

MINUTES OF THE HOUSE EDUCATION COMMITTEE

The meeting was called to order by Chairperson Kathe Decker at 9:00 a.m. on February 19, 2004 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks Legislative Research Department  
Carolyn Rampey Legislative Research Department  
Art Griggs, Office of the Revisor of Statues  
Ann Deitcher, Secretary

Conferees appearing before the committee:

Tim Rooney, Budget & Fin. Mgr. SM USD 512  
Dr. Stuart Little  
Kent Hurd  
Dr. Rob Balsters, Bus. Mgr., Seaman USD 345  
Supt. Fred Kaufman, Hays USD 489  
Dale Dennis, Kansas Dept. of Education

**HB 2807 - School finance**

The Chair recognized Tim Rooney who explained to the Committee the purpose of **HB 2807** and how it would affect the various school districts.

A question and answer session followed.

Written testimony was distributed from Dr. Tom Trigg, Supt. of Blue Valley, USD 229. (Attachment 1).

Kent Hurd introduced Dr. Rob Balsters who spoke to the Committee as a proponent to **HB 2807**. (Attachments 2 and 3).

Questions and answers followed.

Written testimony was distributed from Blake Schreck, President, Lenexa Chamber of Commerce. (Attachment 4).

Appearing in opposition to **HB 2807** was Supt. Fred Kaufman. (Attachment 5).

Questions and answers answered.

Mark Tallman appeared as an opponent to **HB 2807**. (Attachment 6).

A question and answer session followed.

The meeting was adjourned at 10:25. The next meeting is scheduled for Friday, February 20, 2004.

**Testimony on HB 2807**  
**House Education Committee**  
**February 17, 2004**

Honorable Chairperson Decker and Distinguished Committee Members:

Blue Valley Unified School District #229 believes in equal education opportunity for all Kansas children, adequately funded through the state school finance formula and the opportunity for local control of the school's financial destiny by the local board of education. The school finance plan, enacted in 1992, is fiscally insufficient to support quality education for all children and it removes local control of our school systems. We support changes in the plan, which restore local control and local oversight of all of the operations of the school system, which allow local school systems to maintain top quality educational programs, and which provide a full educational curriculum for all Kansas children.

Blue Valley USD #229 supports financial equity as defined as an equal opportunity to generate dollars to support educational activities in each district, not equal expenditures imposed by state formula. The attributes of an appropriate school finance formula include the following: equal opportunity to educate, i.e., the same revenue for a given tax rate; suitable funding for all districts; local control to increase budgets to meet local needs; and inflationary increases.

The plan presented here today, meets the criteria stated above. A finance formula should allow for the same revenue to be raised for a given tax rate. It should also allow for local control in order to meet the diverse needs in each community. This plan deserves debate, as it is a significant departure from the existing school finance formula.

I would be happy to answer any questions.

Tom Trigg, Deputy Superintendent Blue Valley Schools

House Education Committee  
Date: 2/19/04  
Attachment # 1

**United School Administrators - School Finance Task Force Sub-Committee  
Concerns Regarding the KEY School Finance Plan  
Presented to the House Education Committee  
February 18, 2004**

A sub-committee of seven members of the USA School Finance Task Force studied the KEY plan last spring. Members of the committee were from large, small, rural, and urban school districts.

While many of the committee members like the equal dollars for equal mills concept, we suggest a few concerns and changes that should help the plan work better for all Kansas school children.

1. Establish equitable and suitable per pupil spending amounts in the first year. The Key plan leaves all expenditure levels the same for the first year.
2. Address the differences between High Value – High Income districts and High Value – Low Income districts. This is especially true for many rural district taxpayers with relatively high property value and relatively low income.
3. Address problems associated with declining enrollments in two-thirds of our districts. As districts lose students, their AVPP will increase. Under the KEY formula this will cause them to lose state aid and have to increase their local property tax rates.
4. Where will the state match come from? Currently, 8% of our budgets comes from Federal sources and 25% comes from property taxes. The remainder of state aid for budget increases will have to come from other state sources such as sales and income tax as increased by the legislature. This is a concern common among all school finance plans.
5. Our initial review of the KEY plan was done when the plan did not contain upper spending limits. We would strongly urge the legislature to make such limits a part of any plan. This will help all legislators across the state understand and focus on education spending. It may also help avoid future lawsuits.

In the end, we concluded that we like elements of the KEY plan for use as a local option add-on, as discussed below.

**House Education Committee**  
**Date:** 2/19/04  
**Attachment #** 2

**United School Administrators - School Finance Task Force Sub-Committee**

**United School Administrators - School Finance Task Force Sub-Committee**  
**A School Finance Proposal**  
**Presented to the House Education Committee**  
**February 18, 2004**

Thank you for the opportunity to present some thoughts on a School Finance plan that was developed by a committee composed of representatives from school districts of various sizes and locations.

This is a basic outline of a formula we developed for discussion, criticism, and modification. We realize that no formula will work for all districts in the same way. We also know that most formulas are only as good as the legislative commitment toward funding and support.

Elements of our plan include:

1. Per pupil funding
2. Base amount for each district set at 2003-04 amounts for:
  - Current base, plus
  - Low enrollment and correlation weightings, plus
  - 25% LOB, plus
  - 2 mills of state median AVPP for Capital Outlay
3. Final Base amount for 2004-05 to be set at an amount that addresses Judge Bullock's ruling
4. Uniform mill levy for all districts
5. New local authority add-on to increase by 5% or 10% above this base amount using the 95% power equalized formula designed by Mr. Rooney. The current LOB would be removed from the law.
6. Recalculation of the enrollment weightings based on the new numbers.
7. Guaranteed inflation factor, written into the law, based on the CPI.
8. Use a 5-year average instead of a 3-year average for part of the declining enrollment provision.
9. Any additional capital outlay will be funded strictly through local mills, as it is now.

Table 1. Examples of the New Base and Enrollment Weightings

District Enrollment	Current Base	Current Enrollment Weighting	Effective Base	25% LOB	"New" Base	"New" Enrollment Weighting	Capital Outlay Per Pupil	Guaranteed Base Per Pupil
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
100	\$3,863	1.141565	\$8,273	\$2,068	\$10,341	1.014219	\$101	\$10,442
400	\$3,863	0.541813	\$5,956	\$1,489	\$7,445	0.450136	\$101	\$7,546
700	\$3,863	0.43345	\$5,537	\$1,384	\$6,921	0.348072	\$101	\$7,022
1,000	\$3,863	0.325088	\$5,119	\$1,280	\$6,399	0.246397	\$101	\$6,500
1,300	\$3,863	0.216725	\$4,700	\$1,175	\$5,875	0.144332	\$101	\$5,976
1,600	\$3,863	0.108363	\$4,282	\$1,071	\$5,353	0.042657	\$101	\$5,454
2,000	\$3,863	0.063211	\$4,107	\$1,027	\$5,134	0	\$101	\$5,235

**United School Administrators - School Finance Task Force Sub-Committee  
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**2002-03 Estimated LOB Information**

<u>LOB Level</u>	<u>Number of Districts</u>	<u>Percent of Students</u>
25%	48	52.14%
20% and above	99	72.16%
15% and above	166	84.80%

Total 2002-03 LOB Budgets	\$ 520,000,000
<u>Total 2002-03 State Aid for LOB</u>	<u>148,000,000</u>
Local Share of LOB Budgets	372,000,000
Estimated Property Tax (13.6 mills average)	314,000,000
Estimated Other Local Revenue (MV, RV, IRB's, etc.)	58,000,000

Total 2002-03 LOB Budgets at 25% For All Districts	\$ 622,000,000
<u>Total 2002-03 State Aid (\$35 million increase)</u>	<u>183,000,000</u>
Local Share of 25% LOB Budgets	439,000,000
Estimated Property Tax (16.5 mills average)	381,000,000
Estimated Other Local Revenue	58,000,000

Estimated Additional Cost for All Other Weightings (Base = \$5,134)      \$64,000,000  
 (All Other Weightings include: Bilingual, Voc Ed, At Risk, Transportation,  
 New Facilities, and Ancillary Facilities)

Estimated Additional Cost to raise the base by \$100      \$58,000,000

We recommend that the Other Weightings Base be set at \$4,107, which is 80% of the "New Base".  
 This would cost about \$12,000,000.

Estimated Additional Cost for the Capital Outlay Distribution      \$45,000,000  
 The law could be written in a way that would be revenue neutral for the state.



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TO: Representative Kathe Decker, Chair  
Members, House Education Committee

FROM: Blake Schreck, President  
Lenexa Chamber of Commerce

DATE: February 19, 2004

RE: **Support for HB 2807 — K-12 Education Finance Plan**

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The Lenexa Chamber of Commerce would like to express its strong support for the concepts embodied in House Bill (HB) 2807, which puts forth a K-12 public school funding plan that promotes greater local control over funding choices.

Educational excellence is important to business. Quality educational opportunities are a primary reason businesses choose to locate in a community — both as an incubator of highly-skilled workers as well as a quality of life issue for their families and the families of their employees. Accordingly, our Chamber believes Kansas must continue its reputation as a state where children can attend excellent public schools.

The plan proposed in HB 2807 would promote excellence in education. The current school finance formula focuses on equalized expenditures among school districts — an inflexible formula that prevents individual communities from aspiring beyond what the state is willing to provide. Instead, **HB 2807 focuses on equalized wealth and increased local control of funding choices, allowing district patrons statewide equitable opportunities to pursue excellence in their schools and respecting the educational needs and desires of individual communities across Kansas.**

**Further, even schools in communities that do not choose to increase their mill rate will benefit from HB 2807. Under this plan, funding for school districts increases as the statewide assessed valuation per pupil increases, without legislative action. As a result, each year nearly every school district in Kansas will benefit from areas of the state experiencing positive economic growth.**

In short, recognizing the importance of enabling high quality public education and respecting local control of school funding choices, the Lenexa Chamber of Commerce strongly urges the committee to recommend HB 2807 favorable for passage. Thank you for your time and attention to this issue.

**House Education Committee**  
Date: 2/19/04  
Attachment # 2

**Testimony in Opposition to House Bill 2807**  
**House Education Committee**  
**Fred Kaufman, Superintendent**  
**Unified School District No. 489, Hays**  
**Representing Schools for Fair Funding**  
**Thursday, February 19, 2004**

I am speaking on behalf of Schools for Fair Funding, an organization representing 14 school districts and 54,000 students.

It is our opinion that the provisions of HB 2807 are unconstitutional, unfair, and poor policy.

- **Unconstitutional**—because it freezes into place funding levels that have already been held to be unconstitutional by a district court judge.
- **Unconstitutional**—because it allows districts to select a funding level as long as local voters will support it, encouraging unjustified discrepancies in per pupil spending;
- **Unconstitutional**—because the bill moves away from the concept of the funding of education as a state responsibility and allows or encourages districts to spend at vastly different rates.
- **Unfair**—because it equates property with wealth and, in many cases, this is not true. Western Kansas districts with large amounts of farm ground and declining enrollment will appear to have great wealth per pupil when actually there is very little wealth.
- **Poor policy**—because we are now doing away with at risk and bilingual weighting which were keys to focusing the expenditures in education where the need was the greatest.

Thank you for your consideration.

House Education Committee  
Date: 2/19/04  
Attachment # 5



Testimony on  
**HB 2807 – Proposed School Finance Plan**

Before the  
House Committee on Education

By: Mark Tallman, Assistant Executive Director/Advocacy  
February 18, 2004

Madam Chair, Members of the Committee:

Thank you for the opportunity to comment on **HB 2807**. We appreciate Tim Rooney's efforts to develop a new approach to financing schools in Kansas. Certainly, many of us are frustrated by the current situation in school funding. Mr. Rooney has made several presentations to our organization. Like members of this committee, we are continuing to seek new ideas. However, KASB's positions are determined by our voting membership. Based on our current positions, there are some elements of this plan that we could support, but in more cases, this proposal runs counter to our views. I have provided the entire text of our position on state school finance, and compared it to the proposal in **HB 2807**.

<b>KASB Position</b>	<b>HB 2807</b>
<p><b>FINANCING SCHOOLS</b></p> <p><b>A. State School Finance</b></p>	
<p>Educational opportunity should be a function of the taxable wealth of the state, not the taxing ability of a local district. The state school finance system should provide comparable students in comparable districts with comparable educational expenditures at comparable tax efforts. Differences in educational expenditures should be based on the educational needs of each district's students.</p>	<p><i>Provides equalization to the 95 percentile.</i> This is an improvement over the 75 percent equalization of the current local option budget, as well as the formula for capital improvement state aid. However, we are concerned that this bill would continue to place low valuation districts at a disadvantage. It is simply much more difficult to tolerate one mill of property tax in some areas of the state, than others.</p> <p><i>Except for the permanent hold harmless, which is never adjusted, this formula would not recognize differences in educational costs.</i> It would require local communities to address those differences. For example, a small district would have to impose a higher tax rate than a large district to offer a comparable program.</p>

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	<p>A district that has to provide more transportation, or serve more bilingual, at-risk or vocational students could only fund those programs by raising its mill levy. Conversely, a district with low “special needs” could raise its budget to provide higher teacher salaries, additional programs, or other enhancements, while other districts are struggling to meet basic educational requirements.</p>
<p><b>1. Budget authority</b>  <b>a. Distribution.</b> School district budget authority should be determined on a per-pupil basis rather than classroom units or teacher units unless a guaranteed minimum budget is necessary to maintain a high quality education program.</p>	<p>Focus is on assessed valuation per pupil.</p>
<p><b>b. Base budget.</b> The state should determine a base or minimum budget per pupil, which should be adequate to provide a suitable level of funding for all students and districts to achieve expected outcomes, and adjusted annually to reflect changes in costs.</p>	<p><i>Eliminates the base budget per pupil.</i> Our position is that the base should be the state’s guarantee of suitable funding for all students, regardless of where they live. This bill removes that guarantee, and provides no assurance of an annual adjustment (of course, there is no assurance of adjustment under the present formula.)</p>
<p><b>c. Pupil weighting.</b> Because of the widely varying needs of pupils and districts, KASB endorses the concept of weighting when it can be shown that variations result in higher costs. Types of weighting that should be considered would include, but not be limited to:</p> <ul style="list-style-type: none"> <li>● Special types of students (special education, vocational education) whose education causes higher costs.</li> <li>● Grade level of students (preschool, elementary and secondary).</li> <li>● Density, scarcity or isolation of pupil population.</li> <li>● Size of district (total pupil population).</li> </ul> <p>In addition, the Legislature may consider creating categories of students with like characteristics whenever differences in cost may be justified based on objective criteria.</p>	<p><i>Eliminates pupil weightings.</i> Under this system, the proposal does not recognize the varying needs of pupils and districts. Although there is certainly some debate over exactly how much “weight” should be given to special needs, there has been no serious debate that different costs exist and should be addressed. For example, the previous school finance system used “enrollment categories” to adjust for differences in size.</p> <p>This proposal provides “hold harmless” funding based on current weighting. It says, in effect, there is no rational basis for weightings, but then freezes them in place. Certainly that mechanism would help to protect districts that would be “losers” under this plan, but it would also freeze in place disparities as district circumstances change.</p>
<p><b>d. Local option authority.</b> Boards of education should be authorized to enrich their educational programs beyond the base budget, provided that all districts can exercise the same degree of discretion by making the same amount of effort, and that the range in budgets is not excessive. The exercise of local option authority should not be subject to referendum.</p>	<p><i>As written, the bill provides unlimited authority, equalized to the 95<sup>th</sup> percentile.</i> However, the sponsors have proposed “caps” on budget growth in the initial years. Any effort to impose a protest petition or referendum requirement would make this bill far more disequalizing.</p>

<p><b>e. Budget limitation.</b> Any limitation on the use of budget authority should include:</p> <p>(1) Limits on a per pupil basis to provide flexibility for districts facing increasing or decreasing enrollment.</p> <p>(2) A differential between high and low spending districts.</p> <p>(3) Recognition of the effects of inflation.</p> <p>(4) A procedure to appeal to the State Board of Education for special circumstances.</p>	<p>The proponents say that no district would be able to increase its mill levy unless the state provides equalization aid to fund the formula. It is unclear where in the bill this feature appears. Without this mechanism, high wealth districts will be able to increase their budget regardless of state action. <i>If this feature is included, then the plan does not really allow local communities to set whatever spending they believe is necessary.</i></p> <p>(1) No per pupil limits.  (2) No differential between high and low spending districts.  (3) Tied to growth in assessed valuation, not inflation.  (4) No appeal.</p>
<p><b>f. Contingency reserves.</b> Districts should have the ability to carry a reasonable contingency reserve from one fiscal year to the next.</p>	<p>Not addressed.</p>
<p><b>g. Budget reduction.</b> If any district loses budget authority under the school finance system, the reduction should be phased in through some mechanism.</p>	<p>Addressed initially through "hold harmless" provision.</p>
<p><b>h. Other state aid programs.</b> Categorical aid programs outside the school district general fund must be fully funded, especially for district programs that are mandated. Funding should be provided for demonstrated exceptional costs that are not fully addressed by weighting or categorical formulas.</p>	<p>Not included at this time.</p>
<p><b>i. Capital expenditures.</b> Capital expenditures should be determined locally, with state assistance provided on an equalized basis. KASB opposes state recapture of local capital outlay balances.</p>	<p>Not addressed.</p>
<p><b>2. Funding and revenue sources</b></p> <p><b>a. Revenue sources.</b> The state should strive to achieve a mix from the major revenue sources, sales, income and property taxes, to ensure funding for quality education.</p>	<p>Not addressed, although it appears this bill would tend to shift funding toward the property tax.</p>
<p><b>b. Local effort.</b> The state should establish a minimum level of contribution from local sources. If the minimum local contribution exceeds the authorized budget, the district should rebate the excess to the state for distribution as general aid.</p>	<p><i>Does not provide for a minimum contribution unless a district has lowest scores.</i></p>

In addition to these comments relative to our specific policy positions, I would like to conclude with some other observations.

We are very concerned that legislators may believe this plan will provide suitable school funding at a lower cost to the state. In fact, whatever amount schools desire or are allowed to spend, the money will have to be raised from somewhere. Mr. Rooney has suggested that if this plan had been in effect in recent years, school districts would have received larger budget increases than they actually did. If that were true, where would the money have come from? There are only two possibilities: either the state would have had to spend more on education, and less on something else, or property taxes would have been increased more.

Likewise, if the plan results in higher funding in the future, that increase will have to come from the same two sources. If the state doesn't have the money – and without a tax increase, it is hard to see where that money will come from – then this plan simply means higher local property taxes, or proration of state aid, or both.

Total school district spending this year is approximately \$3 billion. Suppose that school districts wanted to increase their budgets by a modest three percent per year: two percent for the estimated rate of inflation and one percent for additional salary and benefits, new positions and programs to address the No Child Left Behind Act, and new student and facilities growth in some districts. That would require approximately \$90 million additional dollars. According to Mr. Rooney's estimates, school districts would have to raise their mill levies a little less than two mills in order to receive that \$90 million, AND the state would have to contribute about \$60 million of that amount. Suppose that school districts budgeted an increase at this rate for the next three years. That would require about as much money as the governor's plan (she proposed \$100 per year) and between five and six mills (compared to the governor's recommendation for two mills over four years). The cost to the state would increase \$60 million per year, for a total of \$180 million at the end of three years.

That does not include any increase in state capital improvement, estimated to grow about \$5 million per year; or any increase in special education funding, which would remain a separate categorical program; or any funding for new at-risk or categorical aid programs, as Mr. Rooney has proposed; or restoring funding for professional development or teacher mentoring, or any new school aid programs.

It seems extremely unlikely that the Legislature could afford those kinds of increases in the next three years without a tax increase at the state level. Therefore, the only way a plan like this could work as a less expensive alternative to the governor's plan, or the Kansas State Board of Education's request for \$100 million, or the Augenblick and Myers report, is to assume that school district budget growth will have to be limited to available resources. Right now, there are no additional resources available.

Proponents of this plan suggest it would create a more "automatic" funding source for schools. We are skeptical about the track record. The Legislature has consistently failed to fund special education at the excess cost level. Last year, there were bills in the House to suspend the bond and interest aid program, the closest example to an automatic school aid program. Although local option budget aid has always been funded through supplemental appropriations if necessary, the Kansas State Department of Education has at times prorated the general state aid (the base budget) or special education aid.

No formula can work unless it is properly funded. KASB simply does not believe any formula can work at the current levels of funding. We agree with Judge Bullock's conclusion that the entire system is underfunded in order to do the job schools have been given. Changing the funding system will not change that fact.

Thank you for your consideration of this complex issue.