

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION K-12.

The meeting was called to order by Chairperson Ralph Tanner at 9:00 a.m. on March 19, 2002 in Room 313-S of the Capitol.

Committee staff present: Ben Barrett, Legislative Research Department  
Jill Wolters, Revisor of Statutes  
Ann Deitcher, Committee Secretary

Conferees appearing before the committee: Representative John Ballou  
Marvin Estes, Supt. USD 465 - Winfield  
Fred Kaufman, Supt. USD 489 - Hays  
Diane Gjerstad, Wichita Public Schools  
Mark Tallman, KASB  
Dale Dennis, KSDE

**HB 3020 - Allowing school districts to transfer unencumbered funds to the general fund; funds not considered local effort.**

Representative Ballou appeared before the Committee in support of **HB 3020**, a bill he designed. (Attachments 1 and 2).

Dale Dennis and Ben Barrett answered questions of the Committee regarding **HB 3020**.

Marvin Estes spoke to the Committee as an opponent to **HB 3020**. (Attachment 3).

Fred Kaufman, appeared in opposition of **HB 3020**. (Attachment 4).

Diane Gjerstad appeared as an opponent of **HB 3020**. (Attachment 5).

Mark Tallman explained the Association of School Board's opposition to **HB 3020**. (Attachment 6).

Written testimony from Rob Little, Superintendent of USD 340 was distributed. It was in opposition of **HB 3020**. (Attachment 7).

The hearing on **HB 3020** was closed.

The Chair suggested that **HB 3020** be carried over and considered in terms of action when **SB 409** is considered.

The meeting was adjourned at 10:45 a.m. The next meeting is scheduled for Wednesday, March 20, 2002.

\*\*\*\* STATE TOTALS \*\*\*\*

FUND DESCRIPTION	2000 BALANCES	2001 BALANCES
GENERAL	1,895,905	4,437,970
SUPPLEMENTAL GENERAL	10,756,503	14,945,120
ADULT EDUCATION	931,235	1,323,747
ADULT SUPPLEMENTAL EDUCATION	239,873	368,159
BILINGUAL EDUCATION	0	0
CAPITAL OUTLAY	230,355,216	236,676,186
DRIVER TRAINING	4,606,740	5,093,545
EDUCATIONAL EXCELLENCE GRANT	110,279	101,307
EXTRAORDINARY SCHOOL PROGRAM	231,480	478,816
FOOD SERVICES	31,098,069	31,029,580
INSERVICE EDUCATION	6,379,181	6,533,666
PARENT EDUCATION PROGRAM	793,598	847,030
SUMMER SCHOOL	3,933,657	4,327,122
SPECIAL EDUCATION	82,518,977	86,148,106
TECHNOLOGY EDUCATION	176,567	102,519
TRANSPORTATION	0	0
VOCATIONAL EDUCATION	0	0
AREA VOCATIONAL SCHOOL	8,818,199	9,208,278
JUDGEMENTS	0	0
SPECIAL LIABILITY EXPENSE	0	0
SCHOOL RETIREMENT	105,276	120,859
EXRTAORDINARY GROWTH FACILITY	0	0
DISABILITY INCOME BENEFIT RES	1,582,464	1,452,116
HEALTH CARE SERVICES RESERVE	12,609,441	12,195,826
GROUP LIFE INSURANCE RESERVE	0	0
RISK MANAGEMENT RESERVE	2,613,689	2,346,660
SCHOOL WORKERS COMP RESERVE	15,104,859	13,333,194
CONTINGENCY RESERVE	40,580,670	39,622,962
STUDENT MATERIAL REVOLVING	2,090,326	2,036,318
TEXTBOOK RENTAL	13,792,466	16,235,118
BOND AND INTEREST (USD)#1	98,562,939	113,129,590
BOND AND INTEREST (USD)#2	2,746,486	4,063,146
NO-FUND WARRANTS	0	0
SPECIAL ASSESSMENT	1,551,624	1,968,244
TEMPORARY NOTES	0	0
COOP SPECIAL EDUCATION	13,101,389	13,743,564
DISTRICT TOTAL	587,287,173	627,358,958

TOTAL PAYMENTS FOR FY

STATE TOTALS

House Education Committee

Date: 3/19/02

Attachment # 1-1

STATE OF KANSAS  
HOUSE OF  
REPRESENTATIVES



*News Release*

FOR IMMEDIATE RELEASE  
March 7, 2002

CONTACT: Jessica Bourquin  
(785) 296-1211

**BALLOU PRESENTS LEGISLATION WHICH WOULD  
PROVIDE \$432 MILLION TO KANSAS SCHOOLS**

TOPEKA — House Assistant Majority Leader John Ballou (R-Gardner) presented K-12 school finance information today and proposed legislation which would allow school districts the ability to release their unencumbered state monies from specific accounts to be used in the school district's general fund.

“The information I have shows that the State of Kansas has adequately funded K-12 education,” Representative Ballou stated. “However, we may have tied the hands of school districts by stipulating where and when they can spend the money we give them.”

Ballou displayed a bar graph which demonstrates the total amount of statewide per pupil K-12 spending from the 1989-1990 school year through the 2000-2001 school year. The bar graph shows the total amount of expenditures per pupil by source of funding: total expenditures, state aid, local revenue and federal aid. The chart then compares the total expenditures with the amount per pupil if it was only adjusted by the Consumer Price Index - Urban (CPI-U). The CPI is the most widely used measure of inflation and is sometimes viewed as an indicator of the effectiveness of government economic policy. As shown in the graph, the state has increased total expenditures per pupil by more than the CPI over the last eleven years.

Representative Ballou then presented information regarding the amount of unencumbered monies Kansas school districts currently have in their accounts. Kansas schools have over \$432 million in unencumbered money in their school district funds. As explained by the Kansas Department of Education through a memorandum, some of the school district funds are allowed carry over each year and other funds must be used. Each school district fund has specific purposes which many times limits the use of the money by the school district.

“This information demonstrates Kansas schools have money in their reserves that may be used during budget shortfalls,” Ballou commented. “School districts should be able to use these state

monies to fill holes in their budget. For this reason, I will introduce legislation which would give school districts the ability to release their unencumbered state monies from specific accounts and transfer them to their general fund.”

Representative Ballou also presented information on state and federal mandates that apply to Kansas unified school districts. In addition, Ballou shared information on the state school district finance formula.

Ballou represents the 43rd District of the Kansas House. For the 2001-2002 legislative session, Representative Ballou was elected by his colleagues to serve as House Assistant Majority Leader.

- end -

# HOUSE BILL No. 3020

By Committee on Appropriations

3-12

Rep. Ballou  
Proposed amendment  
3-19-02

House Education Committee

Date: 3/19/02

Attachment # 2-1

9 AN ACT concerning schools; relating to the general fund of districts;  
10 amending K.S.A. 72-6429, 72-8801 and 72-8804 and K.S.A. 2001 Supp.  
11 72-6410 and repealing the existing sections.

12  
13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 2001 Supp. 72-6410 is hereby amended to read as  
15 follows: 72-6410. (a) "State financial aid" means an amount equal to the  
16 product obtained by multiplying base state aid per pupil by the adjusted  
17 enrollment of a district.

18 (b) "Base state aid per pupil" means an amount of state financial aid  
19 per pupil. Subject to the other provisions of this subsection, the amount  
20 of base state aid per pupil is \$3,870. The amount of base state aid per  
21 pupil is subject to reduction commensurate with any reduction under  
22 K.S.A. 75-6704, and amendments thereto, in the amount of the appro-  
23 priation from the state general fund for general state aid. If the amount  
24 of appropriations for general state aid is insufficient to pay in full the  
25 amount each district is entitled to receive for any school year, the amount  
26 of base state aid per pupil for such school year is subject to reduction  
27 commensurate with the amount of the insufficiency.

28 (c) "Local effort" means the sum of an amount equal to the proceeds  
29 from the tax levied under authority of K.S.A. 72-6431, and amendments  
30 thereto, ~~and an amount equal to any unexpended and unencumbered~~  
31 ~~balance remaining in the general fund of the district, except amounts~~  
32 ~~received by the district and authorized to be expended for the purposes~~  
33 ~~specified in K.S.A. 72-6430, and amendments thereto, and an amount~~  
34 ~~equal to any unexpended and unencumbered balances remaining in the~~  
35 ~~program weighted funds of the district, except any amount in the voca-~~  
36 ~~tional education fund of the district if the district is operating an area~~  
37 ~~vocational school, and an amount equal to any remaining proceeds from~~  
38 ~~taxes levied under authority of K.S.A. 72-7056 and 72-7072, and amend-~~  
39 ~~ments thereto, prior to the repeal of such statutory sections, and an~~  
40 ~~amount equal to the amount deposited in the general fund in the current~~  
41 ~~school year from amounts received in such year by the district under the~~  
42 ~~provisions of subsection (a) of K.S.A. 72-1046a, and amendments thereto,~~  
43 ~~and an amount equal to the amount deposited in the general fund in the~~

2-2

1 ~~the~~ school year from amounts received in such year by the district  
 2 ~~pursuant to contracts made and entered into under authority of K.S.A.~~  
 3 ~~72-6757, and amendments thereto, and an amount equal to the amount~~  
 4 ~~credited to the general fund in the current school year from amounts~~  
 5 ~~distributed in such year to the district under the provisions of articles 17~~  
 6 ~~and 34 of chapter 12 of Kansas Statutes Annotated and under the pro-~~  
 7 ~~visions of articles 42 and 51 of chapter 70 of Kansas Statutes Annotated;~~  
 8 ~~and an amount equal to the amount of payments received by the district~~  
 9 ~~under the provisions of K.S.A. 72-070, and amendments thereto, and an~~  
 0 ~~amount equal to the amount of a grant, if any, received by the district~~  
 1 ~~under the provisions of K.S.A. 2001 Supp. 72-083, and amendments~~  
 2 ~~thereto; and an amount equal to 75% of the federal impact aid of the~~  
 3 ~~district.~~

4 (d) "Federal impact aid" means an amount equal to the federally  
 5 qualified percentage of the amount of moneys a district receives in the  
 6 current school year under the provisions of title I of public law 874 and  
 7 congressional appropriations therefor, excluding amounts received for as-  
 8 sistance in cases of major disaster and amounts received under the low-  
 9 rent housing program. The amount of federal impact aid defined herein  
 10 as an amount equal to the federally qualified percentage of the amount  
 11 of moneys provided for the district under title I of public law 874 shall  
 12 be determined by the state board in accordance with terms and conditions  
 13 imposed under the provisions of the public law and rules and regulations  
 14 thereunder.

15 Sec. 2. K.S.A. 72-6429 is hereby amended to read as follows: 72-  
 16 6429. ~~(a) Notwithstanding any other provision of law, in each school year,~~  
 17 ~~any board may transfer to its general fund from: (a) Any fund to which~~  
 18 ~~transfers from the general fund are authorized an amount not to exceed~~  
 19 ~~an amount equal to the amount transferred from the general fund to any~~  
 20 ~~such fund in the same school year any unexpended and unencumbered~~  
 21 ~~balances which are moneys received from the state; or~~

22 ~~(b) any unexpended or unencumbered balances which are moneys~~  
 23 ~~derived from taxes levied on and after July 1, 2002, pursuant to article 88~~  
 24 ~~of chapter 72, of the Kansas Statutes Annotated, and amendments thereto,~~  
 25 ~~for general education purposes. The provisions of this section shall not~~  
 26 ~~apply to any moneys in any fund which is federal impact aid.~~

27 ~~(b) The provisions of this section shall take effect and be in force~~  
 28 ~~from and after July 1, 1992.~~

29 Sec. 3. K.S.A. 72-8801 is hereby amended to read as follows: 72-  
 30 8801. (a) The board of education of any school district may make an  
 31 annual tax levy at a mill rate not to exceed the statutorily prescribed mill  
 32 rate for a period of not to exceed five years upon the taxable tangible  
 33 property in the school district for the purposes specified in this act and

1 election to be held to submit the question of whether the tax levy shall  
 2 be authorized. If the board of education fails to notify the county election  
 3 officer within 60 days after a petition is filed, the resolution shall be  
 4 deemed abandoned and no like resolution shall be adopted by the board  
 5 of education within the nine months following the first publication of the  
 6 resolution.

7 (b) As used in this act:

8 (1) "Unconditionally authorized to make a capital outlay tax levy"  
 9 means that the school district has adopted a resolution under this section,  
 10 has published the same, and either that the resolution was not protested  
 11 or that it was protested and an election has been held by which the tax  
 12 levy specified in the resolution was approved;

13 (2) "statutorily prescribed mill rate" means four mills or the mill rate  
 14 necessary to produce the same amount of money that would have been  
 15 produced by a levy of four mills in the 1988-89 school year;

16 (3) "asbestos control project" means any activity which is necessary  
 17 or incidental to the control of asbestos-containing material in buildings  
 18 of school districts and includes, but not by way of limitation, any activity  
 19 undertaken for the removal or encapsulation of asbestos-containing ma-  
 20 terial, for any remodeling, renovation, replacement, rehabilitation or  
 21 other restoration necessitated by such removal or encapsulation, for con-  
 22 ducting inspections, reinspections and periodic surveillance of buildings,  
 23 performing response actions, and developing, implementing and updating  
 24 operations and maintenance programs and management plans;

25 (4) "asbestos" means the asbestiform varieties of chrysotile (serpen-  
 26 tine), crocidolite (riebeckite), amosite (cummingtonitegrunerite), antho-  
 27 phyllite, tremolite, and actinolite; and

28 (5) "asbestos-containing material" means any material or product  
 29 which contains more than 1% asbestos.

30 Sec. 4. K.S.A. 72-8804 is hereby amended to read as follows: 72-  
 31 8804. Any moneys in the capital outlay fund of any school district and any  
 32 moneys received from issuance of bonds under K.S.A. 72-8805 or 72-  
 33 8810, and amendments thereto, may be used for the purpose of the ac-  
 34 quisition, construction, reconstruction, repair, remodeling, additions to,  
 35 furnishing and equipping of buildings necessary for school district pur-  
 36 poses, including housing and boarding pupils enrolled in an area voca-  
 37 tional school operated under the board of education, architectural ex-  
 38 penses incidental thereto, the acquisition of building sites, the  
 39 undertaking and maintenance of asbestos control projects, the acquisition  
 40 of school buses and the acquisition of other equipment. *Any moneys in*  
 41 *the capital outlay fund of any school district may be used for the general*  
 42 *education purposes of the school district* ~~if the moneys derived from the~~  
 43 ~~fund have been authorized for such use.~~ The board of education of any

March 19, 2002

Dr. Ralph Tanner, Chairman

House Education Committee

RE: House Bill 3020

My name is Marvin Estes. I am the Superintendent of USD 465 in Winfield. I am here to testify in opposition to HB 3020. Although I understand the effort of the author to make funding available for schools, the following concerns explain my opposition to this bill.

1. The provisions of the bill are neither fair nor equitable. Many schools have large reserve funds up to 4% of their budgets. Others have very small reserve funds. My district carried over \$30,000 in contingency reserve funds and less than \$10,000 in capital outlay. A nearby district of similar size carried over \$400,000 in reserve funds and several hundred thousand in capital outlay.

2. Not all reserve funds are controlled by the state and are therefore not available for discretionary use by schools. Grant money, special education funds, federal entitlement programs, just to name a few, are all restricted to specific uses and are therefore, off limits.

3. This bill is a one time fix and not a long term solution for education.

Capital outlay funds are levied from local tax payers for capi<sup>t</sup>

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improvements. Contingency reserve funds are established for “unforeseen emergencies.” To use these funds to supplement an under funded general fund budget weakens the financial infrastructure of every district.

4. Making the reserve funds a part of the general fund may make them vulnerable to the negotiations process and threatens the use of those funds for their intended purpose.

My district has maximized its LOB at 25%. Obviously, we are pressed to use every education dollar wisely. We often do not know what funds are available until May and do not know the total effect of statutory changes until June. This makes planning and informed decision making extremely difficult. We need consistent, long term, and adequate funding sources not short term fixes that must constantly be modified or replaced. HB 3020 does not provide needed consistent funding. It simply moves funds from one critical funding area to another creating a potential crises in other areas of the budget.

On behalf of colleagues and students, I thank you for the opportunity to testify against HB 3020.

A handwritten signature in black ink that reads "Marvin R. Ester". The signature is written in a cursive style with a large, stylized initial 'M' and a flourish at the end.

# Testimony in Opposition to House Bill 3020

March 19, 2002

Fred Kaufman, Superintendent  
Unified School District No. 489, Hays

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I am testifying today on behalf of Schools For Fair Funding. Schools For Fair Funding is an organization of 15 mid size school districts with a total enrollment of about 40,000 students.

We are opposed to House Bill 3020 for two reasons. We are opposed because these funds were raised and initially dedicated to some other stated purpose. If they are special education funds they should be used for special education. We are also concerned because the use of balance is only a one-year solution. Once the fund balances are gone, they are gone.

Perhaps a greater concern for us is that the use of a balance is no solution for us because we in general have no balances.

The inequities in the funding formulas have kept us from accumulating balances. I did a study indicating cash balance per pupil. Clearly, the result was the smaller the district the greater the per-pupil cash balance. This legislation would help those who need it the least and do nothing for those who need it the most.

Our audit report at the end of last year indicated the following balances:

- General fund \$440.
- Supplemental fund \$71,922. We can't use it. It will come off next year's levy.
- Capital outlay \$162,000. It will be gone at the end of the year.
- Extra School Programs \$36,465 primarily for fees collected to operate after school programs.
- Food Service \$248,000. We have not transferred any funds to food service for two years. Food service needs a balance to start the year.
- Coop Special Education \$769,000. These funds belong to 4 school districts. We need to maintain a balance to prevent sharp changes.
- Contingency Fund. We have never been able to have one.

Transferring balances is not a solution for us. Thank you for your attention.

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**House Education Committee**  
Representative Ralph Tanner, Chairman

March 18, 2002

Mr. Chairman, and members of the committee:

The Wichita Public Schools would like to raise several concerns with H.B. 3020.

This bill is based on the premise that “ending balances” are analogous to savings. Ending balances are not savings – they are funds already pledged for use. These funds simply overlap into two fiscal years, thus the moniker “balance ending the year”. Not unlike using December’s paycheck to pay your January mortgage.

Funds have balances at the end of the fiscal year generally for one of the following reasons:

- Late tax distributions – May or June tax distributions are carried forward into the next fiscal year. Our district general fund carry forward of \$974,470 ends up being a deduction from the next year’s state aid, which saves money for the state general fund.
- Covering expenses during the summer and to start up the new school year. For example special education needs enough to cover extended school session for kids with IEP’s requiring a longer school year and the special ed budget needs to cover salaries until the next state aid distribution in October. And let me add that Wichita transfers over \$20M from regular ed into special ed to cover the annual funding shortfall.
- Restricted federal programs – for example, food service funds are strictly regulated solely for the federal school lunch program. Another quirk with federal funds is the separate fiscal year. Medicaid funds have been unreliable, sometimes taking 18 months to recover.
- Restricted tax levies – funds collected from specific tax levies are limited by law and court decisions for that specific purpose, such as capital outlay, bond & interest, and adult education. In addition, often capital outlay accounts are purposefully built up over time to cover major projects.

Contingency reserve funds are the exception to the above. These funds are somewhat like the state’s ending balances. Wichita has only 2.25% which raised concerns from the bond houses who rated the district’s \$284.5M bond issue. Moody’s report on Wichita observes the district has “...sound financial operations despite statutory constraints on reserves.” Moody’s guidelines\* states “Moody’s likes to see a General Fund balance sufficient to address *normal* contingencies which, as a general guideline, is typically *between* 5-10% of annual revenues.” Once spent contingency reserves will be slow to be rebuilt given the current fiscal issues facing the state.

Mr. Chairman, while we appreciate the attempt to help schools solve a portion of the fiscal woes we now face, this bill is not going to solve any problems. Dollars can only be spent once. Transferring dollars into a different account will simply not free up money already obligated.

Thank you for considering our concerns on H.B. 3020.

\* Moody’s Investors Service: Municipal Credit Research “The Determinants of Credit Quality”, November 1999

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Attachment # 5

KANSAS  
ASSOCIATION



OF  
SCHOOL  
BOARDS

1420 SW Arrowhead Road • Topeka, Kansas 66604-4024  
785-273-3600

Testimony on  
**HB 3020 (School District Funds)**  
Before the  
House Committee on Education

By

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

March 19, 2002

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to comment on HB 3020. I am also representing the Kansas National Education Association in testimony today. We appreciate the bill's goal of providing school districts with additional budget flexibility. However, on close examination of the three major components of this bill, we believe that two would offer little additional flexibility and the third would create major inequities in school funding.

First, section 1 of the bill makes two changes to current law. It changes the definition of local effort to exclude certain local revenue sources. As we understand the impact of this change, it would actually cost the state more money because these funds would no longer be deducted from general state aid. On the other hand, the bill would deduct all federal impact aid, which would reverse a change made by the Legislature several years ago. It does not appear to us that either of these changes would have a significant impact on the overall amount of revenue available for districts, but the changes would certainly have an unequal impact on districts.

Second, section 2 (a) of the bill would allow school boards to transfer from any fund to the district general fund "any unexpended and unencumbered balances which are moneys received from the state." KASB has already testified in support of SB 409, which would allow school boards more flexibility in the use of contingency reserve funds. In the case of most other funds, KASB does not believe that this section would have any major impact because districts place in those funds money that is needed to operate those programs. School districts already have the flexibility to transfer money into these as needed. If money is transferred back to the general fund because of a budget shortfall, it simply creates a shortfall in other funds.

If a school board believes that less money will be needed in a particular fund, or if balances are too high, it can reduce the transfers to these funds in next year's budget. Therefore, it is not that we object to this provision; we simply want to make clear that it will not free up any significant amount of funding for general educational purposes.

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We would also point out the bill, as written, does not seem to provide school districts with additional budget authority to spend money transferred back into the general fund, so there would not be financial benefit to doing so. General fund expenditures would continue to be limited by the base budget per pupil.

Third, section 2 (b), and sections 3 through 5 would have the effect of allowing districts in the future to use capital outlay funds for general educational purposes. The bill recognizes that capital outlay funds that have been raised in the past cannot constitutionally be used for purposes other than capital outlay. However, it seems to us that the changes proposed in this bill would essentially eliminate capital outlay as a separate fund. Why have a "capital outlay" fund if those revenues can be used for general education purposes.

Because the limits on the mill levy rate for capital outlay have been suspended by the Legislature, this change would provide an unlimited, unequalized fund for school districts to use for any purpose. This means that property-wealthy districts could in the future dramatically expand funding available from local property taxes at relatively low rates, while poor districts could raise relatively little from the capital outlay fund and be forced to levy a much higher mill rate. This is, of course, a problem with the current capital outlay fund, which is why KASB supports creating a state aid program to equalize capital outlay. But the unfairness of the current levy would be magnified if these funds were allowed to supplement expenditures from the general operating funds of school districts.

In reality, what this means is that if the base budget per pupil is reduced for all districts, wealthy districts that can adopt the new resolution proposed in this bill would offset those reductions with relative ease, while poor districts would have to absorb all or most of those reductions. In either case, the use of this provision would likely entail an increase in local property taxes, or a reduction in capital outlay funding.

Instead of this approach, we would suggest that the Legislature raise the statewide mill levy by some amount to help all districts offset reductions in the base. Local school boards and their patrons could decide whether to reduce the capital outlay levy if the statewide levy is increased.

Finally, we want to stress that school district July 1 balances are not simply "left over" cash that districts are saving. Except for the capital outlay fund, which has always been designed to accumulate over time and be spent as necessary, most other funds carry balances because the money is needed to operate programs until state aid payments arrive, or is the result of state or local payments that must be held until an expenditure is due. The major exception is the contingency reserve fund. We have already testified in favor of increasing the ability of local boards to use that fund.

School districts carry cash balances for the same reason the state requires a 7.5 percent ending balance to accommodate revenue shortfall and to manage cash flow. If schools are expected to use these balances to get them through the current state fiscal crisis, they will be using one-time funds that must be replaced. Also, school districts are rightly concerned that they cannot count on the state being on time for its payments. Within the past six months, general state aid was delayed, paid only partially, or both, in both December and March. The March 15 special education payment was missed. Given this fact, it is certainly prudent for districts to attempt to maintain some cash on hand.

Thank you for your consideration.

## Notes on School District Balances

**General Fund.** Any balances generally are a result of late tax payments. If school districts were allowed to keep, or forced to spend these funds, it would simply increase state aid in the next year, because currently these funds are deducted from state aid.

**Supplemental General Fund.** These are unspent funds raised from the local option budget. (Any state aid must be refunded to the state.) Balances are used to reduce the required levy the next year.

**Adult Basic Education and Adult Supplemental Education.** Part of this money is raised through local property taxes and cannot be used for other purposes; another source is student fees. These funds must be on hand at the beginning of the school year to fund the program until future property tax receipts or other revenues are received.

**Bilingual, Transportation and Vocational Education.** These funds are normally spent to zero. Any carryover is transferred to the general fund and becomes part of local effort, which reduces state aid the next year.

**Capital Outlay.** This is the largest single balance. Most of these funds are raised by the local capital outlay levy and cannot be used for purposes other than capital outlay, because that is why the capital outlay levy was authorized. Districts build up balances for emergencies, for long-range planning and to avoid the need for bond issues. If local voters believe the amount in these funds is excessive, they can force a vote on the capital outlay levy.

**Driver's Training.** Most of this money is revenue from the state safety fund, student fees or a small amount of transfers from the general or supplemental general funds to subsidize the cost of these programs. Balances are high to cover the cost of summer programs and to pay the cost of the program until the state aid payment is made in November.

**Extraordinary School Program.** These funds include student fees for classes and special programs outside the regular school day. Most districts do not have this fund. It was created at the request of Shawnee Mission.

**Food Service.** School districts maintain a relatively large balance in this fund because the primary sources of revenue, federal aid and student meal charges, are not available at the beginning of the year. Federal reimbursement does not begin until October. It is not surprising, therefore, that the balance is equal to about 20 percent, when the fiscal year is about 25 percent complete. (Obviously, districts with more free-lunch eligible children will need larger balances because they receive less revenue from fees.)

**Inservice Education.** School districts maintain relatively high balances in this fund because a high percentage of the cost of this program is expended for teacher programs at the beginning of the year. State inservice payments are not made until February.

**Summer School.** Predictably, districts have a high percentage of the summer school budget on hand July 1 because most costs occur during the summer.

**Special Education.** School districts do not receive the first state payment for special education until October 15, which means they must have cash on hand to operate for four-and-a-half months, approximately one-third of the year. As a result, a 29 percent balance in not unreasonable. Districts may also budget some additional funds in this account because special education costs are very hard to anticipate. In many districts, a single "high cost" student can have a significant impact on the special education budget.

**Bond and Interest Aid.** These funds are the result of June tax distributions and must be on hand for fall bond payments. These funds could not be used for any other purpose.

**Other Funds.** Most other funds with any significant balances are for specific programs for which districts need reserves. These include health care, disability income, risk management. There are also small balances in funds such as student material and textbook rental.

  
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## HB 3020: School District Unencumbered Funds Transfer

Testimony presented before the House Education Committee  
by  
Rob Little, Superintendent of Schools, USD 340, Jefferson West  
On behalf of  
United Schools Administrators of Kansas  
March 19, 2002



Kansas Association of  
Elementary  
School Principals  
(KAESP)

Kansas Association of  
Middle School  
Administrators  
(KAMSA)

Kansas Association of  
School Administrators  
(KASA)

Kansas Association of  
School Business  
Officials  
(KASBO)

Kansas Association for  
Supervision and  
Curriculum Development  
(KASCD)

Kansas Association of  
Special Education  
Administrators  
(KASEA)

Kansas Association of  
Secondary School  
Principals  
(KASSP)

Kansas Council of  
Vocational  
Administrators  
(KCVA)

Kansas School  
Public Relations  
Association  
(KanSPRA)

Chairman Tanner and Members of the House Education Committee

I am Rob Little, superintendent of the Jefferson West schools. I represent United School Administrators and am thankful for the opportunity to express concerns regarding the bill under consideration.

HB 3020 establishes that school districts may transfer unexpended and unencumbered balances in the capital outlay fund to the general fund. I have four major concerns with such a development.

First, it sets the stage for Boards of Education to risk further abuse from constituents regarding the increased reliance on the property tax for general operations. The pressures already felt through the local option budget would be magnified through the use of building repair program funds being used for operations since there would be even less State participation in the funding.

Second, HB 3020 encourages a general public perception that taxes raised for a certain purpose may be expended for another.

Third, the proposed budget format accompanying the recent LPAC report regarding school district budgets makes two references to the use of capital outlay funds, and both times the document suggests those funds should not be mixed with general operating funds.

Finally, the greater reliance on local property taxes continues to expand the differences between districts with property wealth and those without. Further dependence on this approach increases inequities between the efforts of different districts for their students.

Thank you for your time and attention. I am happy to stand for questions should you wish. We appreciate the opportunity to offer these comments regarding HB 3020.

House Education Committee

Date: 3/19/02

Attachment # 7