

MINUTES OF THE SENATE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairperson Dwayne Umbarger at 1:38 p.m. on February 11, 2002 in Room 123-S of the Capitol.

All members were present except: Senator Hensley (excused)

Committee staff present: Ben Barrett, Legislative Research  
Theresa Kiernan, Revisor of Statutes  
Dale Dennis, Deputy Commissioner of Education  
Judy Steinlicht, Secretary

Conferees appearing before the committee: Tim Rooney, Shawnee Mission School District  
Sharon Zoellner, Desoto School District  
Mark Tallman, KASB

Others attending: See Attached List

A motion was made by Senator Schodorf to approve the minutes for February 5, February 6, February 7, 2002. Seconded by Senator Corbin. Motion carried.

**SB503--School districts; capital outlay fund; utilities**

Tim Rooney, Shawnee Mission School District, testified in support of **SB503**. Mr Rooney gave a background of the ways the school district has adjusted and made cuts and changes over the years to balance their budget. By allowing utility costs to be paid from the capital outlay fund, the district may avoid approximately \$7 million of budget reductions. They acknowledge that this is dis-equalizing, but the bill gives the district some flexibility to provide additional resources to the district. They would urge passage of **SB503**. (Attachment 1)

Sharon Zoellner, Desoto School District, testified in opposition of **SB503**. The Desoto School District and other districts listed in her testimony are concerned that depleting capital outlay funds for operating expenses will only delay the tremendous financial impact for school districts as the state funding deteriorates. Other concerns with the method of funding include; many districts not having adequate balances in their capital fund to support such expenditures; perpetuating the dis-equalization of funding for districts across the state; and the possibility of losing this funding when it is time to renew the capital outlay resolution. (Attachment 2)

Discussion and questions followed Mr. Rooney and Dr. Zoellner's testimony.

Mark Tallman, KASB, testified in opposition of **SB503**. KASB believes that by allowing districts to use capital outlay funds to pay for utility services, the bill could provide some districts with a way to ease the pressure on their inadequate general operating budgets. However, KASB opposes the bill because it would have a tremendous inequitable impact on different districts. KASB would encourage the Committee to support legislation that would help all districts provide a suitable, high quality education for every child through the base budget. KASB supports legislation recommended by the Governor's K-12 task force from a year ago for a system of state equalization aid for capital outlay in the same manner as the local option budget or bond and interest aid. (Attachment 3)

The meeting was adjourned at 2:05 p.m.



My name is Tim Rooney and I'm the Manager of Budget and Finance for the Shawnee Mission School District. I am here to speak in support of SB 503.

The base state aid per pupil increased less than 1% per year since the new finance formula was put in place. This is well short of the increased costs the district has experienced.

In the early years of the new formula, the district was able to augment the base aid with increased local option budget authority. Much of the 25% capacity was used in the first year because the base aid was set lower than the district's existing per pupil expenditure. The district also applied interest revenue, previously allocated to the capital outlay funds, to operations. In later years, correlation and at-risk weighting were increased. These revenue enhancements allowed the district to meet its increased operational costs despite the low base state aid increases.

During this time, the district also tightened expenditures by budgeting for recapture. Recapture of budgeted expenditures occurs when employee retirements take place and a position is filled with a person having a lower salary. It could also happen if a budget manager spends less than their assigned budget. Rather than have these budget savings fall out at the end of the year, the district anticipates these savings at the beginning of the year. The net effect is that expenditures are allowed to increase by the anticipated amount of recapture.

The additional revenue enhancements and tighter budget controls helped the district deal with the low base state aid increases. These cards have all now been dealt. The local option budget is at its maximum. Correlation weighting has not been increasing. Interest revenue is going down as interest rates are lower. The district has no control over the revenue side of its budget and enrollment declines make the situation even worse. The only remaining card the district has to play in order to balance the budget is expenditure reductions.

For 2001-02, the district reduced budgets by \$6 million and closed two schools to save \$1.5 million more. For 2002-03, another list of reductions was presented to the school board totaling \$7.3 million and it appears that a third major reduction of \$8 million may be necessary in 2003-04 depending upon state funding. Cuts of this magnitude will have a significant effect on the services provided by the district.

The recent school board budget meeting had 400 patrons in attendance. They expressed their anger that state law would force these changes. They are willing to support their schools and don't want the current state shortfall to result in a dismantling of district programs. They are also upset that a large share of the general fund resources are generated in Johnson County, yet inadequate funding means they have to accept less.

It is against this backdrop that I support this bill. By allowing utility costs to be paid from the capital outlay fund, the district may avoid approximately \$7 million of budget reductions.

Yes, this is disequalizing. I hope this is only a stop-gap measure. With the state facing unprecedented deficits, we don't expect to receive significant increases. In fact, we are making plans for the possibility of significant cuts in funding. This bill gives the district some flexibility to provide additional resources to the district.

The long-term answer is better funding for schools. There have been many articles showing how manufacturing companies have been able to achieve more efficiency in their production processes by incorporating technology. This has allowed them to produce their product without an increase in their price by replacing human capital with machines. Some would say that school districts should find similar efficiencies in their budgets. If they could, the budget per pupil could remain constant. This assumption seems to be reflected in the low base state aid increases district have received.

The Shawnee Mission School District invests 87% of its budget in salaries and benefits. Most of this goes toward teachers and support personnel in school buildings. They cannot be replaced by computers. To attract and retain quality staff means annual increases in their pay consistent with other employers. A strong argument could also be made that these salaries should be raised even higher to attract those who choose other professions. A \$50 increase on the base falls well short of the amount needed to just maintain current educational programs.

Therefore I urge you to pass SB503 now so we can avoid a further erosion of our educational programs while the state recovers from its deficit. I would also urge you to provide cost of living increases in the base state aid in future years.





**D E S O T O**

**UNIFIED SCHOOL DISTRICT 232**

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**Dr. Sharon Zoellner  
Deputy Superintendent**

February 11, 2002

*Sharon Zoellner*

To: Members of the Senate Education Committee  
From: Sharon Zoellner, Deputy Superintendent  
Re: Testimony on Senate Bill 503

Thank-you Chairman Umbarger and members of the committee for permitting me time to address the committee regarding Senate Bill 503. I am speaking on behalf of a number of districts that are opposed to this legislation.

There is deep concern that depleting capital outlay funds for operating expenses will only delay the tremendous financial impact for school districts as state funding deteriorates. Other concerns with this method of funding include:

1. Many districts not having adequate balances in their capital fund to support such expenditures;
2. Perpetuating the dis-equalization of funding for districts across the state;
3. The possibility of losing this funding when it is time to renew the capital outlay resolution.

Other districts that share similar concern about this bill include:

Kansas City, KS USD 500	Piper USD 203	Turner USD 202
Bonner Springs USD 204	Seaman USD 345	Derby USD 260
Wichita USD 259		

Thank-you for the opportunity to speak with you about this issue. Putting this bill into place would continue to place the burden of school funding at the local level rather than at the state level as constitutionally mandated.

*Senate Education  
2-11-02  
Attachment 2*

KANSAS  
ASSOCIATION



OF  
SCHOOL  
BOARDS

1420 SW Arrowhead Road • Topeka, Kansas 66604-4024  
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Testimony on  
**SB 503** – Use of Capital Outlay Fund for Payment of Utilities  
Before the  
Senate Committee on Education

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

February 11, 2002

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to offer comments on SB 503. By allowing districts to use capital outlay funds to pay for utility services, this bill could provide some districts with a way to ease the pressure on their inadequate general operating budgets. However, we must oppose this bill because it would have a tremendously inequitable impact on different districts.

The capital outlay fund is the only major part of the current school finance system that is completely “unequalized,” which means it is based entirely on what can be raised through a local property tax levy. According to a report from the KASB research department, approximately 20 districts can raise more than \$100 per pupil for each one mill levy, some several times that amount. Another 70 can raise between \$50 and \$100 per pupil for one mill. On the hand, about 30 districts would raise less than \$25 per pupil. Some districts do not even have a capital outlay levy, which voters can defeat through a protest petition.

The result is that high valuation districts would be able to easily shift the cost of utilities to capital outlay and still have considerable money left in the fund for capital costs, while this option would offer much less benefit to lower wealth districts. If the Legislature decides to take this step, why limit it to utility costs? The same logic could be extended to all costs, including salaries, related to building maintenance. In fact, because school buildings are only constructed to support school programs, why not allow any expense to be paid from capital outlay?

KASB encourages this Committee to support legislation that would help all districts provide a suitable, high quality education for every child through the base budget. This bill does not advance that goal. As far as capital outlay is concerned, KASB supports legislation recommended by the Governor’s K-12 finance task force from a year ago for a system of state equalization aid for capital outlay in the same manner as the local option budget or bond and interest aid.

Thank you for your consideration.

*Senate Education  
2-11-02  
Attachment 3*