

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:00 a.m. on February 6, 2004, in Room 519-S of the Capitol.

All members were present except:

Senator Barbara Allen
Senator Mark Taddiken- excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Dr. Ray Daniels, Superintendent, Kansas City Public Schools
Natalie Bright, Wichita Independent Business Association
Tom Hawk, Retired school administrator, Manhattan

Others attending:

See Attached List.

Continued hearing on:

SB 403—Schools; school finance; education first plan

Dr. Ray Daniels, Kansas City Superintendent of Schools, testified in support of **SB 403**. He noted that, although the additional funding provided by the Governor's Education First plan would benefit all Kansas students, it would be particularly significant for students in Wyandotte County which has a large number of children living in poverty and many students learning the English language. He expressed concern that, without additional funding to give those students the same opportunity as their peers, Kansas runs the risk of establishing a two-tiered system of education. He considers the Governor's plan an investment in economic development, which is especially critical for Wyandotte County. Without additional funding, his district will have difficulty meeting QPA and No Child Left Behind requirements. In conclusion, Dr. Daniels noted that many opinion polls indicate that the public supports increased taxes to provide additional dollars to give students a better opportunity for success. (Attachment 1)

Natalie Bright, Wichita Independent Business Association (WIBA), testified in opposition to the proposed tax increases contained in **SB 403**. WIBA supports legislation that encourages consolidation and efficiencies within the state educational system, but it does not support holding K-12 education harmless from budget cuts during a time when the state economic condition is fragile. A survey of WIBA members shows that members believe the proposal will have a negative impact on Wichita's economic recovery and that it will have a disproportionate impact on small businesses. Members believe additional taxes will make it more difficult to keep their employees, to continue to provide benefits, and to keep their doors open. Ms. Bright explained that the WIBA Board of Directors established a K-12 School Finance Committee in 2001 to create a report reflecting a business perspective on the current K-12 funding situation. She called attention to a copy of the committee's final report attached to her written testimony. She noted that the committee began its work before 9/11 and finished it after 9/11. In conclusion, she emphasized that WIBA believes that the best possible education must be provided within budget constraints at a time when additional taxes are not acceptable. (Attachment 2)

Senator Corbin called the Committee's attention to written testimony in opposition to **SB 403** submitted by Terry Holdren, Kansas Farm Bureau. (Attachment 3)

Tom Hawk, a retired school administrator from Manhattan, testified in support of **SB 403**. His written testimony was distributed to the Committee on February 5, and a copy is attached to the minutes of the

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:00 a.m. on February 6, 2004, in Room 519-S of the Capitol.

February 5 meeting. Mr. Hawk discussed the following points in support of increased revenue for Kansas education:

- Rural Kansas is facing a serious population decline. Kansas is a rural state and must seriously consider how to support and maintain the towns that have a chance to survive.
- Kansas is losing too many young teachers in the first three to five years of their career. In general, they leave due to low starting salaries and the fact they must earn a graduate degree if they wish to continue progressing in the profession. Many cannot afford the cost to earn a graduate degree.
- To keep people in towns and in Kansas, they must know that the economy has a future. They want good schools with top-notch programs and competent teachers and principals. Working families also want jobs, affordable housing, and a wide variety of supports to raise their children.
- Funding for professional development, flexible school programs, and paraprofessional support is essential in main streaming at-risk and special education students. He noted that costs have skyrocketed for schools just as they have for other businesses. The largest escalating cost relating to recruitment and retention of teachers is health insurance.
- If schools are not supported a suitable level, many schools will be forced to merge, close, or combine administrative structures. Mr. Hawk commented that failure to fairly tax at the state level has not saved the taxpayer at the local level. It has simply moved the taxes to the LOB, and nearly every district in the state has maximized their LOB.

In conclusion, Mr. Hawk said **SB 403** is a reasonable start “to keep the blood supply going to the brain” to keep Kansas schools operating, to keep young teachers, and to keep programs needed for students.

Senator Corbin announced that the hearing on **SB 403** would not be closed, pending receipt of information requested on February 5. With regard to the challenge before the Legislature, he commented that an elementary school principal once said to him, “We are educating the kids today for the jobs of tomorrow for which the technology has not yet been developed.”

Senator Buhler moved to approve the minutes of the February 4, 2004, meeting, seconded by Senator Donovan. The motion carried.

The meeting was adjourned at 10:50 a.m.

The next meeting is scheduled for February 9, 2004.

Testimony, Senate Taxation Committee, Senate Bill 403
Dr. Ray Daniels, Superintendent of Schools
Kansas City, Kansas Public Schools

Mr. Chairman and members of the committee, I want to thank you for this opportunity to address you regarding Senate Bill 403.

Governor Sebelius has proposed an Education First Plan that is beneficial for all students in Kansas and especially significant for students in Wyandotte County. As a result, our school district endorses the governor's plan.

The plan is crucial because the Governor has provided needed additional funds for all students in the state and has also targeted particular groups of students who need additional resources. Kansans are rightfully proud of the academic achievements of our students, but the reality is that too many Kansas students are not achieving at the levels needed for them, their communities, and our state. We see this every year in the achievement gaps in our state assessments. The additional funds provided in the governor's plan will help us close this gap and prevent our state from having a two-tiered system of public education which has the result of leaving thousands of students behind.

This legislature will be considering several economic development plans during this session. The strengthening of our economy is important for the well-being of our state and its citizens. The Governor's plan is an investment in the future economic development of Kansas. It is essential that all of our current and future students be able to share in the economic revitalization of our state and county by being well prepared to fill a growing number of jobs. This is especially true in Wyandotte County where we are seeing an economic renaissance. However, without a quality education, these opportunities will be lost for thousands of young people across the state. Education is the fuel that drives the state's economic development engine.

Some legislators report in a sweeping generalization that Kansans will not support a tax increase. Yet, many national, state and local opinion polls indicate that the public will support increased taxes when they understand that their additional dollars will give students a better opportunity for success. A prime example is our own community of Kansas City, Kansas.

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2-6-04
Attachment 1

Despite predictions that our community would never pass a bond issue for schools, in April 2001 voters approved a \$120 million bond referendum by a 2 to 1 margin to provide a quality learning environment by upgrading all of our school facilities.

We should never sell Kansans short in their interest in education and their willingness to fund quality schools. As school districts we should never lose sight of the public's expectation for quality schooling which meets the needs of all students. The state's Quality Performance Accreditation program and the federal No Child Left Behind law raise the accountability for schools to levels never before seen. Without additional funds to hire and maintain quality teachers and principals, provide additional time and resources for learning, and maintain quality programs and facilities, many, if not all, schools will not meet these new levels of accountability in the next few years. This is especially true in districts with large numbers of children living in poverty and English language learners. Districts simply will not be able to meet the challenges of leaving no child behind without additional financial help.

The governor has proposed a bold and innovative Education First Plan. We are aware that it calls for sacrifices through new taxes, but the investment of those dollars in the state's preK-12 education system will reap tremendous benefits for all of our students and our economy. If we miss this opportunity that the Governor is proposing, the future consequences for our students, our communities, and our state will be harsh.



Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

Testimony on SB 403
Senate Committee on Assessment and Taxation
February 5, 2004

Chairman Corbin and Honorable Committee Members,

I am Natalie Bright and I am appearing on behalf of the Wichita Independent Business Association. The WIBA Board of Directors has adopted the following policy statement in regards to K-12 education funding:

- WIBA has an established record for supporting a quality education system and the current workforce training initiatives. We support legislation that encourages consolidation and efficiencies within the state educational system, but we do not support holding K-12 education harmless from budget cuts during a time when the state economic condition is so fragile.

This position statement was adopted last December in response to the most recent WIBA legislative survey results that indicated 85% of the WIBA respondents did not support additional taxes for increases to K-12 education spending. Furthermore, the survey reflected that 79% of the respondents indicated that they did not support holding K-12 education harmless from budget cuts in these tough economic times. As such, I am appearing before you in opposition to proposed tax increases contained in SB 403.

As all of you know, the economic recovery in Wichita remains slow and many of the WIBA businesses have suffered significant economic losses over the last few years. WIBA members overwhelmingly in our last survey told us there is not a threshold for additional tax burdens. After reviewing the plan, our members believe the proposal will not only have a negative impact on our economic recovery, but the proposed tax package in SB 403 will have a disproportionate impact on small businesses. For example, the income surcharge proposed will be assessed against "resident and nonresident" individuals, which taxes a large number of the small businesses who pay their business taxes at the individual rates. Furthermore, the additional property tax and sales not only chip away at our members' bottom dollar, but it will do nothing for our economic development initiatives to attract and grow businesses in Kansas. Many of our members are running on very thin margins. Additional taxes will only make it tougher for them to keep their employees and pay them competitive wages, continue to provide benefits such as health care or for some even keep their doors open.

In 2001, the WIBA/KOPE Board of Directors established a K-12 School Finance Committee that was charged with educating themselves with as much information as possible and to create a report that could be presented to all state legislators that would reflect a business perspective on the current K-12 funding situation. The members of this Committee dedicated themselves for several months to learning as much as they could about the issues surrounding K-12 financing. I have attached a copy of their final report to my testimony, which provides an overview of the committee members, the various individuals invited to make presentations to the committee and the areas of focus that the committee pursued. I hope you will receive this report as evidence of our desire to be a part of the solution in resolving the issues surrounding education funding.

The members of WIBA believe that change is not only needed in light of the recent judicial review, but is required considering the current economic condition of our State. Changes to education funding can be made and it is up to you, our legislators, to make difficult decisions between competing alternatives. WIBA believes we must ensure that our children are receiving the best possible education available. We must provide this "best possible education" within budget constraints created at a time when desired revenue is not available and additional taxes are not acceptable.

Thank you for the opportunity to appear before you today. I will stand for questions.

Senate Assessment & Taxation
2-4-04
Attachment 2

WIBA/KOPE K-12 SCHOOL FINANCE

EXECUTIVE SUMMARY

Statewide we hear the controversy involving the finances of Kindergarten through grade 12 in our public school system. Discussions concerning the state's school finance formula generally conclude that funds are unfairly distributed throughout the 304 local school districts and that proper incentives for making public schools accountable are lacking.

With that thought in mind, the WIBA/KOPE Board of Directors created a K-12 School Finance Committee charged to educate themselves with as much information as possible and to create a report that could be presented to all state legislators. We are cognizant that complicated issues do not lend themselves to simple solutions. Therefore, this committee considers its efforts as a work in progress and welcomes constructive suggestions.

The following report will provide an overview of the committee members, the various individuals that were invited to make presentations to the committee and the areas of focus that the committee pursued. We believe that change is not only needed but is required considering the current economic condition of our State.

Changes can be made - - it is up to you, our legislators, to make difficult decisions between competing alternatives. We must ensure that our children are receiving the best possible education available. We must provide this "best possible education" within budget constraints created at a time when desired revenue is not available and additional taxes are not acceptable.



David Unruh
Committee Chair &
Chairman of the WIBA/KOPE Board of Directors

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W IKOPE K-12 School Finance Committee Participants

Chairman: David Unruh, Unruh Automotive Services
Bert Denny, Regier Carr and Monroe CPA's
Les Depperschmidt, Southwest Bell Telephone
Les Donovan, Kansas State Senator
Morris Dunlap, MK Companies, Inc.
David Finley, Director Mechanical Contractor Association
Pat Gallagher, Wichita Area Chamber of Commerce
Bud Hentzen, Hentzen Contractors
Brenda Landwehr, Kansas State Representative
Margaret Nelson, Joyland Amusement Park
Karl Peterjohn, Kansas Taxpayers Network
Greg Sevier, Peterson Peterson & Goss, CPA's
WIBA staff: Cliff Sones, Rod Turner, and Natalie Bright
Diane Gjerstad, USD 259 - Committee Advisor

WIBA/KOPE K-12 School Finance Committee Presenters:

Greg Sevier (CPA) presented an overview of the school budget system and the various processes school districts go through in preparing their respective budgets. He highlighted that school districts operate on a fund accounting system, however, most do not adhere to GAAP (General Accepted Accounting Principles) and that many of the districts have their own customized software applications for accounting.

Linda Jones (CFO, USD 259) discussed budget priorities for USD 259, how federal funding impacts their district's budget, and the impact special education has on their budget.

Brenda Landwehr (House Representative) provided an overview of the complexity of the Education Formula. She also highlighted areas where the Formula is very discriminatory against school districts with large numbers of special education children.

Dale Dennis (Kansas Department of Education) reviewed the state finance formula and explained the weighted system used in determining the finance formula for each district. He also addressed federal mandates the state must finance and how these mandates impact the budgets of school districts.

Barb Fuller (President of the United Teachers Union of Wichita) explained the Union's 2002 Legislative platform. She highlighted the Union's top priorities: obtaining pay raises for teachers; improving classroom conditions by assuring teachers adequate classroom instructional time; and, insuring that new teachers are better prepared to teach in the classroom environment.

Robert Lane (WSU Professor) outlined the Alternative Teacher Certification Program currently offered at Wichita State University, which allows persons with bachelor degrees to obtain teaching certificates without compliance to the excessive hour requirements set out in the teaching curriculum.

Karl Peterjohn (Kansas Taxpayers Network) provided the committee with state and local school finance data. He urged the committee to require that all tax funds begin being fully reported in the school budgets. Public school problems in Kansas include, but also extend well beyond, finance issues despite spending over \$3 billion on K-12 annually.

Diane Gjerstad (USD 259 Spokesperson) served as an advisor to the committee and provided answers to committee questions. She spent a considerable amount of time reviewing district transportation issues, issues surrounding special education and the overall priorities of USD 259.

Education Finance

Committee Position Statement: As a result of our study, we have determined there are specific areas where additional funding is warranted. However, under the present economic forecast and current State budget shortfalls, we believe that increased funding is not an economically viable option. As an alternative, we suggest that efforts should focus on reallocating current funds where specific inefficiencies have been identified. In an effort to reprioritize current allocations, we refer to the recent Legislative Post Audit study entitled “School District Budgets: A K-GOAL Audit Determining Why Kansas School Districts Tend to Spend a Smaller Percentage Of Their Budget on Instruction Than School Districts in Other States”, which outlined several areas where cost savings may be found. The committee embraces the Post Audit recommendation that districts consolidate administration and non-instructional staff and believes this will provide funds for districts to work on recruiting and retaining teachers where critical shortages exist.

The committee further agrees there is justification for the education finance formula to be reviewed. It is the perception of the committee that the current school finance formula is too complicated and provides for inequities among districts.

In addition, the committee is especially concerned that federally imposed mandates for special education programs are not being fully funded by the State. We learned that districts, especially the larger districts, are being forced to allocate general education funds to meet the special education mandates. Such budgeting techniques are causing shortages in many general education programs and forcing inefficiencies in others. As such, the committee recommends the State fully fund all mandated programs and eliminate the demand for districts to make up the shortfalls.

The committee recommends that districts be required to use standard accounting principles and standardized statewide software programs. This recommendation comes from the expert advice of two accountants who served on the committee, one of which audits districts on a regular basis. The committee prefaces its recommendation on the premise that full financial disclosure is a critical component of fiscal management.

Finally, the committee recommends that school districts consider the following as potential cost saving mechanisms:

- Verify income levels of student households so that districts may take advantage of all funding options available for children of low income families (i.e. Medicaid benefits);
- Eliminate elective busing.

II. General Education

Committee Position Statement: The committee narrowed its recommendation in the area of general education to two areas: recruiting and retaining qualified teachers and performance accountability by both teachers and schools.

The committee believes that recruiting and retaining good teachers is not only an issue for Kansas, but is a national crisis faced by all states. Though the committee recognizes that increasing salaries will assist in alleviating this crisis, the committee believes it is only a partial solution. In light of the current budget restraints placed on districts today, the committee recommends alternative tools that will aid in recruiting and retaining teachers. The committee urges the State and school districts to consider the following:

- Implement performance incentives such as merit or performance pay
- Institute recruiting incentives such as bonuses
- Review eliminating tenure

- Improve classroom conditions by increasing administrative support and providing supplies
- Exempt teachers from insurance liability expense in the classrooms
- Expand Alternative Teacher Certification Programs, especially in grades 8-12th

The second area the committee believes should be addressed is accountability of performance for both teachers and school districts. The committee recommends streamlining accountability efforts on a statewide basis so that Kansans will have a consistent benchmark to assess performance. The committee further stresses their concern for the amount of time students and teachers are spending under current accountability measurements and believe streamlining the assessments will allow for more instructional time in the classroom. The committee further recommends considering implementation of a statewide school grading system, perhaps similar to the State of Florida.

III. Special Education

Committee Position Statement: After spending a considerable amount of time studying the issues surrounding special education, the committee recommends this as an area where reform is essential. Currently, districts are forced to supplement special education funding because neither the federal nor state budgets meet the fiscal demands. For example, special education in Wichita is only funded at a rate of 67% by the state when the target goal is 86%. As such, districts funds for general education are being drained to meet special education mandates. The committee recommends the following:

- Special education needs to be funded at the State level by fixing the pieces of the formula that allow the prejudice to occur and enable districts to stop cost shifting special education expenses from the general education budget.
- Set statewide definitions as to what constitutes special education.
- Implement district multiple count dates for children who are enrolled in special education programs and assure that dollars designated to serve a special education child follows the child throughout the school year.
- All services available to special education students need to be accessed by the districts and therefore, schools and parents should be required to seek out all available benefits for the special needs child.

IV. Other Topics

Committee Position Statement: Though the committee has not had adequate time to fully study the following issues, it felt compelled to mention these areas, which it intends to further study during the upcoming year. They are as follows:

- Services needed by students that speak English as second language. The committee feels these expenses need to be closely monitored and more attention needs to be given on developing programs that utilize the districts' resources most effectively and efficiently.
- Alternative school years: such as a twelve month year
- Strengthen the Kansas Charter School Statutes
- Allowing for a check off box on income tax returns so taxpayers are able to designate specific donations to districts of their choice.
- Strengthen partnerships with community businesses and nonprofit organizations that will help alleviate some of the current needs in public schools.



Kansas Farm Bureau

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PUBLIC POLICY STATEMENT

SENATE ASSESSMENT AND TAXATION COMMITTEE

Re: SB 403 - Providing funding for Kansas Schools

**February 5, 2004
Topeka, Kansas**

**Terry D. Holdren, Associate State Director
KFB Governmental Relations**

Chairman Corbin and members of the Senate Assessment and Taxation Committee, thank you for the opportunity to share our thoughts regarding the Governor's proposal to fund K-12 education in Kansas with increased taxes. As you know Kansas Farm Bureau, (KFB) is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

KFB policy, developed through a grass-roots process, has long supported adequate funding for quality K-12 education for all students in Kansas. However, our members have remained consistent in the belief that the major sources of education funding in the state should be the sales tax and income tax. KFB supports a tax mix that would decrease the dependency on property tax and focus more on sales and income taxes to support state initiatives. However, the state's tax mix should not put Kansas at a competitive disadvantage with our neighboring states.

We are encouraged to see the Low Enrollment and Correlation weighting provisions retained in this legislation and believe that any funding mix should include those components or an alternative, which provides equalization in funding among the states diverse populations.

*Senate Assessment & Taxation
2-6-04
Attachment 3*

Regardless of the financing scheme you enact to fund Kansas Schools, we believe that each district in the state should have a strong organizational structure, efficient staffing patterns, and employ technology in the classroom. Budgeting and the operation of schools should provide educational opportunities in an efficient and economical manner.

All Kansas schools should provide:

1. Quality education
2. Agricultural objectives as part of curriculum standards
3. Agriculture-Business-Labor partnerships that favor and support schools
4. Sufficient administrative personnel
5. Quality teacher certification requirements
6. Efficient use of classroom hours
7. Meaningful home and private school accreditation procedures

Thank you for the opportunity to share our impressions of this legislation and schools in Kansas. KFB stands ready to assist you in the search for an equitable solution for these issues. Should you have questions or concerns, please contact us at your convenience.

Kansas Farm Bureau represents grass roots agriculture. Established in 1919, this non-profit advocacy organization supports farm families who earn their living in a changing industry.