

MINUTES OF THE SENATE WAYS & MEANS COMMITTEE.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 3, 2000 in Room 123-S of the Capitol.

All members were present except: Senator Feleciano, who was excused

Committee staff present: Alan Conroy, Chief Fiscal Analyst, KLRD
Michael Corrigan, Asst. Revisor of Statutes
Rae Anne Davis, KS Legislative Research Department
Debra Hollon, KS Legislative Research Department
Judy Bromich, Administrative Assistant to the Chairman
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Chairman Kerr reviewed the **Department of Education** subcommittee report for FY 2001 (Attachment 1). He made additional comments about the following items:

- 1. The deleted salary monies will be in the pay plan bill.
- 2.a. The subcommittee has recommended an increase of \$37 instead of \$50 in BSAPP.
- 2.b. Any unanticipated savings in BSAPP would go to inservice education up to a limit of \$2 million.
- 7.c. Though the grants were zeroed out, some money was added to the learning readiness programs which are similar to structured mentoring.

In answer to a question regarding the likelihood of qualifying for E-rate discounts for technology infrastructure (Attachment 1-3, item 5), Chairman Kerr stated that the Chief Information Officer indicated that the Department is quite likely to qualify, but will know for sure on May 7. The Chief Information Officer indicated that nearly 100% of the technology infrastructure as described in item 5 would be achieved if the Department qualified for the E-rate discounts and received \$4.5 million as recommended by the Governor. The Chairman added that other committees will be evaluating this issue and if something negative develops, Senate Ways and Means may want reconsider this recommendation. He mentioned that one cost not addressed is the cost associated with getting the technology from the districts to the schools.

In answer to a question, a representative from the Department of Education stated that Medicaid is okay for one more year for bundled rates. The estimate for next year's federal aid to special education is 11.7% of "excess cost" including Medicaid.

Senator Jordan moved, Senator Lawrence seconded, that item 7 of the subcommittee report be amended with language that would clarify that general state aid, supplemental general state aid, and special education are a high priority and the Committee will continue to look for unanticipated savings to fund these items. It was the consensus of the Committee that interest in funding these items is a very high priority. The motion to amend the subcommittee report carried on a voice vote.

Senator Petty reviewed the minority report (Attachment 1-6). She stated that she had offered two amendments during subcommittee deliberations that would have added \$22.3 million to fund the \$50 BSAPP and continue funding Special Education at 85% of excess costs and had supplied a list of possible revenue options to the subcommittee (Attachment 2). There was lengthy Committee discussion regarding those options and the steady growth in both the number of special education students and teachers.

CONTINUATION SHEET

SENATE WAYS & MEANS COMMITTEE MINUTES

The Chairman noted that he is keeping a list of any savings that are discovered as well as items for consideration during Omnibus. He told Committee members that the subcommittee has listed \$50,000 in FY 2000 for defense of the School Finance lawsuit as a high priority for Omnibus consideration.

It was moved by Senator Petty and seconded by Senator Gilstrap that the subcommittee report be amended by recommending that \$7,761,000 SGF be added to fund general and supplemental general state aid. The motion failed on a voice vote.

Senator Petty moved, Senator Downey seconded, that the subcommittee report be amended by including \$14.6 million SGF to fund special education at 85% of excess costs. The motion failed on a voice vote.

A motion was offered by Senator Lawrence and seconded by Senator Jordan to adopt the education subcommittee report as amended. The motion carried on a voice vote.

The Chairman adjourned the meeting at 12:15 p.m. The next meeting will be February 7, 2000.

Subcommittee Report

Agency: State Department on Education **Bill No.** _____ **Bill Sec.** _____
Analyst: Rampey **Analysis Pg. No.** 31 **Budget Page No.** 147

Expenditure Summary	Agency Req. FY 01	Gov. Rec. FY 01	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 18,697,740	\$ 17,800,419	\$ (311,449)
Aid to Local Units	2,551,109,692	2,489,801,594	0
Other Assistance	29,978,420	29,701,420	0
Subtotal - Operating	<u>\$ 2,599,825,852</u>	<u>\$ 2,537,303,433</u>	<u>\$ (311,449)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 2,599,825,852</u></u>	<u><u>\$ 2,537,303,433</u></u>	<u><u>\$ (311,449)</u></u>
State General Funds:			
State Operations	\$ 9,730,591	\$ 8,918,517	\$ (160,791)
Aid to Local Units	2,328,641,629	2,255,556,031	0
Other Assistance	479,000	204,000	0
Subtotal - Operating	<u>\$ 2,338,851,220</u>	<u>\$ 2,264,678,548</u>	<u>\$ (160,791)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 2,338,851,220</u></u>	<u><u>\$ 2,264,678,548</u></u>	<u><u>\$ (160,791)</u></u>
FTE Positions	200.5	200.5	--
Unclass. Temp. Positions	36.4	36.4	-
TOTAL	<u><u>236.9</u></u>	<u><u>236.9</u></u>	<u><u>-</u></u>

* Consists of a reduction of \$311,449 (\$160,791 from the State General Fund) for the Governor's employee salary adjustments.

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 State 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; and administering a variety of state and federal aid programs. The State Board's duties involving the licensure of proprietary schools, the approval of adult basic and adult supplementary education programs, and the supervision of area vocational schools, technical colleges, and community colleges were transferred to the State Board of Regents, effective July 1, 1999.

Senate Ways and Means Committee

Date *February 3, 2000*

Attachment # *1*

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Agency Request/Governor's Recommendation

The State Department of Education's request for FY 2001 is \$2,599,825,852, of which \$2,338,851,220 is from the State General Fund and \$260,974,632 is from other funds. Major items include \$11,517,755 for salaries and wages (an increase of \$317,461 or 2.8 percent over the current year); a total of \$1,905,390,152 for general and supplemental state aid, which is the amount needed to fully fund Base State Aid Per Pupil (BSAPP) under current law and also includes \$2,764,152 to expand the four-year-old at-risk program from 1,794 children to 3,000; and \$248,605,885 to fund an estimated 85.1 percent of special education excess costs.

The Governor recommends a total of \$2,537,303,433, of which \$2,264,678,548 is from the State General Fund. The Governor's recommendation for salaries is a reduction of \$220,321 from the State Department's request, primarily due to increasing the shrinkage rate on salaries funded from the State General Fund from 3.0 percent to 5.2 percent. The Governor approves the conversion of one unclassified temporary position to permanent FTE status, as requested by the State Department. The Governor recommends a total of \$1,894,865,000 for general and supplemental general state aid, which will increase BSAPP by \$50 over the Governor's recommendation for FY 2000, but will fund BSAPP at \$13 less than authorized under current law (\$3,820). The Governor's recommendation for special education of \$233,736,000 is an increase of \$4,977,256 (2.2 percent) over his recommendation for the current year and would fund an estimated 80.0 percent of special education excess costs. The Governor's recommendations include \$7,277,833 in expenditures from the Kansas Endowment for Youth Fund (tobacco money).

Senate Subcommittee Recommendation

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

1. Delete \$311,449, of which \$160,791 is from the State General Fund, based on the decision to delete funding for the Governor's recommended pay plan adjustments. The adjustments consist of \$152,429 for a 2.5 percent step movement for classified employees, \$83,620 for a 2.5 percent unclassified merit pool, and \$75,400 for longevity bonus payments.
2. Do not provide for the reappropriation from FY 2000 to FY 2001 of any savings in general and supplemental general state aid. The effects of this recommendation are the following:
 - a. Estimated savings totaling \$10,872,261 (\$6,846,896 in general state aid and \$4,025,365 in supplemental general state aid)

would lapse at the end of the current fiscal year unless needed to fully fund Base State Aid Per Pupil (BSAPP) of \$3,770. BSAPP in FY 2001 would be \$3,807, as recommended by the Governor, and would be \$13 less than the \$3,820 provided for in current law.

- b. Pursuant to the Governor's recommendation concerning inservice education, and in keeping with policy adopted by the Legislature in recent years, unanticipated savings in general state aid in excess of the amount estimated (currently \$6,846,896) would be transferred to the inservice education program, subject to a limit of \$2.0 million. The effect of this policy would be that up to \$2.0 million would be made available for inservice education, in addition to the recommended appropriation of \$2.6 million.
3. Reduce the required local match for parent education from 75 percent to 65 percent and concur with the Governor's recommendation of a total of \$5,917,333 for the program. It was reported to the Subcommittee that approximately \$100,000 in state aid for the parent education program could not be allocated in the current year because some school districts could not meet the required local match. Reducing the financial burden on school districts to match the state appropriation would ensure that more children and families on the waiting list would be served. Under the Subcommittee's recommendation, it is estimated that an additional 750 children and families could be served.
4. Delete the \$500,000 from the Kansas Endowment for Youth (YES) Fund (tobacco money) recommended by the Governor for the Experimental Wraparound Kansas Project and use the money to fund grants to school districts for learning readiness programs in reading, mathematics, and language arts.
5. Concur with the Governor's recommendation to appropriate \$4.5 million from the KEY Fund for technology infrastructure, but make expenditure of the money contingent upon receiving E-rate discounts from the federal government. The funding would begin the implementation of the KAN-ED proposal, which would link all school districts and 330 libraries to the state's KANS-A-N network and to the Kansas Research Education Network (KANREN). These connections would allow schools and libraries to share electronic publications on a high speed backbone, have access to Internet 2, use data bases in all the state's central computer data centers, and allow sites to communicate with each other. According to the Chief Information Technology Officer for the Executive Branch, the state appropriation of \$4.5 million for FY 2001 could be used to leverage approximately \$4.0 million in E-rate discounts from the federal government,

making a total of \$8.5 million available to install circuits and lines to all school districts and 330 library sites and pay for on-going operating costs. However, it will not be known until later in the year whether the State Department of Education will qualify for E-rate discounts. Therefore, the Subcommittee conditions its recommendation upon approval of the discounts and stipulates that the money cannot be spent unless the State Department obtains discounted telecommunications services through the E-rate subsidy provided by the Federal Universal Service Fund under provisions of the federal Telecommunications Act of 1996.

6. The Subcommittee notes that the State Department of Education currently is engaged in discussions with the State Board of Regents concerning federal funding the state receives under the Carl D. Perkins Vocational and Applied Technology Education Act of 1998. The Kansas Higher Education Reform Act enacted by the 1999 Legislature transferred administration of the program from the State Board of Education to the State Board of Regents. Staff to administer the program, however, remained with the State Department of Education and is engaged in approving secondary vocational education programs. The staff also approves postsecondary vocational education programs for federal funding. Federal law requires that there be only one administrative agency in a state for these funds and the State Board of Education and the State Board of Regents are attempting to work out a Memorandum of Understanding that will recognize the division of responsibility under Kansas law between the two boards for secondary and postsecondary education and provide for the transfer of money between the boards to support their respective activities. Staff whose salaries are paid from the federal funds are strictly limited to activities relating to vocational and technical education, as provided for under the federal law. The Subcommittee calls attention to this matter and is hopeful that the issue will be resolved by the two boards.
7. The Subcommittee wishes to flag the following items for Omnibus consideration should revisions in estimated state revenues prove favorable and additional funding for selected programs become available:
 - a. *General and supplemental general state aid.* Consideration should be given to increasing BSAPP in FY 2001 above the currently-recommended level of \$3,807.
 - b. *Special education.* Consideration should be given to increasing the level of excess costs funded from the 80 percent level currently recommended for FY 2001.
 - c. *Structured mentoring and educational excellence.* Consideration should be given to funding the structured mentoring program and the educational excellence program. The Governor recommends no funding for either program.



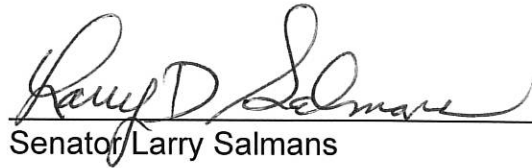
Senator Dave Kerr, Subcommittee Chair

Senator Mark Gilstrap



Senator Barbara Lawrence

Senator Marge Petty



Senator Larry Salmans

Minority Report

We cannot support the majority of the Subcommittee in its decision to concur with the Governor in three key areas - Base State Aid Per Pupil (BSAPP), special education, and KPERS - School. The Governor's recommendation to fund less than the agreed-to amount of \$3,820 for BSAPP in FY 2001 goes back on a commitment the Legislature made last year to bring a measure of stability to school district funding by passing a two year increase of \$50 on the base each year.

Failure to fully fund BSAPP is compounded by a reduction in the level of state support for special education costs under the Governor's recommendation. Under the Governor's proposal for FY 2001 special education funding, the level will drop to 80 percent of excess costs. But the dollars that school districts will have to spend on mandated services are growing, too, and reducing the level of support is a real reduction to the districts. Reducing the level of support for excess costs and not fully funding the BSAPP has twice the impact for many school districts that have to transfer money from their general funds to pay for special education costs. These cuts also fail to take into account the trouble that school districts are already having in recruiting and retaining quality teachers, as well as meeting all other rising educational costs. How do we attract good people to teaching if we are unwilling to adequately fund elementary-secondary education?

The 1999 Legislature passed legislation committing \$50 on the base for FY 2000 and FY 2001 budgets, along with 85% of the excess costs of special education in FY 2000. The impact of the special education cut midway through FY 2000 reduced the \$50 on the base increase by \$4. The action of this committee's decision to only fund a \$37 increase on the base for FY 2001 and only fund special education excess costs at 80% results in a mere \$12 increase in base budget funding for school districts. We are not placing a priority on our promise to fund education at an adequate level of at least \$50 on the base and 85% of special education excess costs. As a reminder to the committee, we did provide multiple sources of funding that could be utilized to cover the costs of the \$50 increase for FY 2001 and providing 85% of special education costs. These options were not utilized by the sub-committee, but should be considered if we are to be consistent with our promise to the school districts of Kansas.

Finally, we believe it is inappropriate to look to the state's retirement system as a place to get money in tight budget years. We have a commitment to retirees that should be honored, especially when these short-term gains have long-term negative consequences.

For these reasons, we cannot support the majority report.


Senator Marge Petty


Senator Mark Gilstrap

SELECTED INFORMATION ON SPECIAL EDUCATION EXPENDITURES--FY 1983 -- FY 2001 (EST.)

Fiscal Year	Total Expenditures for Special Education (In Thousands)	% Change From Prior Year	Special Education Excess Costs At 100.0 % (In Thousands)	% Change From Prior Year	Special Education Categorical Aid (In Thousands)	% Change From Prior Year	Categorical Aid as a Percent of Excess Cost	Teaching Units	% Change From Prior Year	Amount Per Teacher	% Change From Prior Year	Headcount Enrollment	% Change From Prior Year
1983	\$ 118,784	--	\$63,716	--	\$57,440	--	90.1	5,149	--	\$9,580	--	54,296	--
1984	129,361	8.9	69,523	9.1	62,662	9.1	90.1	5,360	4.1	10,135	5.8	53,615	(1.3)
1985	143,097	10.6	78,282	12.6	70,418	12.4	90.0	5,493	2.5	11,210	10.6	52,650	(1.8)
1986	162,035	13.2	93,405	19.3	76,384	8.5	81.8	5,726	4.2	11,855	5.8	52,784	0.3
1987	166,926	3.0	94,007	0.6	76,443	0.1	81.3	5,759	0.6	11,298	(4.7)	54,263	2.8
1988	173,278	3.8	99,797	6.2	89,785	17.5	90.0	5,457 *	(5.2)	14,450	27.9	55,222	1.8
1989	192,199	10.9	108,143	8.4	101,260	12.8	93.6	5,753	5.4	15,440	6.9	55,972	1.4
1990	214,650	11.7	119,626	10.6	113,643	12.2	95.0	6,132	6.6	16,200	4.9	56,599	1.1
1991	239,321	11.5	151,261	26.4	125,562	10.5	83.0	6,463	5.4	16,945	4.6	58,205	2.8
1992	250,529	4.7	157,439	4.1	121,078	(3.6)	76.9	6,568	1.6	15,800	(6.8)	59,569	2.3
1993	281,214	12.2	174,840	11.1	149,026	23.1	85.2	7,097	8.1	18,250	15.5	61,634	3.5
1994	305,736	8.7	190,236	8.8	149,026	0.0	78.3	7,424	4.6	17,400	(4.7)	63,221	2.6
1995	325,609	6.5	212,115	11.5	177,289	19.0	83.6	7,839	5.6	19,675	13.1	65,651	3.8
1996	345,533	6.1	223,370	5.3	185,815	4.8	83.2	8,182	4.4	19,825	0.8	67,387	2.6
1997	363,622	5.2	236,973	6.1	190,393	2.5	80.3	8,591	5.0	19,170	(3.3)	68,992	2.4
1998	389,403	7.1	250,952	5.9	200,848	5.5	80.0	9,004	4.8	19,245	0.4	70,730	2.5
1999	418,349	7.4	256,990	2.4	218,843	9.0	85.2	9,558	6.2	19,815	3.0	72,877	3.0
2000 (est)	454,472	8.6	272,167	5.9	228,759	4.5	84.1	10,008	4.7	19,770	(0.2)	na	na
2001 (est.-Gov. Aid)	483,300	6.3	292,170	7.3	233,736	2.2	80.0	10,358	3.5	19,081	(3.5)	na	na

* Paraprofessionals were counted as 0.5 FTE teaching unit through FY 1987 and as 0.4 teaching unit beginning in FY 1988.

Updated January 28, 2000.

Prepared by Kansas Legislative Research Department and State Department of Education

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Updated January 28, 2000.

Prepared by Kansas Legislative Research Department and State Department of Education

**Possible Revenue Sources
to fund FY 2001 \$50 BSAPP increase
and continue funding Special Education
at 85% of excess costs.**

	FY01
Increase BSAPP by \$13 to \$3820	\$7.7
Increase Special Ed funding to 85% of excess costs	\$14.6
TOTAL Expenditures:	\$22.3

Possible Revenue Options	FY01	FY02
Reinstate Inheritance Tax on Class C recipients	\$6.2	\$14.0
Utilize funds in State Emergency Fund	\$2.0	
Adjustment of Kansas Adjusted Gross Income	\$0.3	
Increase transfer to SGF from EDIF Fund to \$60.0 million	\$10.0	
Recapture EDIF Balance	\$0.8	
1% Cut in Administrative Overhead for Cabinet Level Agencies	\$1.0	
Transfer Grain Inspection Fee Fund to SGF*	\$0.8	
Change Demand Transfers to Revenue Transfers**		
LAVTRF (\$54.3 million x 7.5%)	\$4.0	
CCRSF (\$34.5 million x 7.5%)	\$2.6	
Bond and Interest Aid (\$29.5 million x 7.5%)	\$2.2	
SCCH	\$2.0	
Utilize KDOT revenues in excess of spending for 10 year CTP	\$11.0	
Premium Tax Provisions		
Roll back percent of salaries used as a credit from 30% to 25%	\$5.0	
Roll back salary credit cap on premiums from 1.25% to 1.0	\$6.25	
TOTAL of Additional Revenue Sources:	\$54.15	

* This is an example of transferring fee funds to the SGF. Currently there are over 2000 fee funds that could be looked at as possible revenue sources.

** 7.5% Ending Balance Requirement would be reduced by \$8.8 million total for all three demand transfers change to revenue transfers

Senate Ways and Means Committee

Date *February 3, 2000*

Attachment # *2*