

Approved: B. Lawrence
Date

MINUTES OF THE SENATE COMMITTEE ON EDUCATION

The meeting was called to order by Chairperson Barbara Lawrence at 9:00 a.m. on February 24, 1997 in Room 123-S of the Capitol.

All members were present except:

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: Mary Devon, Superintendent USD 475, Geary County
Kay Baker, Superintendent USD 373 Newton
Dr. Gary Norris, Superintendent, Salina Schools

Others attending: See attached list

Chairperson Lawrence called the meeting to order and asked for a motion on the minutes of February 11. Senator Langworthy moved approval of the minutes. Senator Downey gave a second to the motion. The motion carried.

Continuation of SB 182--determination of certain weightings

The Chairperson called on Senator Oleen who stated there were several people present who would not speak, but whose testimony, along with Ms. Devon's, is contained in several handouts, along with "A Resolution Supporting Federal Impact Aid Distribution For The Local School Districts Affected By Federal Installations", and an Attachment entitled, "Special Committee On School Finance" (Attachment 1)

Ms. Devon, who was speaking on behalf of all districts with representatives attending the meeting, stated that 50% of the students in the Geary County USD have a parent on active duty in the U.S. Army. She is here to address the problem of the way the Kansas school finance formula deals with federal impact aid. In USD 475 40% of the students live on federally owned property that is not on the tax roles. The military families do not pay sales tax as they purchase groceries at the commissary and other goods at the post exchange. For purposes of calculating impact aid eligibility, USD is rated as 77% impacted. The Geary County USD has averaged over \$4 million in impact aid annually in recent years. Across Kansas, eligible districts annually bring to this state \$8 to \$10 million in impact aid for Kansas students.

Ms. Devon said the problem created by the Kansas school finance formula is that impact aid is treated as a 100% deduction from state aid, leaving no allowance for the special situation which makes a district eligible for federal assistance in the first place. Only three states deduct impact aid from state aid; Kansas is the only one that deducts 100%. Before the change to the present school finance formula, USD 475 retained 80% or more of the impact aid received. The average USD 475 expenditure per pupil is much lower than the comparable amount for Kansas and for the U.S. Even if USD 475 retained 100% of its impact aid, the district average would still be below the state average. This makes it difficult to support student needs in a district with an overall low socio-economic level and high mobility. In USD 475, 57% of the students qualify for free or reduced lunch (37% for free lunch). Turnover within a year in USD 475 is typically between 30 and 40%.

Ms. Devon commented that Ft. Riley brought over \$550 billion into the Kansas economy last year. Keeping the schools that serve its families strong is a vital part of keeping a strong Ft. Riley, which is in everybody's best interest.

The comment was made that only a few states have been allowed to deduct federal impact aid so there must be something unique about the way Kansas handles its distribution of school aid that allows the state to do that.

The response by Ms. Devon was that she thinks the piece that complicates things is that the only way a district can exceed that basic minimum budget is through voter participation.

CONTINUATION SHEET

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

One of the Committee commented that Kansas would not have these dollars if it did not have the military installations. This is money that is supposed to come because of the large amounts of property that has been taken off the tax rolls. The fiscal note, which would be based on projections for the current year is \$1.4 million.

Chairperson Lawrence stated that the vote on the bill will be held for a time. She asked Senator Downey for her proposed legislation that would extend the correlation weighting to renew it upon the completion of the governor's proposal which would result in the enrollment level: 1998-99 - roll down to 1775; 1999-2000 - 1750; 2000-2001 - 1725; 2001 - 2002 - 1700. The cost is \$10 million and is exactly the same program being deal with currently.

Senator Downey said this amendment comes from **SB 361** - low enrollment and correlation weightings, and introduced Kay Baker, Superintendent USD 373 Newton, and Gary Norris, Superintendent USD 305 Salina.

Ms. Baker stated that 130 school districts have local option budgets that are set to expire at the end of the next school year. (Attachment 2) The seven largest enrollment districts in the state account for over 66% of the total LOB expenditures statewide with an average LOB authorization of 24%. The mid-sized districts account for only 18% of the statewide LOB expenditures. Those with enrollments under 1,850 students account for only 17% of the total statewide expenditure.

Ms. Baker stated that if voters start refusing to renew the LOBs, schools will have to start eliminating classes and paring back basic programs. Another fact is that funding for public schools has not kept up with inflation. Potential crashes loom in districts with enrollments under 1,850 students as well as those districts in the mid-sized and large enrollment categories. She mentioned the struggle with the relative educational costs between small and large districts. Salina's budget per pupil (weighted FTE) is \$3767 - the 2nd lowest in the state. The average in the state is about \$4800 per pupil. The highest budget per pupil district is \$10,400. The current state funding formula is not fair or equitable to Salina Schools. The enrollment level of 1,900 set by the 1992 legislature must be adjusted to a level that meets the economy of scale test - to a level that is researched based and not based solely by political necessity. Additional moneys and movement in correlation weighting is a must to address the needs of over two thirds of the students in Kansas.

Ms. Baker was asked, that had no LOBs, how many had tried and failed? She responded, Derby, Salina, and Leavenworth. Parents really care about education, but the economy of what is happening in the communities does not allow them to vote because of the financial aspect.

Ms. Baker was asked how we can justify going four years in one particular area and not looking at all the issues.

She responded she would like to see all the issues addressed - the LOBs; also some sort of addition to the base, whether it is added to the base or a flat amount that is added across the state per pupil.

Dr. Norris, stated he was present to try to visually point out some of the things Ms. Baker was talking about today. The State of Kansas is fairly evenly broken up into three enrollment classifications. He had a chart that had plotted all the school districts in the state by dollars per pupil that they received and a line was drawn at \$4500 which is KASB's position, as well as Schools for Fair Funding, that to receive an equitable funding in Kansas, every child needs to have \$4500 dollars accompanying that student. There are approximately 52 districts in the middle enrollment category and a black trend line is drawn, it is clearly seen that these groups of schools are concerned with are the lowest funded in the state.

Dr. Norris stated that some of the devastating effects they have had over the last few years has been annual budget reductions. Most of the districts have experienced dramatic increases in class size.

Dr. Norris had a chart depicting the amount of dollars that go into an average classroom of 22 students. Over a 12-year period, using Derby as an example, \$85,000 for 22 pupils versus \$135,000 for 22 pupils in a school district that has low enrollment weighting, over a 12 year period, the children in that class of 22 have access to approximately \$500,000 to \$600,000 additional resources. It is not hard to see as one visits other school districts technology abounds in our smaller school districts and new facilities exist paid for by supplemental general funds and LOBs. It is not hard to see why education in Kansas is not equitable now. There is money available in the state general fund; \$149 million is a conservative estimate. A final comment by Dr. Norris was to stress that he does not want to see the formula adjusted to the detriment of any of the smaller schools in Kansas. Many of them are starting to hurt now.

Dr. Norris was asked, in his opinion, what factors were involved in voters rejecting the LOB. He replied that he thought it was more of an emotional issue. He was not there at the time, but he has talked with several individuals. The millage in '91 or '92 was 81 mills. It's now at 42 mills. There was anti-tax sentiment and a campaign of misinformation. There is a vo-tech school, special ed coop and capital outlay budgets; the opponents took all of the figures from the entire budget of approximately \$50 million and general fund \$27 million

CONTINUATION SHEET

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

and divided the \$50 million by K-12 pupils (7400) and said we were misinforming them on the budget. He is not sure whether anything could get passed today with 75% of the people not having children in school. Competing with all that was occurring there was also a half-cent sales tax to build buildings at KSU Salina and a half-cent sales tax to build the Saline County jail.

Dr. Norris said they tried the LOB twice and failed twice.

The Chairperson stated that this bill will also be held. **SB 213** - the one-year extension of the LOB and **SB 65** - educational services for persons over compulsory school age.

The meeting was adjourned.

The next meeting is scheduled for February 25, 1997.

SENATE EDUCATION COMMITTEE GUEST LIST

DATE: February 24, 1997

NAME	REPRESENTING
Scott Hill	S B O E
Roger McKinley	District 332
John Rundle	USD # 337
Mark Edwards	USD # 475
Barbara Craft	USD 475
Julian Russell	USD 475
Melanie Reeder	USD 475
Mary Devlin	USD 475
Wenise Apt	USA USA
Kathie Spake	DOB
Patrick Shurley	K&A/K&C
Tom Bruno	Allen & Assoc.
GLEN HUGHES	DERBY USD # 260
GERALD HENDERSON	US # of KS
Kay Baker	USD # 373 + Schools for his Fundy
Jill Norris	West
Gary W. Norris	Supt. USD # 305 Salina
Hershel Baer	cit.
Sheila Fishman	KACC

SENATE EDUCATION COMMITTEE GUEST LIST

DATE: 2/24/97

NAME	REPRESENTING
Ashley Shepard	Overland Park Chamber
Dorothy Locke-Jelleu	LOWV
Don Roper	USD 321
Duan C Burnett	USD 301 #
Mark Roeser	USD 475
Diane Gjerstad	Wichita Public Schools

20 West 8th Street
P.O. Box 370

GEARY COUNTY UNIFIED SCHOOLS
DISTRICT NO. 475
JUNCTION CITY, KANSAS 66441-0370

Phone: (913) 238-1863
FAX: (913) 238-1863

February 24, 1997

Senator Barbara Lawrence, Chair
Senate Education Committee
Statehouse
Topeka, KS 66612

Dear Members of the Committee:

My name is Mary Devin; I am Superintendent of the Geary County Unified School District. With me today are Board of Education President Mark Roeser and members Barbara Craft, Lillian Russell and Mark Edwards. Also with us is LTC Melanie Reeder, who serves as the Ft. Riley Liaison to the USD 475 Board, a position unique among Kansas School Boards. Other districts with representatives here are Derby, Royal Valley, Leavenworth, and Manhattan. We are here in support of S.B. 171. You have written comments from each district. We also provide a copy of a Resolution of support from the Junction City Area Chamber of Commerce.

You know that over 50% of the students in the Geary County Unified School District have a parent on active duty in the U.S. Army. USD 475 is the most heavily impacted Kansas district blending a large resident military population and a medium-size Kansas community into a unified school district.

We appreciate your help in dealing with significant downsizing at Ft. Riley over the past two years. Your support and the cooperation and understanding of our staff enabled us to minimize disruptions for students during a period of major budget adjustment in our district. Today, we address a different problem--the way the Kansas school finance formula deals with federal impact aid.

Impact aid was established by Congress in 1950 to reimburse public school districts for the loss of traditional revenue sources such as property, sales and income taxes due to a federal presence in the district. In USD 475 40% of our students live on federally owned property that is not on the tax roles. Our military families do not pay sales tax as they purchase groceries at the commissary and other goods at the post exchange.

The purpose of impact aid is make up for the loss of tax revenue by assisting with the basic educational needs of students, recognizing that districts impacted by a federal presence have special needs. Funds are allocated and distributed by Congress each year based on the number of students served and the degree of impact the federal presence has on the local conditions. For purposes of calculating impact aid eligibility, USD 475 is rated as 77% impacted.

Senate Education
2-24-97



An Equal Opportunity Employer

Attachment 1

Only school districts are eligible to apply for benefits under the impact aid program. To receive these funds, USD 475 must document the employment status of parents by surveying its entire student population, must complete and file a required application and must keep records which are periodically audited by representatives of the U.S. Dept. of Education. Impact aid payments are issued directly to the school district and become part of the district's local effort. The Geary County Unified School District has averaged over \$4 million in impact aid annually in recent years. Across Kansas, eligible districts annually bring to our state \$8-\$10 million in impact aid for Kansas students.

The problem created by the Kansas school finance formula is that impact aid is treated as a 100% deduction from state aid, leaving no allowance for the special situation which makes a district eligible for federal assistance in the first place. Only three states deduct impact aid from state aid; Kansas is the only one which deducts 100%. Before the change to the present school finance formula, USD 475 retained 80% or more of the impact aid received.

Under present practice, the USD 475 average expenditure per pupil is much lower than the comparable amount for Kansas and for the U.S. Even if USD 475 retained 100% of its impact aid, the district average would be still be below the state average. Comparative average expenditures per pupil are shown below.

USD 475 av. ex/p=\$3,939
KANSAS av. ex/p=\$4,737 / U.S. av. ex/p=\$5,108

Such a low average expenditure per student makes it difficult to support student needs in a district with an overall low socio-economic level and high mobility. In USD 475, 57% of our students qualify for free or reduced lunch (37% for free lunch). Percentages for military families parallel those for the overall district. Students enter and depart from the district frequently; the typical stay for a military family is two years for high ranking officers and three years for others. By middle school, a student may easily have attended school in three or more states before coming to USD 475. Transition support for students is a high priority.

Families coming to Ft. Riley expect to find services comparable to those at other assignments. However, the Kansas school finance structure allows districts to exceed the minimum support for education only by seeking community support for a supplemental general fund budget. We have tried that unsuccessfully. In USD 475 over 50% of our families may retain their home of record out of state, as provided under the federal Soldiers and Sailors Relief Act. Families from Texas, for example claim the state of Texas as their residence and are members of the electorate in that location.

With few exceptions, military families have no incentive to register to vote in Kansas, especially the 40% of our patrons who live and shop on

federal property. They believe the federal contribution of impact aid offsets their need to do so. Under the state structure which gives local voters the final voice, USD 475 does not share an equal opportunity to expand beyond the minimum expenditure per student.

On-going student conditions produced by the absence of consideration of the special needs of the heavily impacted district should be noted. Turnover within a year in USD 475 is typically between 30 and 40%. Class size is a major problem because flexibility in staffing is essential in order to accommodate shifts within enrollment totals. The district must also be prepared to accommodate increased enrollment after September 20 count day. Military moves are not synchronized with the school year. A family with a 1st and 3rd grader moves away and is replaced by a family with a 2nd and 4th grader. To keep class size reasonable, there must be room for shifts within classes throughout the year. Tight budgets leave no room for such flexibility in staffing.

Military families face frequent and at times prolonged separations, often in situations which are less than stable. Right now Ft. Riley has troops on special assignment in Germany, Bosnia, Haiti, Honduras and Southwest Asia. Over the next six weeks, 950 more Ft. Riley troops will deploy to Bosnia for six months. Families typically remain at Ft. Riley during these short tours, and separation adds significant stress for family members. Often, it results in changes in student behavior and increases the need for extra support from the school for the student and the family.

The turnover rate within the school year requires more staff for entry and exit procedures and for diagnosis and placement services, too. Parent orientation is on-going; parent groups are more like a parade, than an audience. Resources for these services take away from those available for instructional programs and the district falls farther and farther behind the state and national average expenditure level because of the demographics of its electorate.

We believe that S.B. 171 presents a fair solution to the impact aid situation. Other districts receiving these funds have problems which differ in detail, but are generally the same--the present school finance formula does not take into consideration the special needs of the districts which bring that revenue into the state. By retaining 25% of the impact aid it receives, USD 475 will be better able to provide staffing flexibility, to respond to socio-economic conditions and to address the special needs of the population it serves, highly mobile military families. Ft. Riley brought over \$550 billion into the Kansas economy last year. Keeping the schools that serve its families strong is a vital part of keeping a strong Ft. Riley, which is in everybody's best interest.

Again, we appreciate the opportunity to share these comments and we thank you for giving them consideration.

Royal Valley USD #337

OFFICE OF SUPERINTENDENT

128 E. Main
Mayetta, Kansas 66509
(913) 966-2246
FAX (913) 966-2490

February 20, 1997

MEMO

To: Chairperson Barbara Lawrence and Members of the Senate Education Committee

Fr: Superintendent Marceta Reilly

RE: S.B. 171

Here representing Royal Valley USD #337 is Board Member Roger McKinley and Assistant Superintendent John Rundle.

Royal Valley USD #337 is situated just north of Topeka in southern Jackson County and serves the communities of Hoyt, Mayetta, and the Prairie Band Potawatomi Reservation.

I urge your committee to allow Impact Aid districts to keep a portion of the money they bring into the State rather than having it all deducted from their State aid revenue. Because of our efforts, special funding flows into Kansas. We should be able to keep at least a portion of these funds for our efforts. Collecting the information for the annual Impact Aid application is very time consuming. Because Indian held Trust Land, which qualifies for Impact Aid, is like a patchwork quilt on the reservation, our district must identify the legal description of each property we are claiming and verify that it is Trust Land or land not on the county tax rolls. It takes each of our three schools a minimum of 20 hours of work to collect needed signatures and it takes our office a minimum of 40 hours of work to compile and verify the information.

We get the money from the federal government because they recognize that school districts educating Indian children face higher than average costs due to a need to accommodate the unique cultural differences of Indian children. There are culture-based variations in ways of knowing. These differences point to a need to train staff in instructional approaches that are "culturally responsive."

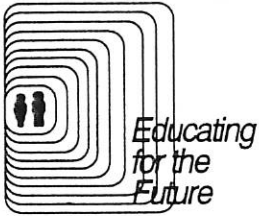
Finally, there are three special factors which contribute to our increased costs:

- higher transportation expenditures (Our district puts 800 miles per week on one of our reservation buses);
- lower tax base from which to provide services because of land taken off the tax rolls (One mill in our district raises only \$14,000);
- greater need for basic services due to a high incidence of poverty (87% of our Impact Aid children qualify for free or reduced lunch.)

Please give serious consideration to S.B. 171 which allows Impact Aid districts to keep 25% of the money they bring into the State.

Senate Education
2-24-97
Attachment 1a

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Marceta A. Reilly, PhD
Superintendent

John A. Rundle
Asst. Superintendent

Nancy DeKeyser
Business Manager

Laura Mument
Treasurer

Board of Education:

Bud Metzenthin, President

Matthew Burns, Vice-Pres.

Rusty Douglas

Starlyn Hodison

Doug Johnson

Roger McKinley

Roy Ogden

SB 171

Information Provided to the Senate Education Committee
by J. Alan Schuler, Deputy Superintendent
Unified School District #453, Leavenworth
February 24, 1997

Mister Chairman and Members of the Committee:

On behalf of the Leavenworth School District, I would like to provide information in support of Senate Bill 171.

It is my understanding that this bill would allow school districts receiving impact aid from the federal government to retain 25% of the amount received. Presently the impact aid received is a benefit to the state of Kansas as a whole and not the individual school districts that are impacted by the federal installations and federal employees. I understand the state's position with regards to the state school finance formula and the treatment of impact aid as local effort and therefore the reduction of state aid by the amount of impact aid received. I would like to point out some of the impact on the school districts that are receiving this aid.

First of all, a considerable amount of time and effort goes into collecting the data, verifying its accuracy, and being accountable to the federal government for the accuracy of the application filed. This effort is put forth by the impacted districts to the benefit of the state as a whole with no way for the individual district to recoup any of the cost involved.

Secondly, the Ft. Leavenworth military installation is responsible for the majority of the federal impact aid generated in our district. Ft. Leavenworth is the host of U.S. Army Command and General Staff College along with various other military endeavors including the U.S. Disciplinary Barracks. Most of the officers who attend the command and general staff college are in Leavenworth for one year only. Other officers and enlisted personnel are usually stationed in Leavenworth for no more than three years. This has great impact on the turnover of students attending school in our district. Statistics relating to student turnover in USD 453 show that only 45% of students attending first grade in Leavenworth this year will still be attending in Leavenworth in five years. The problems that administrators, teachers and other staff deal with year to year to overcome the effects of the excessively high turnover resulting from the federal installations are not faced by most school districts in the State of Kansas.

Finally, the Command and General Staff College each year invites officers from foreign countries to attend the college. During the 1996-97 school year, 79 students from foreign countries are enrolled in our district. Each of them will be in Leavenworth for only one year. The majority of these students have very limited use of the English language. There is no help provided by the federal government or Fort Leavenworth to assist these students. The responsibility of educating these students for one year falls on the Leavenworth School District.

The passage of this bill will allow the school districts that are impacted by federal facilities to recover a portion of the extra cost associated with accounting for and educating the federally connected students. We encourage your support of this bill.

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Senate Education
2-24-97
Attachment 1b



TESTIMONY IN SUPPORT OF SENATE BILL NO. 171

February 24, 1997

Dear Members of the Senate Education Committee:

Manhattan USD 383 supports the change proposed to the definition of "local effort" to include only 75% of the federal impact aid of a district. The ability of a school district to retain 25% of federal impact aid is a welcome recognition that those students represent additional cost to each district.

Our dependency on impact aid is not as great as some of the school districts testifying today. Manhattan USD 383 does experience additional costs associated with the constant turnover of students, placement processes and transition into programs. These students often require special services because of interruptions in their education but do not qualify for any weighting for at-risk funding.

Only 11% of our students are dependents of active military. Recent changes in the provisions of public law 874 and downsizing at Ft. Riley have decreased our actual impact aid amount from \$200,000 in FY9596 to \$28,534 in FY9697. The benefit of this change for Manhattan USD 383 would be less than \$7,200 in additional revenue.

We support S.B. 171 which changes federal impact aid from a 100% deduct from state aid to a 75% deduct. It is appropriate that Kansas joins the majority of states in recognizing that serving students associated with military bases does cost more than the base state aid per pupil.

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Senate Education
2-24-97
Attachment 1C



Derby
Unified School District 260

February 21, 1997

Senator Barbara Lawrence, Chair
Senate Education Committee
Statehouse
Topeka, KS 66612

Dear Senator Lawrence and Committee Members,

As I'm sure you are aware, impact aid was passed into law by Congress in 1950 to provide for the education of military dependents. While a large federal installation may add considerably to the economic growth of a community it also has a tremendous impact by removing a great deal of property and activity from the local tax rolls which help support public education within the community.

The Derby School District serves approximately 6,800 students, 737 of which are federally connected children. The number of Derby students who reside on federal property with a parent is 402. The Derby School district received \$376,000.00 impact aid for the 1995-1996 school year, which is part of the districts' local effort. This amount is deducted from state aid under the present financial structure in Kansas. We believe this is contrary to the intent of PL874 and that at least some proportion of the impact aid (in excess of our legal max general fund budget) should remain within our district to help meet the needs of these students.

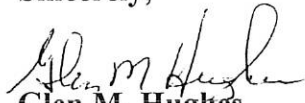
In addition, Derby School District suffers losses in Capital Outlay and Bond and Interest funds as a result of the loss of property taxes on base housing and facilities. Base housing alone at McConnell Air Force Base is estimated to consist of approximately 600 units. If each unit had an assessed valuation of \$7500, which is fairly conservative, a 4 mill Capital Outlay mill levy results in the district losing approximately \$20,000.00 in revenue. A similar argument holds true for Bond and Interest levies. Larger losses would be realized if all base facilities were considered. Again, we believe that impact aid was designed to offset these loses for local school districts with federal installations within their school boundaries.

1-7
Senate Education
2-24-97
Attachment 1d

We believe that the 25% proposed in S.B.171 is a fair proportion for the local school district to retain above their legal max general fund budget to help offset the loses in revenue generated by property tax.

Thank you for the opportunity to share our thoughts. We appreciate any consideration in support of S.B.171.

Sincerely,



Glen M. Hughes

Director of Budget & Finance

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**A Resolution Supporting
Federal Impact Aid Distribution
For The Local School Districts Affected
By Federal Installations**

Be it resolved by the Junction City Area Chamber of Commerce that:

Whereas, the Federal Government needs installations and operations at various sites around the nation to function properly; and

Whereas, these installations produce economic benefits to any host community as well as adverse impacts for the local taxpayers, and

Whereas, Congress in 1950 realizing these impacts enacted Public Law 874 for federal impact aid to school districts to offset the reduced local revenues due to federal ownership of property and to assure that regardless of duty assignment, military personnel's families would have an equal educational opportunity; and

Whereas, since \$10 million in Impact Aid goes to Kansas school districts each year, it allows more state funds to be distributed through the Kansas School District Equalization Act, thus benefitting all eligible Kansas school districts; and

Whereas, over 60% of Geary County Unified School District students are active-duty military family members, resulting in unique adverse impact for local taxpayers.

Now, Therefore, Be It Resolved by the Junction City Area Chamber of Commerce to ask our Kansas Legislative Body to approve Senate Bill 171 in an effort to more equitably return portions of the impact aid monies to those districts most heavily affected.

Be It Further Resolved that copies of this resolution be sent to all members of the Kansas Congressional delegation, our legislative delegation and to the Governor.

Adopted this 21st day of February, 1997.

1-9
Senate Education
2-24-97
Attachment 1-C

SPECIAL COMMITTEE ON SCHOOL FINANCE

1997

STUDY TOPIC: A Comprehensive Study of Kansas Elementary and Secondary Education Financing Mechanisms*

SUMMARY: The Committee recommends legislation to do the following:

- Base computation of school district general fund budgets on the greater of the unweighted full-time equivalent enrollment of the preceding or current school year. (Estimated additional annual cost—\$6.0 million.)
- Repeal the special declining enrollment provision enacted by the 1996 Legislature that is applicable in 1997-98 to Winfield (USD 465), Arkansas City (USD 470), and the school districts located in Shawnee County.
- Implement in the 1997-98 school year the two remaining correlation weight steps now scheduled for implementation in the 1997-98 and 1998-99 school years, respectively. (Estimated additional cost in FY 1998—\$10.0 million.)
- Increase the at-risk pupil weight from 5.0 percent to 7.5 percent. (Estimated additional annual cost—\$10.0 million.)
- In 1996-97 only, increase the new facilities weight from 25.0 percent to 33.0 percent for districts experiencing extraordinary enrollment growth, with the additional amount serving to offset a like amount of additional local option budget authority previously approved by the State Board of Tax Appeals. (Estimated additional cost for FY 1997—\$1.2 million and applicable only to Blue Valley (USD 229) and Olathe (USD 233).)
- Repeal the provision of law which permits certain school districts to appeal to the State Board of Tax Appeals for authority to levy a property tax to defray costs associated with commencing operation of a new facility.
- Replace the existing mandatory local option budget resolution expiration provision with a provision that gives a school district the choice of whether to include an expiration

date in the resolution and, if an expiration date is included, to fix its duration.

- Create a new local-state partnership budget, similar to the local option budget, but limited to 5.0 percent of the school district general fund budget, subject only to local school board approval, and dedicated solely to special education costs. (In the aggregate, a local option budget and a local-state partnership budget could not exceed 25.0 percent of the school district general fund budget.)
- Increase the school district contingency reserve fund cap from 4.0 percent to 7.5 percent of the school district general fund budget.
- Reduce the threshold for qualifying for special education catastrophic state aid from \$25,000 to \$20,000, the increased cost to be an amount in addition to special education services state aid otherwise provided. (Estimated additional cost in FY 1998—\$650,500.)
- Authorize school districts to charge fees for transporting public and nonpublic school pupils who live less than 2.5 miles from school.

The Committee recommends that the following issues be studied during the 1997 Session:

- The low enrollment weight issue, using the "Mueller Report" and other relevant studies and information.
- Modification of the school finance formula by providing for exclusion from the school district local effort deduction an amount equal to 25.0 percent of federal Public Law 874 receipts attributed to families that live and work on a military post located in the school district.
- Provision of legislative authorization for alternative tax sources from which school district boards might choose for funding the local revenue component of the local option budget.
- The maximum age at which compulsory school attendance should be required and general educational development (GED) equivalency participation as a means of compulsory attendance compliance.

* S.B. 4, H.B. 2002, and H.B. 2003 accompany the Committee's report.

1-10
Senate Education
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Attachment 1-f

Exhibits and testimony of:

Mrs. Kay Baker, Superintendent
U.S.D. #373 Newton

Dr. Gary W. Norris, Superintendent
U.S.D. #305 Salina

Representing

Schools for Fair Funding

(24 Districts with a combined student population totaling 22 percent of the
public school enrollment in Kansas)

February 24, 1997

Senate Education Committee

9:00am

Providing Testimony in favor of
Lowered Correlation Weighting
Changes to Kansas School Finance Formula
S.B. Sponsored by
Senator Christine Downey-Schmidt

*Senate Education
2-24-97
Attachment 2*

SCHOOLS FOR FAIR FUNDING
MEMBERSHIP

Arkansas City USD 470
Auburn Washburn USD 437
Augusta USD 402
Chanute USD 413
Derby USD 260
Dodge City USD 443
El Dorado USD 490
Emporia USD 253
Fort Scott USD 234
Great Bend USD 428
Hays USD 489
Hutchinson USD 308
Independence USD 446
Lansing USD 469
Leavenworth USD 453
Liberal USD 480
Maize USD 266
Manhattan USD 383
Mulvane USD 263
Newton USD 373
Salina USD305
Seaman USD 345
Shawnee Heights USD 450
Winfield USD 465

TO: The Senate Education Committee
FROM: Kay Baker, Superintendent Newton USD #373 and Gary Norris,
Superintendent Salina USD #305 representing Schools For Fair Funding
RE: CORRELATION WEIGHTING or The Trains That Have Already
Wrecked

The phase 'pending train wreck' has been used often this year by legislators as well as others speaking of school finance. We hear and read the phase in reference to local option budgets and base per pupil.

The first force that has been cited as the cause of these train wrecks is the local option budget. We have been reminded that 130 unified school districts have local option budgets that are set to expire at the end of next school year. The seven largest enrollment districts in the state account for over 66% of the total LOB expenditures state wide with an average LOB authorization of 24%. The mid-sized districts account for only 18% of the total state wide LOB expenditures. Those with enrollments under 1,850 students account for only 17% of the total state wide expenditure. Of the group that Gary and I represent, 12 of our districts have an LOB but the median LOB is only in the 6% range. The other 12 of the districts in Schools For Fair Funding have no LOB authority. Indeed, the LOB is the cause of a current and potential train wreck. In its very creation, it allows for a 25% inequity in per pupil cost across the state. If voters start refusing to renew the LOBs, schools with large and small authorization will have to start eliminating classes and paring back basic programs. Train wrecks will, indeed, occur. One must also recognize that for districts that have no LOB, the wreck is already history.

Another obstacle out there that is causing for stress on the train has been created by the fact that funding for public schools has not kept up with inflation. Potential crashes loom in districts with enrollments under 1,850 students as well as those districts in the mid-sized and large enrollment categories. The train tracks or the consumer index has spread over 11% in width. Yet during this same time, the engines or per pupil budgets in all our school districts statewide have only stretched 1.3%. This has put a strain on those districts with large and small LOB authority as well as those with low enrollment weighting. It has presented insurmountable obstacles for those districts without any LOB and those districts with little or no growth in student enrollment.

We commend and support those of you that are talking about these two obstacles. We now ask that you also address a third and equally as overwhelming task or obstacle on the track -- that of correlation weighting. Many, if not all, states have struggled with the relative educational costs between small and large districts. The states, with few exceptions, agree that there are increased costs associated with educating a child in a small sparsely populated area. There is also agreement that the "economy of scale" or the relationship between district size and per-pupil cost, can often be sharply diminished or enhanced by local decisions related to the number and size of classes and attendance centers.

In 1994, an extensive study of the relative costs required to fund the North Central Association recommended curriculum in Kansas schools compared staffing needs of various sizes of districts. The conclusion of the researchers, Mueller and Schultz, was that the economy of scale is most efficient in districts with 3 to 4 sections per grade or 75 to 100 students per grade. This study clearly shows that districts of 1,200 and over meet the economy of scale test and that all districts from 1,200 and over should be funded at that level. We have questioned educators and legislators of the 1991-92 period to find the reason for the enrollment of 1,900 being picked as the division point between those that were to receive low enrollment weighting and those that then later received correlation weighting. The answer most given is that by setting it there they could get the number of votes necessary. The figure 1,900 also set spending limits very close to the status quo of SDEA (the pre-1992 formula).

Current correlation weighting has added \$66 to each student in mid-sized and large districts over the past two years. With the third year funding added to next year's budgets another \$33 will be added or, if the last two years are allocated at one time, an additional \$66 will be added. The full 4 phases of correlation weighting will give districts an additional \$132 per student. This does not raise the per pupil cost to the average spent in Kansas or to the average spent per pupil in the nation.

The end of correlation weighting appears to be in sight and for those in districts without an LOB, or in districts fearing the lose of a current LOB, or in districts with little or no growth, the end is more that a potential train wreck. The wreck has already in many of these districts occurred. The train while shined up slightly by changes in 1992, has received very little maintenance and no enhancements.

Schools for Fair Funding, 24 districts that represent approximately 21% of the students in the State of Kansas, feel that all three of these obstacles must be addressed by the legislature - LOB, base per pupil and correlation weighting. We recognize that our trains have in some instances already wrecked and in other instances are in dire crisis. We hope that a solution that meets all areas can be achieved - one that will not take from one student and give to another - one that will not take from one enrollment category at the demise of another. We hope for a solution that will positively touch each child in Kansas - one that will equally and adequately fund the education of each student regardless of where he or she resides.

We feel that the enrollment level of 1,900 set by the 1992 legislature must be adjusted to a level that meets the economy of scale test - to a level that is researched based and not based solely by political necessity. Additional moneys and movement in correlation weighting is a must to address the needs of over two thirds of the students in Kansas.

Dr. Gary Norris, Superintendent of Salina Public Schools will share with you some charts and statistics that illustrate our points.

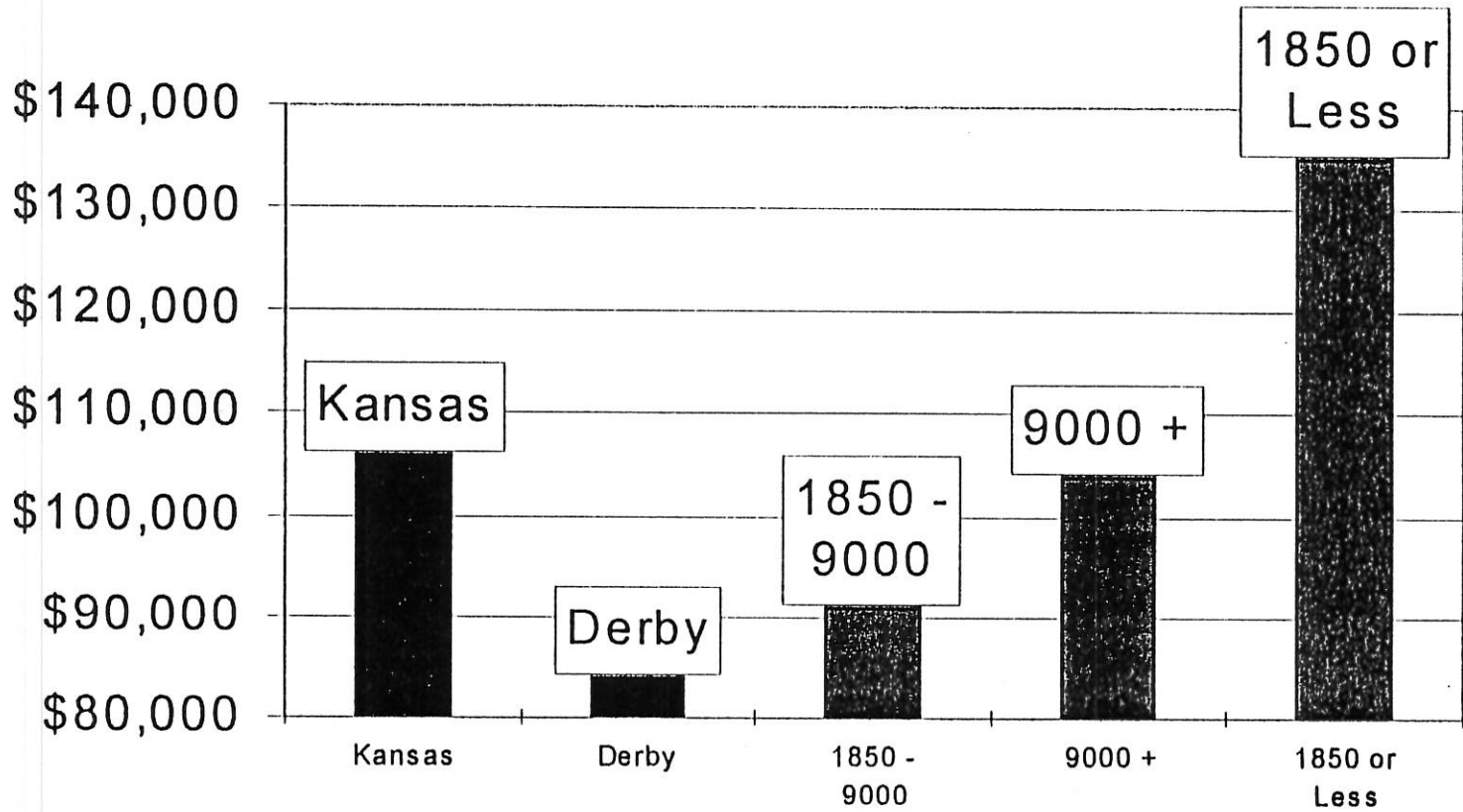
COMPARISON OF SCHOOL DISTRICT ENROLLMENT CATEGORIES

	Enrollment Categories		
	Enrollment Over 9,000	Enrollment 1,850 - 9,000	Enrollment Under 1,850
Number of Districts	7	52	245
Percent of KS Students	33.2%	31.8%	34.9%
Enrollment Weighting	Correlation	Correlation	Low Enrollment
Funding Provided by Enrollment Weighting	\$4.8 million (Step 1) \$19.2 million (Full)	\$4.6 million (Step 1) \$18.4 million (Full)	\$218.3 million
Enrollment Weighting Per Pupil	\$33 (Step 1) \$132 (Full)	\$33 (Step 1) \$132 (Full)	\$1,412 (Average)
Average Budget Per Pupil (Includes base, weighting and LOB)	\$4,726	\$4,148	\$6,167
Districts spending more than \$4,500 per pupil. (Percent of Category)	7 (100%)	16 (38.1%)	237 (96.7%)
Percent of Districts with Local Option Budgets	100%	53.8%	48.9%
Funding Provided by Local Option Budgets	\$124.1 million	\$32.7 million	\$31.9 million
Percent of Total LOB Expenditures Statewide	66.5%	17.6%	17.1%
Average LOB Per Pupil	\$886	\$267	\$261
Average LOB Levy	16.2 mills	5.25 mills	3.9 mills

Based on 1995-96 School District Budgets.

Correlation Weighting shows first year impact and the full amount which is scheduled to be implemented in four years.

General Fund \$'s Per Classroom of 22 Students



Why Schools Need Adequate Funding

- Attain and maintain reasonable class sizes
- Retain and attract quality employees
- Facilitate transition from school to career for our students
- Ensure that all students have an opportunity for success after high school
- Increase our graduation rate
- Comply with state and federal legislative mandates
- Provide students with access to current technology

The State Has Revenue To Give More Funding To Schools

At the end of fiscal year 1997 the state will have \$149 million more than the cash balance required by law. Those dollars are available. It's the legislature's choice whether to spend those dollars on children and their future. There is room in the state's budget to fund some property tax cuts and increase funding for education.

Funding for Public Schools Has Not Kept Up With Inflation

Fixed costs for Kansas schools have gone up with inflation – the Consumer Price Index has gone up a total of 11% over the past 5 years. Yet the Kansas budget per pupil has gone up a total of 1.3% over those same 5 years. The result, for district's like Salina, has been annual budget cuts, staff reductions, higher class sizes.

Salina Schools Are Underfunded Compared To Other Districts

Salina's budget per pupil (weighted FTE) is \$3767 – the 2nd lowest in the state. The average in the state is about \$4800 per pupil. The highest budget per pupil district is \$10,400. The current state funding formula is not fair or equitable to Salina Schools.