

MINUTES OF THE SENATE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairperson Dwayne Umbarger at 8:40 a.m. on April 10, 2002 in Room 423-S of the Capitol.

All members were present except: Senators Hensley, Jenkins, Emler, Oleen (excused)

Committee staff present: Ben Barrett, Legislative Research
Carolyn Rampey, Legislative Research
Theresa Kiernan, Revisor of Statutes
Judy Steinlicht, Secretary

Conferees appearing before the Committee: Senator Dave Kerr
Mark Tallman, KASB
Bob Vancrum, USD 229, Blue Valley
Craig Grant, KNEA

Others attending: See Attached List

SB657--School district budgeting of certain moneys

Senator Kerr stated that **SB657** was introduced based on recommendations of the Legislative Post Audit on School District Budgets: Determining Ways to Structure the Budget Document to Make it Understandable and Allow for Meaningful Comparisons. Two recommendations were made that required a change in the law. The first is to change the law to allow districts to budget to spend only the amounts they think they will need to spend and to show any ending balances the districts expect to carry forward to the next year. The law now requires them to budget the full amount. Second, the school districts would be required to include the revenues and expenditures associated with all federal entitlement grants and other grants and miscellaneous income in all budget documents they prepare. Senator Kerr believes these changes will make budget documents more useful to administrators, board members, the public and to the legislators. (Attachment 1) Senator Kerr also proposed an amendment to **SB657** recommended by Dale Dennis, State Board of Education on page 1, line 26, striking "gifts and miscellaneous income" and inserting "and gifts." (Attachment 2)

Mark Tallman, stated that KASB supports the efforts in **SB657** to make school district budgets more understandable and helpful, but believes the Legislature should be cautious in requiring changes. KASB believes that changes should be developed through a task force or some other method that would include input from those most directly involved in the school district budget process to avoid unintended consequences. (Attachment 3)

Bob Vancrum, USD 229, Blue Valley is concerned that the requirement in **SB657** to put all the federal funds into the budget will show a huge increase and the public will not understand. The legislature needs to be very careful in making any changes in budget requirements so that it will still be possible to compare school district to school district and, more importantly, to compare one year to the next year. (no attachment)

Craig Grant, KNEA, stated that under current law all funds had to be budgeted and this did cause some problems because it looked like money was left over and could be used for something else, but in fact, that money was intended to be carried over all along for expenses at the beginning of the next school year. If federal funds are budgeted, perhaps they need to be shown separately. Craig believes a summer study would be advisable. (no attachment)

Theresa Kiernan, Revisor of Statutes, explained **SB661**, a bill concerning school districts, relating to budget. This bill was just referred to the Committee and it was the decision of Chairman Umbarger and the Committee that there would be no hearings on this bill.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON EDUCATION at on April 10, 2002 in Room 423-S of the Capitol.

After discussion, it was consensus of the Committee that the **SB657** needed more study and should be sent to an interim committee.

Meeting adjourned at 9:20 a.m. No further meetings have been scheduled.

School District Budgets: Determining Ways to Structure the Budget Document to Make it Understandable and Allow for Meaningful Comparisons

Recommendations *Recommendations to the Legislature*

1. To ensure that school district budgets provide a complete and accurate picture of each district's actual and planned revenues and expenditures, the House or Senate Education Committees, or other appropriate legislative committees, should consider the following:

a. Amending K.S.A. 79-2927 to remove the requirement that districts have to budget to spend all the revenues available to them in certain operating funds, whether or not they intend to spend those moneys. The law should allow districts to budget to spend only the amount they think they'll need to spend, and to show any ending balances districts expect to carry forward to the next year. (This law affects the budgets the districts currently submit to the Department of Education.)

b. Requiring school districts to include the revenues and expenditures associated with all federal entitlement grants and other grants and miscellaneous income in all budget documents they prepare, including the budgets they submit to the Department. These revenues and expenditures currently are excluded from the regular budget process. To ensure that these revenues and expenditures can be accounted for separately, new funds should be authorized for each federal entitlement grant, and one or more additional funds should be authorized for the other grants, gifts, or donations districts receive. In addition, to ensure that this requirement doesn't affect districts' budgetary

limitations, these funds should be established as the equivalent of "no-limit" funds that aren't subject to expenditure limits.

SENATE BILL No. 657

By Committee on Ways and Means

4-4

9 AN ACT concerning school district budgeting; amending K.S.A. 12-1663
10 and 79-2927 and repealing the existing sections.
11

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

13 Section 1. K.S.A. 12-1663 is hereby amended to read as follows: 12-
14 1663. (a) Where any public agency receives federal aid through any fed-
15 eral agency for any purpose to be used alone or with funds of the public
16 agency, such federal aid may be expended without regard to budget lim-
17 itations and over, above or outside the budget, and such expenditures
18 shall not be charged against the budget of the current or any other budget
19 year of the public agency, and. Where a public agency spends from budg-
20 eted funds and later is reimbursed by federal aid, such expenditure from
21 budgeted funds shall be a reimbursed expense and if received after the
22 budget year, shall increase the current budget to the same amount unless
23 the budget had anticipated and included the reimbursement as income.

24 (b) *In addition to the requirements of subsection (a), a school district*
25 *shall include the revenues and expenditures from federal aid and other*
26 *grants, gifts and miscellaneous income in all budget documents prepared*
27 *by the school district, including documents submitted to the department*
28 *of education. In order to account for such revenues and expenditures*
29 *separately, each school district shall budget for federal aid and other*
30 *grants and gifts, other than scholarships, received, which funds shall not*
31 *be subject to limitations on the expenditure of moneys in such funds.*

and gifts

32 Sec. 2. K.S.A. 79-2927 is hereby amended to read as follows: 79-
33 2927. The governing body of each taxing subdivision or municipality shall
34 meet not later than the first day of August of each year, and shall prepare
35 in writing on forms furnished by the director of accounts and reports a
36 budget itemized and classified by funds and showing amounts to be raised
37 by taxation and from other sources for the ensuing budget year. The
38 budget shall show in parallel columns all amounts and items to be ex-
39 pended for the ensuing budget year and the amounts appropriated for
40 corresponding or other items during the current budget year and amounts
41 expended for corresponding or other items during the preceding budget
42 year. The budget for each fund shall not include any item for sundry or
43 miscellaneous purposes in excess of 10% of the total. Except for school

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districts, municipal universities and community colleges, the budget for each fund may include a non-appropriated balance of not to exceed 5% of the total of each fund.

The budget shall show in parallel columns the amount of revenue actually received from taxation and from other sources, with the amount from each source separately stated for the preceding budget year and the amount actually received and estimated to be received from taxation and from sources other than direct taxation with the amount for each source separately stated for the current budget year and also the amount estimated to be received during the ensuing budget year, with the amount estimated to be received from each source separately stated. *Subject to the provisions of section 3, and amendments thereto*, the budget of expenditures for each fund shall balance with the budget of revenues for such fund ~~and that~~.

New Sec. 3. School districts shall budget to expend only the amount estimated from each fund and shall reflect any ending balance in such fund which the school district estimates will be carried forward to the next fiscal year. The portion of the budget of revenues to be derived from ad valorem property taxation shall not exceed the amount of tax which can be raised by any fund limit or aggregate limit placed upon such fund.

Sec. 4. K.S.A. 12-1663 and 79-2927 are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.

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KANSAS
ASSOCIATION



OF
SCHOOL
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Testimony on
SB 657 (School District Budgeting)

Before the
Senate Committee on Education

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

April 10, 2002

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to comment on SB 657. This bill appears to address two recommendations of the Legislative Post Audit on School District Budgets. First, it would require that school districts include in all budget documents funds that are currently not required to be included. Probably the largest of the "unbudgeted funds" are receipts from federal aid programs. Second, it changes the current requirement that school districts budget to spend the entire balance of any fund, even if they actually plan to carry over a balance in that fund.

Despite the attention that school district budgets have received in recent months, including charges that even school board members cannot understand the process or the documents produced, KASB has received almost no indication from our members that the current system is substantially flawed. While we certainly can support efforts to make school district budgets more understandable and helpful, we believe the Legislature should move very cautiously in requiring significant changes in the process. We believe the best recommendation from the Post Audit Report is that any changes should be developed through a task force or some other method that includes input from those most directly involved in the school district budget process. The auditors make clear that some changes could have a significant cost to local districts; a cost that would probably contribute very little if anything to classroom instruction or student support.

The changes proposed in this bill are fairly minor. Requiring districts to report federal and other funds on budget documents may help both school board members and the public better understand the role of federal programs and other revenue sources, but it must be clearly understood that most of these funds come with very specific strings attached; that these dollars cannot be used for general operating costs and may actually fail to even meet the cost of the mandates they are supposed to cover.

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Likewise, allowing districts to adopt budgets that include carryover balance projections will probably give a better understanding of what school districts actually can and will spend in a given year. But it must also be understood that in many cases, school districts are actually required to carry balances in order to fund programs like special education and food service.

KASB does not object to the concept of this bill, but we urge you to consult with the Kansas Department of Education to make sure that everything contained in this bill is really appropriate. We also question whether the bill should require school districts to contain all this information on "all" budget documents. Some districts may wish to develop summary documents with abbreviated information.

Our request is that the Legislature tries to make sure that changes in school district budgeting requirements do not bring unintended consequences, or simply increase school districts cost and paperwork to address a problem that may actually be quite limited in scope.

Thank you for your consideration.