ 341,455
329	Mill Creek Valley	building addition—classrooms	4	153,839
337	Royal Valley	building addition—library and classrooms	4	129,809
487	Herington	middle school	4	<u>215,000</u>
			<b>Total</b>	<b>\$ 840,103</b>

### Lease-Purchase Agreements Using Capital Outlay Fund Moneys Only

<u>Number</u>	<u>District Name</u>	<u>Property Being Purchased</u>	<u>Agreement Terms In Years</u>	<u>Total Payment FY 96</u>
221	North Central	mobile building—offices, conference room	3	29,695
333	Concordia	land for elementary school	5	14,365
337	Royal Valley	building addition—gym	10	43,716
342	McLouth	addition to library and remodel kitchen	3	150,105
358	Oxford	2 mobile classrooms	3	27,929
402	Augusta	land for new school	8	20,312
454	Burlingame	building addition—library & handicap restrooms	8	56,369
457	Garden City	alternative high school building	5	35,780
463	Udall	mobile classroom	5	23,959
465	Winfield	2 mobile classrooms	3	36,490
487	Herington	remodel downtown building—offices	10	4,469
490	El Dorado	mobile classrooms	1	<u>6,000</u>
			<b>Total</b>	<b>\$ 449,189</b>

### Lease-Purchase Agreements Using Combination or Other Fund Moneys

<u>Number</u>	<u>District Name</u>	<u>Property Being Purchased</u>	<u>Agreement Terms In Years</u>	<u>Total Payment FY 96</u>
209 (a)	Moscow	middle school including district offices	10	\$ 186,681
235 (b)	Uniontown	mobile classrooms	3	11,233
287 (c)	West Franklin	building additions to 4 schools—classrooms	4	478,447
341 (d)	Oskaloosa	building addition to elementary & high school	3	641,127
368 (e)	Paola	building in city's industrial park—classrooms	10	30,394
500 (f)	Kansas City	special education center	10	<u>242,451</u>
			<b>Total</b>	<b>\$ 1,590,333</b>

- (a) Capital Outlay Fund—75% and General Fund—25%
- (b) Title One Fund
- (c) Supplemental General Fund—95% and General Fund—5%
- (d) Supplemental General Fund—75% and General Fund—25%
- (e) Adult Education Fund
- (f) Special Education Fund