

Approved: 2-18-97
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 11, 1997 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Kathy Porter, Legislative Research Department
Mark Burenheide, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Janet Henning, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

It was moved by Senator Salisbury and seconded by Senator Jordan that bill draft 7 RS 0679 be introduced as requested by University of Kansas . The motion carried on a voice vote.

It was moved by Senator Morris and seconded by Salmans that bill draft 7 RS 0708 be introduced as requested by SRS. The motion carried on a voice vote.

The Chairman informed Committee members that questions regarding the Department of Agriculture budget would be addressed as previously requested. Senator Petty advised Committee members she had two issues of concern regarding this budget, the amount of expenditures and the monitoring of no-limit fee funds.

Don Cawby and Alan Conroy, Legislative Research Department, responded to questions from Committee members and stated that special revenue funds can only be expended for the purpose that the funds were collected. If the funds are no-limit funds, the agency can expend whatever resources it receives. If an agency is financed from the State General Fund and special revenue funds, there does exist a certain amount of financing flexibility for the agency to determine the specific source of financing for expenditures.

Senator Salmans moved, Senator Morris seconded that the subcommittee reports for the Department of Agriculture budgets be adopted as amended. The motion carried on a voice vote.

Senator Kerr reviewed the subcommittee report for State Department of Education (Attachment 1). Senator Salisbury inquired if the State Board of Education has rules and regulations which must be followed regarding the waiving of tuition and fees for dependents of deceased public safety officers killed in the line of duty. Mr. Dale Dennis, Deputy Commissioner, Department of Education stated this was a cooperative effort between the Board of Education and Board of Regents and both boards have agreed upon the guidelines which need to be followed. In response to questions regarding Adult Basic Education, Senator Kerr advised the new Kansas, Inc. vision statement has focused on Adult Basic Education as a priority. Information was requested regarding the backlogs of people wanting to participate and the subcommittee was unable to obtain information which showed more money was needed. The subcommittee determined that SRS has funds to pay for training and approves programs that are 20 hours a week or more. Mr. Dennis advised that his department would attempt to obtain information in the immediate future regarding these concerns.

In reply to questions from Committee members, responses were received from spokespersons

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 11, 1997.

within the Department of Education regarding proposed changes in school finance, increased Base State Aid Per Pupil, increasing the weight for at-risk children, accelerating correlation weighting, and reduction of school district property taxes.

A minority subcommittee report by Senator Petty and Senator Gilstrap was read by Senator Petty. The report quoted the 1996 Special Committee on School Finance which proposed "to invest an additional \$10 million in our most vulnerable students by increasing the at-risk weighting to 7.5 percent".

Senator Lawrence moved, Senator Salisbury seconded, that the majority subcommittee report be adopted as the committee report.

Senator Petty offered a substitute motion, seconded by Senator Downey, to adopt the majority report plus \$6 million with the addition to increase the at-risk waiting up to the 7.5 percent. The motion was defeated by a show of hands vote.

The Chairman then called for a vote on the original motion. The motion carried on a voice vote.

The Chairman adjourned the meeting at 12:25 p.m.

The next meeting is scheduled for February 12, 1997.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 2-11-97

NAME	REPRESENTING
Douglas Phenix	Potwin Presb. Church.
Gloria Phenix	Phenix & Associates
Barbara Brown	Intern-Sen Salmons
Dick Kwerth	KIDWP
Ken Baker	KACC
John Spurgeon	KDWP
Terrie Wedel	KWO
Meagan Grieggs	KAAVTS
Ron Wittler	KSDE
Pat Lehman	Olathe USD 233
Robin Lehman	" " "
Sheila Kaban	KACC
Jim Hays	KASB
Patricia Sparks	DOB

SUBCOMMITTEE REPORT

Agency: State Department of Education

Bill No. --

Bill Sec. --

Analyst: Rampey

Analysis Pg. No. 141

Budget Page No. 154

<u>Expenditure Summary</u>	<u>Agency Estimate FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 16,727,769	\$ 16,727,769	\$ 0
Aid to Local Units	1,958,695,979	1,953,917,979	1,906
Other Assistance	36,259,611	36,259,611	0
TOTAL	\$ 2,011,683,359	\$ 2,006,905,359	\$ 1,906
State General Fund:			
State Operations	\$ 8,207,322	\$ 8,207,322	\$ 0
Aid to Local Units	1,749,988,025	1,748,520,025	0
Other Assistance	222,978	222,978	0
TOTAL	\$ 1,758,418,325	\$ 1,756,950,325	\$ 0
FTE Positions	205.0	205.0	0.0
Unclass. Temp. Positions	38.8	38.8	0.0
TOTAL	243.8	243.8	0.0

Agency Overview

The State Board of Education is a ten-member elected board established by the Kansas Constitution. It is responsible for the general supervision of public schools and all other educational interests of the state that are not under the jurisdiction of the Kansas Board of Regents. Its duties include accrediting elementary and secondary schools; establishing standard courses of study in the public schools; certifying teachers and administrators; approving public and private teacher education programs; administering a variety of state and federal aid programs; licensing proprietary schools; and supervising area vocational schools, technical colleges, and community colleges.

Agency Estimate/Governor's Recommendation

For FY 1997, the State Department estimates expenditures of slightly more than \$2.0 billion, of which approximately \$1.8 billion is from the State General Fund. The revised estimate exceeds the approved amount by almost \$7.7 million. However, some of the estimates have changed again since the budget was submitted, some of the revisions were expected when the budget was approved by the 1996 Legislature, and some of the change is due to the difficulty in estimating federal funds. Only one revision amounting to \$47,967 from the State General Fund requires legislative action.

Specifically, the changes to the current year budget are the follow

Senate Ways and Means Committee

Date *2-11-97*

Attachment # *1*

Supplemental Appropriation of \$47,967 for Education Commission of the States Dues. From 1972 through July 1, 1996, Kansas was a member of the Education Commission of the States (ECS). ECS is a national compact that provides information to members on elementary, secondary, and higher education topics; conducts research and issues publications; provides consulting and planning services; and serves as a network for state boards of education, state boards of regents, governors, and legislators.

Additional Reappropriated Balance of \$136,811. Last year, the Governor's approved budget for FY 1997 included a balance of \$62,364 to be carried forward from FY 1996 to be used to finance FY 1997. Recognizing that revenues are constricted and wanting to give the State Department as much flexibility as possible to manage scarce resources, the Legislature gave the State Department an unlimited State General Fund reappropriation, the effect being that any savings generated in FY 1996 could be used to help fund the FY 1997 budget. Primarily because some positions were held vacant for some months (most notably that of the Commissioner of Education), the State Department generated total savings of \$199,175, which exceed the original estimate of \$62,364 by \$136,811.

Increased General State Aid. Based on revised estimates made by the State Department, the Legislative Research Department, and the Division of the Budget, it is estimated that there will be an increase in general state aid of almost \$6.7 million over what was approved, offset in part by a reduction in supplemental general state aid of \$3,358,000 from the approved amount.

Revised Estimates for Special Revenue Funds. Expenditures from all other funds are expected to exceed the original estimates by almost \$6.2 million. In most cases, the funds involved are federal and reflect the difficulty in estimating federal funding in a time of flux at the national level.

Governor's Recommendation. The Governor's recommendation for FY 1997 essentially approves the State Department's revised estimate, except that the Governor's budget uses more recent estimates than were available to the State Department when its budget was submitted, which accounts for the differences between the Governor's recommendation and the budget the State Department submitted.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the recommendations of the Governor, with the following exception:

1. Transfer \$1,906 from the State General Fund to the Tuition and Fee Reimbursement Fund of the State Department of Education. The Fund was created pursuant to the enactment of 1996 S.B. 325 which requires public postsecondary educational institutions to waive the tuition and fees of dependents of deceased public safety officers killed in the line of duty. A proviso to the Fund stipulates that expenditures will be made during the fiscal year in which any tuition and fees are waived. That is, it is the policy of the Legislature to wait until there actually are students who qualify for the waivers and then consider a supplemental appropriation. In February, 1997, a claim was submitted to the State Department of Education for \$1,906 in tuition and fees waived by Kansas City Kansas Community College for the tuition and fees of two dependents of a deceased public safety officer.



Senator Dave Kerr, Chair



Senator Barbara Lawrence



Senator Larry Salmans



Senator Mark Gilstrap



Senator Marge Petty

SUBCOMMITTEE REPORT

Agency: State Department of Education

Bill No. 178

Bill Sec. 64

Analyst: Rampey

Analysis Pg. No. 141

Budget Page No. 154

<u>Expenditure Summary</u>	<u>Agency Request FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 16,381,672	\$ 16,270,678	\$ (292,713)
Aid to Local Units	2,305,960,937	2,093,173,084	119,506
Other Assistance	36,486,633	36,466,611	0
TOTAL	\$ 2,358,829,242	\$ 2,145,910,373	\$ (173,207)
State General Fund:			
State Operations	\$ 8,728,257	\$ 8,396,348	\$ (181,992)
Aid to Local Units	2,089,584,178	1,888,723,380	94,506
Other Assistance	243,000	247,978	0
TOTAL	\$ 2,098,555,435	\$ 1,897,367,706	\$ (87,486)
FTE Positions	209.0	205.0	1.0
Unclass. Temp. Positions	36.8	36.8	0.0
TOTAL	245.8	241.8	1.0

Agency Request/Governor's Recommendation

The request for FY 1998 totals \$2,358,829,242, of which slightly less than \$2.1 billion would be from the State General Fund. The total is an increase of \$347,145,883 over FY 1997, of which \$340,137,110 would be from the State General Fund. The request for agency operating expenditures includes funding for 4.0 FTE new positions, but by far the overall increase is accounted for by proposed increases in state aid programs to school districts, community colleges, area vocational schools, and technical colleges. Major changes proposed include increasing Base State Aid Per Pupil from \$3,648 to \$4,000 (an increase over FY 1997 of \$194.4 million); increasing credit hour aid to community colleges by \$3.00 per hour and funding all vocational courses at two times the academic hour rate (an increase of approximately \$7.4 million); and funding 90 percent of special education excess costs (an increase of \$35.4 million). The State Department also includes \$10.0 million for a new program to provide technology grants to school districts.

Governor's Recommendation. The Governor recommends expenditures of \$2,145,910,373 for FY 1998, an increase of \$139.0 million over his recommendation for the current year. The recommended amount from the State General Fund is \$1,897,367,706, an increase over his FY 1997 recommendation of \$140,417,381. A large portion of the increase is due to proposed changes to school finance, include increasing Base State Aid Per Pupil by \$22, increasing the weight for at-risk children, accelerating correlation weighting, and reducing school district property taxes.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor's recommendations, with the following exceptions:

1. Delete \$342,965, including \$181,992 from the State General Fund, based on the recommendation to delete funding for the 3.5 percent unclassified merit pool (\$89,488); classified step movement (\$66,626); longevity bonus payments (\$70,680); and the 1.0 percent classified base salary adjustment (\$116,171) from individual agency budgets.
2. Add \$50,252 for the salary and associated operating costs of an Auditor I position to audit payments to child and adult care food programs. Funding for the new position would be from federal food service audit funds and would consist of \$34,070 for the salary, \$12,000 for travel, and \$4,182 for a notebook computer. On July 1, 1996, the federal government increased the threshold on child and adult food programs that must be audited by an independent audit from \$25,000 to \$300,000. This means that if the State Department of Education does not audit food service programs that are under \$300,000, they will go unaudited. It is estimated that the number of additional audits would be 400 on a biennial basis or 200 a year. Because the state still would be liable for any misspent federal funds, the Subcommittee agrees with the State Board that all food service programs should be audited.
3. Amend the proviso to the appropriation for operating expenses to provide for an unlimited reappropriation of State General Fund money from FY 1997 to FY 1998. The effect of the recommendation would be to make it possible for the State Department to better manage its resources by making whatever reductions in expenditures it can in the current year in order to reallocate savings to FY 1998. This continues a policy the 1996 Legislature began with this agency.
4. Add \$115,000 from the State General Fund for the Educational Excellence Grant Program, for a total of \$1.6 million. Under the program, grants to school districts are made on a competitive grant basis for special enhancements and innovative programs. State money must be matched dollar-for-dollar at the local level.
5. Add \$4,506 from the State General Fund for Adult Basic Education, for a total of \$904,506. The additional amount is to meet the required 25 percent state match for \$2,713,519 in federal Adult Basic Education funds. The increase in the state match is needed because the State Department only recently learned that Kansas will receive more federal funds than originally had been expected.

In addition, the Subcommittee requests that the State Department provide the 1998 Legislature information that would enable it to evaluate the success of the program. Items addressed in the study should include the number of participants enrolled in programs; unmet demands and program waiting lists; the number of GEDs awarded and the ratio of program completers to program participants; and, if possible, follow up information about job placement or ongoing education of program completers.

6. Switch the funding (\$25,000) for Environmental Education Grants from the State General Fund to the State Water Plan Fund for FY 1998. Funding for the program in the current year is also \$25,000 from the State Water Plan Fund.

7. Add the Tuition and Fee Waiver Reimbursement Fund to the State Department's appropriation for FY 1998, with an expenditure limit of \$0 and a proviso stating that expenditures from the Fund for tuition and fee waivers for the dependents of public safety officers killed in the line of duty will be considered in the year in which waivers are made. The only expenditure from the Fund would be if the Legislature were to authorize a transfer from the State General Fund to reimburse a public postsecondary institution for tuition and fees that actually have been waived.
8. The Subcommittee calls attention to information it received about Medicaid reimbursements to school districts. School districts are eligible to receive Medicaid payments for certain special education services they provide to students whose families meet income guidelines for Medicaid eligibility. Of the special education students in the state, it is estimated that approximately 30 percent are Medicaid eligible. Although it is estimated that 80 percent of the school districts in Kansas have received Medicaid payments for special education services they provide, the bookkeeping and paperwork involved are so time consuming and expensive that, in some cases, participating in the program is not worth it.

In 1996, the Department of Social and Rehabilitation Services contracted with a consulting firm to assist the state in recouping Medicaid payments for children who have received special education and related services. The amount of money that is to be recouped for the period from October, 1995, through April, 1997, is estimated to be between \$8.0 million to \$10.0 million. In addition, the process of claiming reimbursement has been greatly simplified by "bundling" services for reimbursement at a monthly rate instead of requiring school districts to itemize each special education service. As a result, it is likely that the level of participation by school districts will increase and more Medicaid money will be claimed. The amount of Medicaid funding school districts might receive in the future is not known at this time, partly because of recent changes that have been in the Medicaid law. Medicaid reimbursement received by school districts may not be used to supplant state funding for special education.



Senator Dave Kerr, Chair



Senator Barbara Lawrence



Senator Larry Salmans



Senator Mark Gilstrap

Senator Marge Petty

MINORITY REPORT

Although the Governor is taking a step in the right direction by increasing Base State Aid Per Pupil by \$22 and by increasing the weighting for at-risk pupils from 5 percent to 6 percent, I do not think these additions go far enough. For that reason, I respectfully submit this minority report.

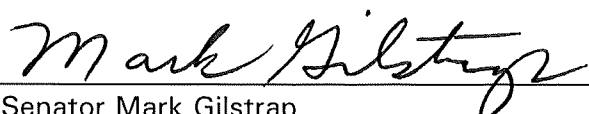
As the attached material shows, since we enacted the new school finance formula in 1992, school district general and supplemental general fund budgets have increased by a greater percentage than we have increased Base State Aid Per Pupil. Since the enactment of the act five years ago, the cumulative increase in Base State Aid Per Pupil is less than 2.0 percent, while school district general fund budgets in most years have increased by that much and more each year. When Base State Aid is adjusted for inflation, the amount we should be paying in FY 1998 is \$4,020 per pupil, which is \$350 more than the Governor's recommendation.

School districts today are facing problems that were virtually unknown in the past. Many of our students arrive at school unprepared to learn and at risk of not succeeding. Public opinion polls tell us that elementary and secondary education is at the top of the list of things people are concerned about. If we at the state level fail to keep up with rising costs, we only make it harder for schools to cope with the demands we have placed on them. At a minimum, we should support the recommendation of the 1996 Special Committee on School Finance to invest an additional \$10.0 million in our most vulnerable students by increasing the at-risk weighting to 7.5 percent.

The Governor is moving in the right direction, but we need to go further. I urge the Committee to go beyond what the Governor has done and to address the needs of school districts today. The problems and demands on the districts are real and to pretend that the state is doing all it should be doing is an attitude that could inflict serious damage on a public education system we are charged with maintaining and supporting.



Senator Marge Petty



Senator Mark Gilstrap

**Comparison of Actual Base State Aid Per Pupil Amount
to FY 1993 Base State Aid Per Pupil Amount Adjusted for Inflation**

Fiscal Year	(1) Base State Aid Per Pupil	(2) Percentage Increase in Base State Aid Per Pupil	(3) Percentage Increase in CPI*	(4) Base State Aid Per Pupil Adjusted for CPI	(5) Difference Between Increase in CPI and BSAPP (4-1)
1993	\$3,600	0.000%	2.100%	\$3,676	\$76
1994	\$3,600	0.000%	1.600%	\$3,735	\$135
1995	\$3,600	0.000%	1.900%	\$3,806	\$206
1996	\$3,626	0.722%	1.700%	\$3,871	\$245
1997	\$3,648	0.607%	1.900% (est.)	\$3,945	\$297
1998	\$3,670 **	0.603%	1.900% (est.)	\$4,020	\$350

* Consumer Price Indices have been adjusted downward by 1 percent each year in an effort to not overly inflate increases.

** Governor's Recommendation

School Districts – General and Supplemental General Fund Budgets

	<u>Actual 1991-92</u>	<u>Actual 1992-93</u>	<u>Actual 1993-94</u>	<u>Actual 1994-95</u>	<u>Actual 1995-96</u>	<u>Estimated 1996-97</u>	<u>Gov's Rec. 1997-98</u>
General Fund Budget	1,777,469,000	1,835,201,000	1,890,925,000	1,914,227,000	1,949,887,000	1,993,632,000	2,041,094,000
Suppl. General Fund Budget		98,207,000	146,712,000	168,257,000	185,292,000	210,400,000	236,107,000
Total Expenditures	<u>1,777,469,000</u>	<u>1,933,408,000</u>	<u>2,037,637,000</u>	<u>2,082,484,000</u>	<u>2,135,179,000</u>	<u>2,204,032,000</u>	<u>2,277,201,000</u>
Total Number of FTE (Unweighted)		431,321	437,210	440,684	442,466	446,280	448,837 *
Total Expenditures Per Pupil		4,483	4,661	4,726	4,826	4,939	5,074
Percentage Increase in Expenditures Per Pupil			3.97%	1.39%	2.12%	2.34%	2.73%

* Estimate submitted by school districts to KSDE.

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