Approved: February 16, 2006
Date

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:30 p.m. on January 31, 2006, in Room 123-S of the Capitol.

Committee members absent:

Committee staff present: Deb Hollon, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Scott Gates, State Treasurer's Office

On behalf of the Wichita public schools, Senator Schodorf requested the introduction of a bill which would amend the student disciplinary hearing process to allow school boards more flexibility in scheduling appeal hearings for student suspension or expulsion.

Senator Lee moved to introduce the bill, seconded by Senator Teichman. The motion carried.

SB 330–Learning Quest (family postsecondary savings accounts); removing penalty for early withdrawal

Scott Gates, Office of the State Treasurer, testified in support of **SB 330**. He explained that the bill would remove the penalty imposed on Kansas investors when they withdraw contributions to their Learning Quest account within one year after opening the account. He pointed out that the intent of the penalty was to prevent people from manipulating the tax code by quickly taking money in and out; however, there are many other reasons for persons to change their investment. He noted that, unfortunately, some people do not hear about the Learning Quest plan until their student is a senior in high school preparing for college, and Treasurer Jenkins believes that it is unfair to penalize citizens who get a late start at saving for college. For the Committee's information, a table outlining deductions and restrictions in other states and a report from the Department of Revenue outlining the cost of the tax deduction for the Learning Quest program in 2004 was attached to his written testimony. (Attachment 1) Mr. Gates responded to questions from the Committee.

There being no others wishing to testify, the hearing on **SB 330** was closed.

Senator Schodorf opened a discussion on a previously heard bill, **SB 329** concerning the review of curriculum standards and called attention to a balloon of the bill. (Attachment 2)

Theresa Kiernan, Revisor of Statutes Office, noted that, at the hearing on the bill, members expressed their concern that striking "equal to the best standards" on lines 22 and 23 may allow less than the best standards to be adopted. She pointed out that the balloon version of the bill consistently provided that the State Board shall establish curriculum standards which reflect "high academic standards." In addition, she explained that subsection (c) clarifies what the standards are.

Senator Teichman moved to amend **SB 329** as shown in the balloon, seconded by Senator Lee. The motion carried.

Senator Lee moved to recommend **SB 329** favorably for passage as amended, seconded by Senator Teichman. The motion carried.

Senator Lee noted the Division of Legislative Post Audit had provided the information she requested relating to various impacts of the cost study results. She felt it was appropriate to share the information with other Committee members; therefore, she requested that copies of the information be provided for the full committee. (Attachment 3)

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

The next meeting is scheduled for February 1, 2006.

SENATE EDUCATION COMMITTEE
GUEST LIST

DATE: Jan. 31, 2006

NAME	REPRESENTING
Jeff Wagaman	State Treasury
PEGGY HANNA	" "
Scott GAtes	" "
Bill Reardon	USD 500 (KCKS)
Gerry Henderson	USA
Bill Brady	SFFF
Val DeFever	SQE.
TERRY FORSYTH	KNEA
Mark Tallman	KASB
Diane Gjerstad	Wichita Public Schools
Bob Vancrum	Blue Valley 229
SCOTT FRANK	LPA
Ali Bannworth	Senate majority Office
Derek Hein	Hein Law Firm

STATE OF KANSAS

Lynn Jenkins, CPA
TREASURER

900 SW JACKSON ST, SUITE 201
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Senate Committee on Education, January 31, 2006
Testimony on S. B. 330 by Scott M. Gates, Director of LearningQuest

Thank you for the opportunity to address the Committee in support of Senate Bill 330. This has been a great year for LearningQuest, our state's 529 education savings program. This past summer, we surpassed $1 billion in assets, and we currently have over 84,000 accounts. Both Kansans and investors from across the country continue to choose our plan to save for their students' future. In April of 2005, we continued our trend of expanding investment options by adding four Vanguard indexed mutual funds after rolling out the Schwab 529 plan in 2003. In 2006, we will have our investment management contract with American Century out for bid. This process will help our plan respond to the many changes that have occurred in the 529 industry since our original contract was signed in 1999.

Kansans chose to withdraw $2.1 million in 2004 and $1.2 in 2005 from their LearningQuest accounts within the first year after their account was opened. Current law requires Kansans to add these withdrawals to their Kansas Adjusted Gross Income to the extent that they received a deduction when the funds were contributed. Of the 27 states that offer a tax deduction for contributions, only Georgia has a similar penalty. (See, attached report from Savingforcollege.com outlining tax deductions, matches and withdrawal penalties.) This rule is based on the assumption that their contribution was made for the sole purpose of manipulating the tax code by obtaining a deduction for a short term investment. Many other factors can enter into an investor's decision to withdraw funds or close an account, such as investment performance or a change in their financial situation. Assuming the maximum tax rate of 6.5%, the tax savings generated by the maximum $6,000 deduction is $390. Taxpayers who are looking for ways to take advantage of the tax code have more lucrative options available to them than this deduction.

<u>In S. B. 330, we are asking that you remove the penalty imposed on investors who make this type of withdrawal.</u> We have been promoting this plan for 6 years, but unfortunately some people still don't hear about it until their student is a senior in high school preparing for college. Treasurer Jenkins believes that it is unfair to penalize these Kansans who get a late start at saving for college. We should do everything we can to encourage Kansans to save for college, even if they start late in the game. Our plan has short term money market options that would be appropriate for investors in this situation.

I have also attached a report from the Department of Revenue outlining the cost of the current deduction for tax year 2004. I'd be glad to answer any questions that you may have.

Senate Education Committee
1-31-06
Attachment 1

529 Plan Comparisons

www.SavingForCollege.com

Plan	In-state tax deduction for contributions:	Program match on contributions:	Is the deduction subject to recapture upon a future non-qualified distribution?
GIFT College Investing Plan Arkansas	Up to $5,000 per taxpayer per year (up to $10,000 total for a husband and wife)	None	Yes
Direct Portfolio College Savings Plan Colorado	Fully deductible; rollover contributions are not eligible for the deduction	Dollar-for-dollar match of up to $500 in contributions from lower-income Colorado residents to accounts with an eligible beneficiary (a dependent under age 13 at the time of initial application); the match can extend for a maximum five years; matching grants for 2005 and future years are subject to continued funding by the sponsor	Yes
Prepaid Tuition Fund Colorado	Fund is closed to new purchases	Closed to new contributions	Yes
Scholars Choice College Savings Program Colorado	Fully deductible; rollover contributions are not eligible for the deduction	None	Yes
Stable Value Plus College Savings Program Colorado	Fully deductible; rollover contributions are not eligible for the deduction	Dollar-for-dollar match of up to $500 in contributions from lower-income Colorado residents to accounts with an eligible beneficiary (a dependent under age 13 at the time of initial application); the match can extend for a maximum five years; matching grants for 2005 and future years are subject to continued funding by the sponsor	Yes
DC 529 College Savings Program (Advisor-sold) District of Columbia	Up to $3,000 per contributor per year, with five-year carryforward of excess contributions; only contributions made by the account owner are deductible; rollover contributions are not deductible	None	Yes, unless the beneficiary dies, becomes disabled, or receives a scholarship equal to or greater than the amount of the distribution
DC 529 College Savings Program (Direct-sold) District of Columbia	Up to $3,000 per contributor per year, with five-year carryforward of excess contributions; only contributions made by the account owner are deductible; rollover contributions are not deductible	None	Yes, unless the beneficiary dies, becomes disabled, or receives a scholarship equal to or greater than the amount of the distribution
Georgia Higher Education Savings Plan Georgia	Up to $2,000 per dependent beneficiary per year by parents or guardians who itemize on their federal and Georgia tax returns and have an adjusted gross income under $50,000 for single filers or $100,000 for joint filers (the deduction phases out between $50,000-$55,000 for single filers and $100,000-$105,000 for joint filers); rollover contributions are not deductible	None	**Yes, Georgia taxes principal to extent previously deducted; also applies recapture to qualified distributions within one year of establishing an account**

Idaho College Savings Program (IDeal) Idaho	Up to $4,000 per contributor per year; rollover contributions are not deductible	None	Yes, Idaho taxes principal whether or not contributions were fully deducted
Bright Directions College Savings Program Illinois	Up to $10,000 per contributor per year ($20,000 joint); for rollover contributions, only the principal portion is eligible for the deduction	None	No
Bright Start College Savings Program Illinois	Up to $10,000 per contributor per year ($20,000 joint); for rollover contributions, only the principal portion is eligible for the deduction	None	No
College Illinois! Illinois	Up to $10,000 per contributor per year ($20,000 joint); for rollover contributions, only the principal portion is eligible for the deduction	None	No
College Savings Iowa Iowa	Up to $2,500 per beneficiary in 2006; only contributions made by the account owner are deductible	None	Yes, Iowa taxes principal to extent previously deducted
Kansas Learning Quest 529 Education Savings Program (Advisor-sold) Kansas	Up to $3,000 ($6,000 joint) per beneficiary per year; rollover contributions are not deductible	None	Yes, Kansas taxes principal to extent previously deducted; also applies to qualified distributions and rollovers within one year of establishing account
Kansas Learning Quest 529 Education Savings Program (Direct-sold) Kansas	Up to $3,000 ($6,000 joint) per beneficiary per year; rollover contributions are not deductible	None	Yes, Kansas taxes principal to extent previously deducted; also applies to qualified distributions and rollovers within one year of establishing account
Schwab 529 College Savings Plan Kansas	Up to $3,000 ($6,000 joint) per beneficiary per year; rollover contributions are not deductible	None	Yes, Kansas taxes principal to extent previously deducted; also applies to qualified distributions and rollovers within one year of establishing account
START Saving Program Louisiana	Up to $2,400 per account per year (or $4,800 per beneficiary if married filing jointly); any unused cap amount with an active account may be carried forward to increase the cap in subsequent tax years; double deductions up to $4,800 per year ($9,600 married file jointly) for an account opened for an eligible needy, non-related beneficiary	The state provides an earnings enhancement equal to 2% to 14% (depending on income) of a Louisiana participant's contributions when the account is used for qualifying expenses	Yes, Louisiana taxes principal to extent previously deducted
College Savings Plans of Maryland - College Investment Plan Maryland	Up to $2,500 per beneficiary per year, with a 10-year carryforward of excess contributions; only contributions made by the account owner are deductible; providing the account holder has not taken a tax deduction on the contributions in the past, rollover contributions are deductible.	None	Yes, Maryland taxes principal until all prior deductions have been recaptured

College Savings Plans of Maryland - Prepaid College Trust Maryland	Up to $2,500 per account per year. Only the Account Holder may take the tax deduction. Excess contributions may be carried forward and deducted from State adjusted gross income until the full amount has been deducted. Providing the account holder has not taken a tax deduction on the contributions in the past, rollover contributions are deductible.	None	Yes, Maryland taxes principal until all prior deductions have been recaptured
Michigan Education Savings Program Michigan	Up to $5,000 per tax return ($10,000 per joint return); rollover contributions are not deductible	Michigan residents with adjusted gross income of $80,000 or less and a beneficiary under seven years old may apply for a one-time matching grant of up to $200	Yes, Michigan taxes principal to extent previously deducted; exception for transfers due to change of beneficiary
Michigan Education Trust Michigan	Fully deductible; rollover contributions are not eligible for the deduction	None	Yes
MACS 529 Advisor Program Mississippi	Up to $10,000 per tax return ($20,000 per joint return)	None	Yes, Mississippi taxes principal to extent previously deducted
Mississippi Affordable College Savings (MACS) Program Mississippi	Up to $10,000 per tax return ($20,000 per joint return)	None	Yes, Mississippi taxes principal to extent previously deducted
Mississippi Prepaid Affordable College Tuition (MPACT) Program Mississippi	Fully deductible	None	Yes
Missouri Saving for Tuition (MO$T) Program (Direct-sold) Missouri	Up to $8,000 per taxpayer per year; only contributions made by the account owner are deductible; rollover contributions are not deductible	None	Yes, Missouri taxes principal to extent previously deducted
MO$T 529 Advisor Program Missouri	Up to $8,000 per taxpayer per year; only contributions made by the account owner are deductible; rollover contributions are not deductible	None	Yes, Missouri taxes principal to extent previously deducted
CollegeSure® 529 Plan Montana	Up to $3,000 per tax return ($6,000 per joint return); only contributions made by the account owner, the account owner's spouse, or the account owner's custodian/parent are deductible	None	Yes, Montana taxes principal only after nondeductible contributions are removed from the account; recapture tax is imposed at highest marginal Montana rate (currently 11%); also applies to qualified distributions within three years of establishing account

Pacific Funds 529 College Savings Plan (Advisor-sold) MT Montana	Up to $3,000 per tax return ($6,000 per joint return); only contributions made by the account owner, the account owner's spouse, or the account owner's custodian/parent are deductible	None	Yes, Montana taxes principal only after nondeductible contributions are removed from the account; recapture tax is imposed at highest marginal Montana rate; also applies to qualified distributions within three years of establishing account
Pacific Funds 529 College Savings Plan (Direct-sold) MT Montana	Up to $3,000 per tax return ($6,000 per joint return); only contributions made by the account owner, the account owner's spouse, or the account owner's custodian/parent are deductible	None	Yes, Montana taxes principal only after nondeductible contributions are removed from the account; recapture tax is imposed at highest marginal Montana rate; also applies to qualified distributions within three years of establishing account
AIM College Savings Plan Nebraska	Up to $1,000 per tax return ($500 per married-filing-separate return); only contributions made by the account owner are deductible	None	Yes, Nebraska taxes principal to extent previously deducted
College Savings Plan of Nebraska (Advisor-sold) Nebraska	Up to $1,000 per tax return ($500 per married-filing-separate return); only contributions made by the account owner are deductible	Nebraska and non-Nebraska plan beneficiaries attending a Nebraska higher education institution are eligible to receive additional contributions from a privately-funded endowment fund	Yes, Nebraska taxes principal to extent previously deducted
College Savings Plan of Nebraska (Direct-sold) Nebraska	Up to $1,000 per tax return ($500 per married-filing-separate return); only contributions made by the account owner are deductible	Nebraska and non-Nebraska plan beneficiaries attending a Nebraska higher education institution are eligible to receive additional contributions from a privately-funded endowment fund	Yes, Nebraska taxes principal to extent previously deducted
State Farm College Savings Plan Nebraska	Up to $1,000 per tax return ($500 per married-filing-separate return); only contributions made by the account owner are deductible	None	Yes, Nebraska taxes principal to extent previously deducted
TD Waterhouse 529 College Savings Plan Nebraska	Up to $1,000 per tax return ($500 per married-filing-separate return); only contributions made by the account owner are deductible	Nebraska and non-Nebraska plan beneficiaries attending a Nebraska higher education institution are eligible to receive additional contributions from a privately-funded endowment fund	Yes, Nebraska taxes principal to extent previously deducted
CollegeSense 529 Higher Education Savings Plan New Mexico	Fully deductible	None	Yes
Scholar'sEdge New Mexico	Fully deductible	None	Yes
The Education Plan's College Savings Program New Mexico	Fully deductible	None	Yes

New York's 529 College Savings Program - Advisor Plan New York	Up to $5,000 per tax return ($10,000 per joint return); only contributions made by the account owner are deductible	None	Yes, New York taxes principal only after nondeductible contributions have been removed from the account
New York's 529 College Savings Program - Direct Plan New York	Up to $5,000 per tax return ($10,000 per joint return); only contributions made by the account owner are deductible	None	Yes, New York taxes principal only after nondeductible contributions have been removed from the account
Ohio CollegeAdvantage - Guaranteed Savings Fund Ohio	Up to $2,000 per beneficiary per year, with unlimited carryforward of excess contributions	None	Yes, Ohio taxes principal to extent previously deducted unless the withdrawal results from the beneficiary's death, disability, or receipt of scholarship
Ohio CollegeAdvantage 529 Savings Plan Ohio	Up to $2,000 per beneficiary per year, with unlimited carryforward of excess contributions	None	Yes, Ohio taxes principal to extent previously deducted unless the withdrawal results from the beneficiary's death, disability, or receipt of scholarship
Putnam CollegeAdvantage Ohio	Up to $2,000 per beneficiary per year, with unlimited carryforward of excess contributions	None	Yes, Ohio taxes principal to extent previously deducted unless the withdrawal results from the beneficiary's death, disability, or receipt of scholarship
Oklahoma College Savings Plan Oklahoma	Up to $10,000 per taxpayer per year, with a five-year carryforward of excess contributions	None	No
MFS 529 Savings Plan Oregon	Up to $2,000 per tax return ($1,000 per married-filing-separate return), with four-year carryforward of excess contributions	None	Yes
OppenheimerFunds 529 Plan Oregon	Up to $2,000 per tax return ($1,000 per married-filing-separate return), with four-year carryforward of excess contributions	None	Yes
Oregon College Savings Plan Oregon	Up to $2,000 per tax return ($1,000 per married-filing-separate return), with four-year carryforward of excess contributions	None	Yes
CollegeBoundfund (Advisor-sold) Rhode Island	Up to $500 per tax return ($1,000 per joint return), with unlimited carryforward of excess contributions; only contributions made by the account owner are deductible; rollover contributions are not deductible	The program will annually match up to $500 in contributions from low- and moderate-income Rhode Island residents to accounts opened before the beneficiary reaches age 11; the match can extend for a maximum five years; the match is either 1-for-1 or 2-for-1 depending on reported family income	Yes, Rhode Island taxes principal to extent previously deducted, but only for distributions within two taxable years of the deductible contribution
CollegeBoundfund (Direct-sold, Alternative R) Rhode Island	Up to $500 per tax return ($1,000 per joint return), with unlimited carryforward of excess contributions; only contributions made by the account owner are deductible; rollover contributions are not deductible	The program will annually match up to $500 in contributions from low- and moderate-income Rhode Island residents to accounts opened before the beneficiary reaches age 11; the match can extend for a maximum five years; the match is either 1-for-1 or 2-for-1 depending on reported family income	Yes, Rhode Island taxes principal to extent previously deducted, but only for distributions within two years of the deductible contribution

Future Scholar 529 College Savings Plan (Advisor-sold) South Carolina	Fully deductible	None	Yes
Future Scholar 529 College Savings Plan (Direct-sold) South Carolina	Fully deductible	None	Yes
South Carolina Tuition Prepayment Program South Carolina	Fully deductible	None	Yes
Utah Educational Savings Plan (UESP) Trust Utah	Up to $1,560 per beneficiary in 2006 ($3,120 per beneficiary with joint return); only contributions made by the account owner or account owner's spouse are deductible; contributions to an account established after a beneficiary reaches age 19 are not deductible	Pilot program matches contributions of low-income Utah participants, up to $300 each year for four years	Yes, Utah taxes principal to extent previously deducted
Vermont Higher Education Investment Plan Vermont	5% tax credit on up to $2,000 in contributions per beneficiary per year (maximum $100 credit per beneficiary per year)	None	Yes
CollegeAmerica Virginia	Up to $2,000 per account per year, with unlimited carryforward of excess contributions; fully deductible in the year of contribution for contributors age 70 and older; contributions from a non-owner are deductible by the account owner and not by the non-owner/contributor	None	Yes, Virginia taxes principal to extent previously deducted, except for death, disability, and scholarship refunds
Virginia Education Savings Trust (VEST) Virginia	Up to $2,000 per account per year, with unlimited carryforward of excess contributions; fully deductible in the year of contribution for contributors age 70 and older; contributions from a non-owner are deductible by the account owner and not by the non-owner/contributor	None	Yes, Virginia taxes principal to extent previously deducted, except for death, disability and scholarship refunds
Virginia Prepaid Education Program (VPEP) Virginia	Up to $2,000 per account per year, with unlimited carryforward of excess contributions; fully deductible in the year of contribution for contributors age 70 and older; contributions from a non-owner are deductible by the account owner and not by the non-owner/contributor	None	Yes, Virginia taxes principal to extent previously deducted, except for death, disability and scholarship refunds
Cornerstone SMART529 West Virginia	Fully deductible	None	Yes
Director SMART529 College Savings Plan West Virginia	Fully deductible	None	Yes

Leaders SMART529 West Virginia	Fully deductible	None	Yes
SMART529 Prepaid Tuition Plan West Virginia	Fully deductible	None	Yes
SMART529 Select West Virginia	Fully deductible	None	Yes
SMART529 WV Direct College Savings Plan West Virginia	Fully deductible	None	Yes
EDVEST (Advisor-sold) Wisconsin	Up to $3,000 per beneficiary per year; only contributions to an account naming the contributor, the contributor's dependent child, or the contributor's grandchild, great-grandchild, nephew, or niece as beneficiary are deductible	None	No
EDVEST (Direct-sold) Wisconsin	Up to $3,000 per beneficiary per year; only contributions to an account naming the contributor, the contributor's dependent child, or the contributor's grandchild, great-grandchild, nephew, or niece as beneficiary are deductible	None	No
Tomorrow's scholar Wisconsin	Up to $3,000 per beneficiary per year; only contributions to an account naming the contributor, the contributor's dependent child, or the contributor's grandchild, great-grandchild, nephew, or niece as beneficiary are deductible	None	No

Kansas Department of Revenue
Learning Quest Modifications to FAGI
Tax Year 2004

KAGI Bracket		Returns	arning Quest Amo	Percent of Total Amount	Average Modification
Up To	$25,000	439	$1,160,839	2.5%	$2,644
$25,000	$50,000	842	$2,305,044	5.0%	$2,738
$50,000	$75,000	1,786	$4,829,559	10.4%	$2,704
$75,000	$100,000	2,201	$6,398,219	13.8%	$2,907
$100,000	Over	5,585	$31,634,314	68.3%	$5,664
	Total	10,853	$46,327,975	100.0%	$4,269

SENATE BILL No. 329

By Legislative Educational Planning Committee

1-5

AN ACT concerning education; relating to curriculum standards; amending K.S.A. 2005 Supp. 72-6439 and repealing the existing section.

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

Section 1. K.S.A. 2005 Supp. 72-6439 is hereby amended to read as follows: 72-6439. (a) In order to accomplish the mission for Kansas education, the state board of education shall design and adopt a school performance accreditation system based upon improvement in performance that reflects high academic standards and is measurable.

(b) ~~The state board of education shall provide for assessments in the core academic areas of mathematics, science, reading, writing, and social~~ studies~~, and shall establish curriculum standards for such core academic areas. The assessments shall be administered at three grade levels, as determined by the state board.~~ The curriculum standards shall be ~~equal to the best standards and shall be~~ reviewed at least every ~~three~~ *seven* years. ~~The state board shall ensure compatibility between the statewide assessments and the curriculum standards.~~ Nothing in this subsection shall be construed in any manner so as to impinge upon any district's authority to determine its own curriculum.

(c) The state board ~~of education~~ shall determine performance levels on the statewide assessments, the achievement of which represents ~~excellence~~ in the academic area at the grade level to which the assessment applies. The state board should specify the ~~measure of excellence~~ both for individual performance and school performance on the assessments.

(d) Each school in every district shall establish a school site council composed of the principal and representatives of teachers and other school personnel, parents of pupils attending the school, the business community, and other community groups. School site councils shall be responsible for providing advice and counsel in evaluating state, school district, and school site performance goals and objectives and in determining the methods that should be employed at the school site to meet these goals and objectives. Site councils may make recommendations and proposals to the school board regarding budgetary items and school district matters, including but not limited to, identifying and implementing the best practices for developing efficient and effective administrative and

(b) The state board shall establish curriculum standards which reflect high academic standards for the core academic areas of mathematics, science, reading, writing and social studies.

The state board shall provide for statewide assessments in the core academic areas of mathematics, science, reading, writing and social studies. The board shall ensure compatibility between the statewide assessments and the curriculum standards established pursuant to subsection (b). Such assessments shall be administered at three grade-levels, as determined by the board.

high academic standards

Senate Education Committee
1-31-06
Attachment 2

MEMORANDUM

Legislative Division of Post Audit

US Bank Building, 800 SW Jackson, Suite 1200
Topeka, KS 66612-2212
voice: 785.296.3792
fax: 785.296.4482
email: LPA@lpa.state.ks.us
web: www.kslegislature.org/postaudit

TO: Members, Senate Education Committee
FROM: Barbara J. Hinton, Legislative Post Auditor
DATE: January 30, 2006
SUBJECT: Cost study materials prepared for Senator Lee

At Senator Lee's request, we are providing you with follow-up materials we prepared for her related to various impacts of the cost study results.

Please let me know if you have any questions.

Senate Education Committee
1-31-06
Attachment 3

MEMORANDUM

Legislative Division of Post Audit

US Bank Building, 800 SW Jackson, Suite 1200
Topeka, KS 66612-2212
voice: 785.296.3792
fax: 785.296.4482
email:LPA@lpa.state.ks.us
web:www.kslegislature.org/postaudit

TO: Senator Lee
FROM: Barbara J. Hinton, Legislative Post Auditor
DATE: January 20, 2006
SUBJECT: Hold Harmless Maps

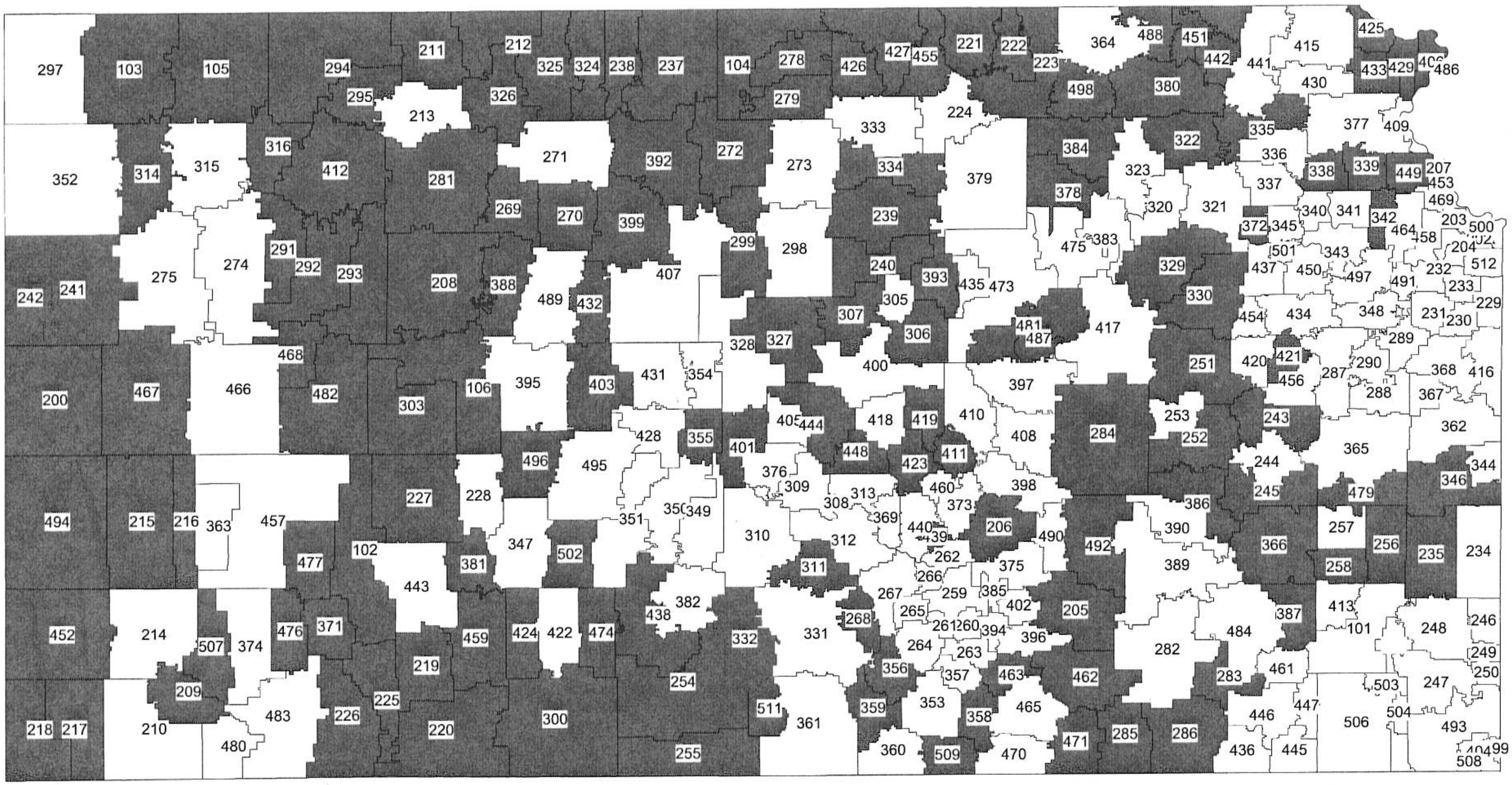
This is in response to your request for maps showing which districts would need hold harmless funding under the outcomes-based and input-based (class size 25) approaches.

Please let us know if you have any other questions.

3-3

Outcomes-Based

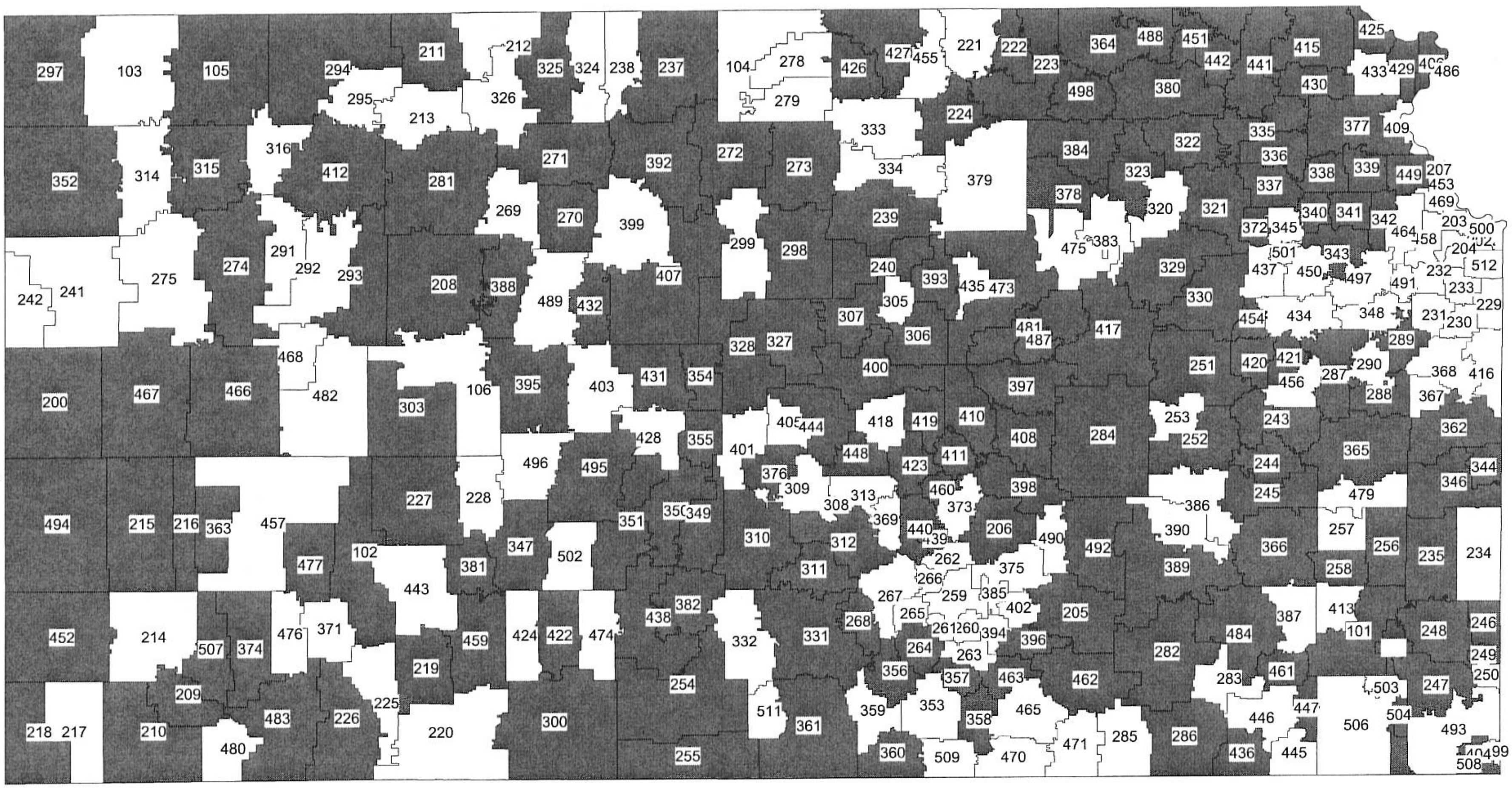
No Hold Harmless
Hold Harmless



3-4

Input-Based (25)

☐ No Hold Harmless
■ Hold Harmless



MEMORANDUM

Legislative Division of Post Audit

US Bank Building, 800 SW Jackson, Suite 1200
Topeka, KS 66612-2212
voice: 785.296.3792
fax: 785.296.4482
email:LPA@lpa.state.ks.us
web:www.kslegislature.org/postaudit

TO:	Senator Lee
FROM:	Barbara J. Hinton, Legislative Post Auditor
DATE:	January 20, 2006
SUBJECT:	Regional Cost Adjustment Maps

This is in response to your request for maps showing the results of our analysis of teacher salaries. There are four maps attached to this memo:

- Overall Teacher Salary Index
- Cost of Living Index
- Community Amenities Index
- Working Conditions Index

Each map includes a cover page that explains what the particular index is attempting to measure, describes the data we used in building the index, and summarizes our conclusions regarding each index.

Please let us know if you have any other questions.

TEACHER SALARY INDEX

This map graphically displays the teacher salary index we calculated as part of our cost study. The regional cost adjustments we made in the study are based on this index. The salary index represents the cost of hiring a comparable teacher (e.g., education, experience) in each district, taking into account three factors that affect teacher salaries but are outside a school district's control:

- **Cost of Living in the Community** – Districts located in communities with high housing prices often need to pay more to attract teachers.
- **Community Amenities** – People often prefer to live near large metropolitan cities because they offer a number of cultural, economic, and social amenities. As a result, districts that are closer to such cities may be able to pay less and still attract teachers. Conversely, districts that are far way from such cities may need to pay more.
- **Working Conditions** – Teachers generally prefer to avoid teaching in high-poverty, inner-city districts. As a result, these districts may have to pay more to attract teachers.

The overall teacher index is determined by the net effect of all three factors. It index works by multiplying the indices for each factor together. For example, the overall salary index in Smith Center (USD 237) looks like this:

$$\underset{\textit{Salary Index}}{\textit{Overall}} = \underset{\textit{Living Index}}{\textit{Cost of}} \times \underset{\textit{Amenities Index}}{\textit{Community}} \times \underset{\textit{Conditions Index}}{\textit{Working}}$$

$$97.21 = \frac{95.92}{100} \times \frac{101.46}{100} \times \frac{99.84}{100} \times 100$$

For any one district, one factor may push salaries in one direction, while the other factors may push them in the other direction. In this example, Smith Center is far from a major city, which indicates it might need to pay higher salaries to attract comparable teachers (community amenities index > 100). On the other hand, housing prices in Smith Center are low (cost of living index < 100), which indicates it might be able to pay lower salaries. The final salary index depends on which factor has the strongest effect. In this case, because lower housing prices have a stronger effect than the distance from a major city, the overall salary index for Smith Center is less than 100, which indicates it could pay below average salaries and still attract a comparable teacher.

On the map:

- Districts that had a higher teacher salary index overall are shown in gold, orange, and red (highest cost).
- Districts that had a lower teacher salary index overall are shown in various shades of blue, with the lowest cost districts colored deep blue.
- Districts that aren't shaded had a teacher salary index that is about average.
- The teacher salary index showed the cost of hiring a comparable teacher would be greatest in the Central and East Central parts of the State. The highest-cost districts are the high-poverty, inner-city districts of Kansas City (USD 500), Topeka (USD 501), and Wichita (USD 259). In addition, there is a relatively high cost area in Southwest Kansas.

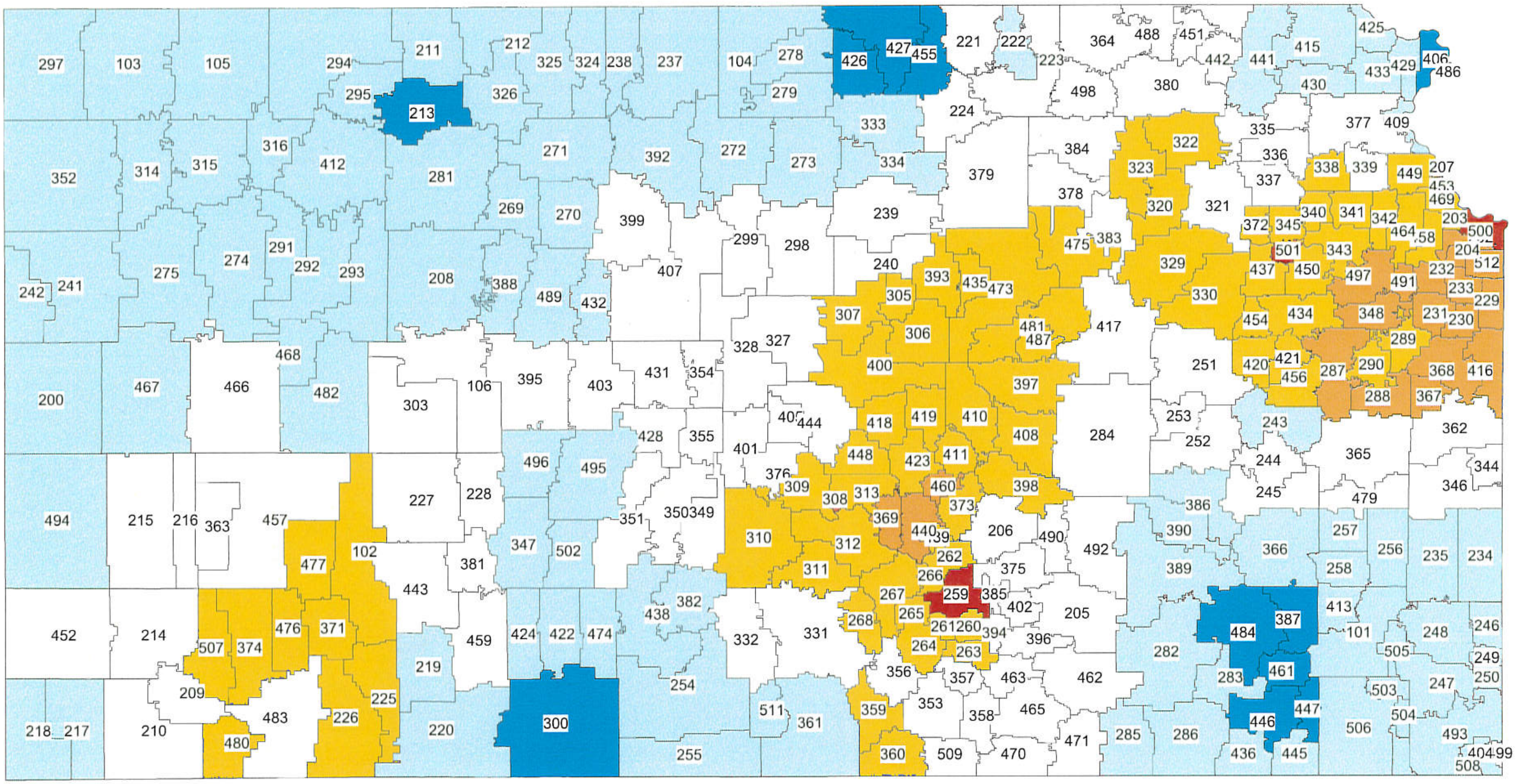
3-7

Unified School Districts

Index of Salary

index of Salary

107 to 110	(3)
105 to 107	(1)
103 to 105	(20)
101 to 103	(73)
99 to 101	(91)
97 to 99	(100)
95 to 97	(12)
93 to 95	(0)
0 to 93	(0)



COST OF LIVING INDEX

This map shows how cost of living, one of the key components in the teacher salary index varies across the State. The underlying assumption is that a district with a high cost of living has to pay more to attract teachers.

The index is based on housing prices. To build the index, we used property valuation data from the Department of Revenue to determine what a comparable house would cost in each county in the State. Because teachers don't have to live in the districts they teach in, we constructed a regional measure of housing prices for each district. This was calculated by taking the average of housing prices in the district's county, and in the adjacent counties.

On the map:

- Districts with higher housing prices are shown in gold, orange, and red (highest cost).
- Districts with lower housing prices are shown in various shades of blue, with the lowest cost districts colored deep blue.
- Districts that aren't shaded had about average housing prices.
- Housing costs are higher in the Central and East Central parts of the State. These areas follow I-135 and I-70 in Eastern Kansas, and are generally associated with economic growth in the State. Housing costs are the highest in the Kansas City metropolitan area, including both Johnson County and Wyandotte County. Housing prices are lower in North Central, South Central, and parts of Southeast Kansas.

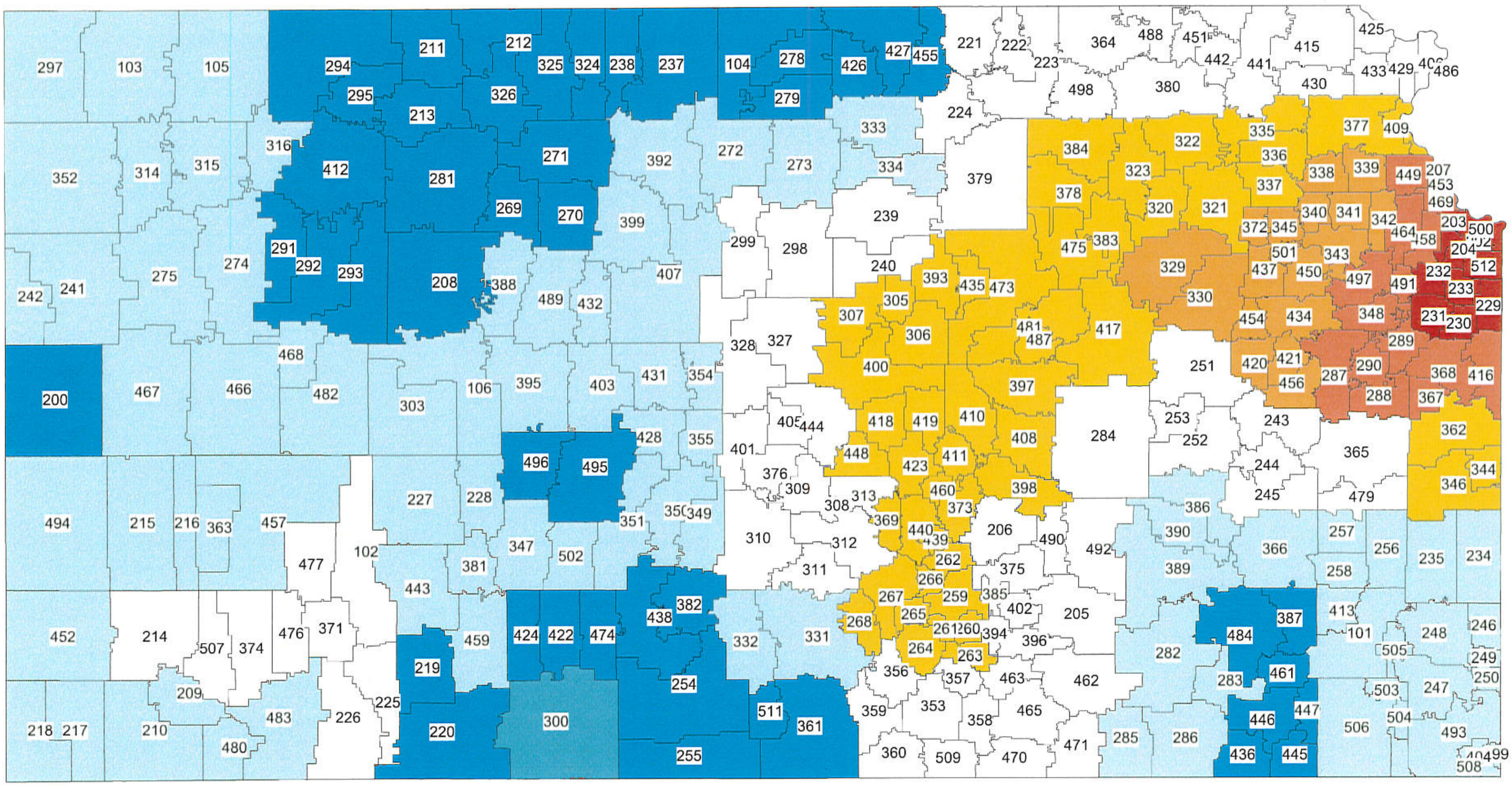
3-9

Unified School Districts

Index of Cost of Living

index Cost of Living

107 to 110	(10)
105 to 107	(16)
103 to 105	(18)
101 to 103	(50)
99 to 101	(74)
97 to 99	(85)
95 to 97	(46)
93 to 95	(1)
0 to 93	(0)



COMMUNITY AMENITIES INDEX

This map shows how the driving distance to a major city affects the salaries a district must pay to attract teachers. People often prefer to live near large metropolitan cities because they offer a number of cultural, economic, and social amenities. As a result, districts that are far way from such cities may have difficulty attracting comparable teachers and have to offer higher salaries.

For this index, we measured the driving distance from each district to Kansas City or Denver, whichever was closer. (In our initial models, we tried to include the distance to smaller cities, such as Wichita, Tulsa, Oklahoma City, and Omaha, but none of these were statistically significant.)

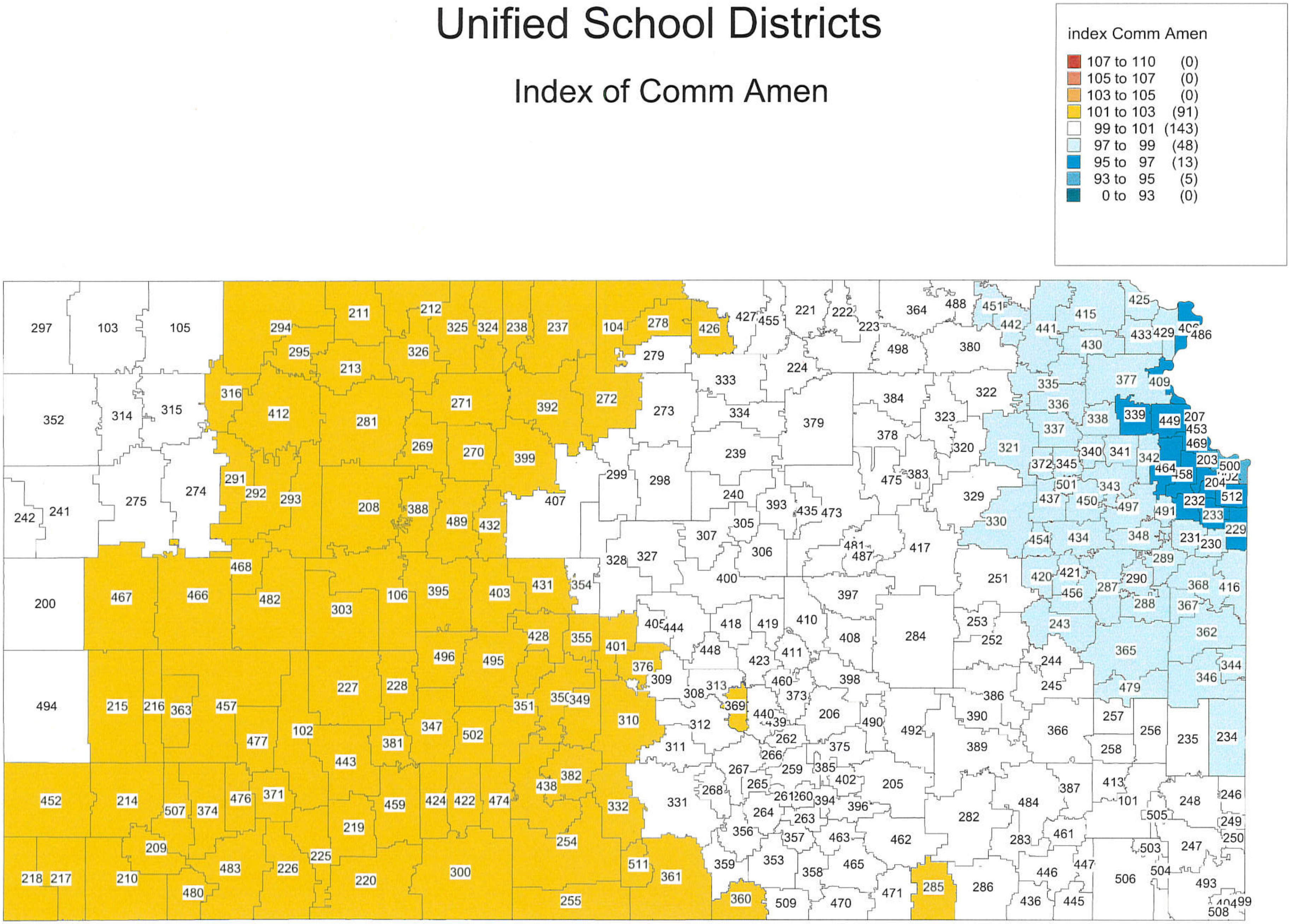
On the map:

- Districts with longer driving distances to the nearest major city are shown in gold. These districts are likely to have to pay higher salaries to attract comparable teachers.
- Districts that are close to Kansas City are shown in shades of blue, with the nearest districts colored deep blue.
- Because most of the districts in Western Kansas are far from a major city, we would expect them to have to pay relatively higher salaries to attract comparable teachers. Districts in the Northeast part of the State are close to Kansas City, and therefore would be able to pay relatively lower salaries and still attract teachers.

3-10

Unified School Districts

Index of Comm Amen



WORKING CONDITIONS INDEX

This map shows which districts are affected by high-concentrations of inner-city poverty in districts. Because of poor working conditions, these districts may have to pay more to attract comparable teachers. We used the number of free-lunch students per square mile as our measure of urban poverty. This is the same measure we used in our outcomes-based analysis.

On the map:

- The working conditions index has very little effect in the overwhelming majority of school districts. The districts that are most affected by urban poverty are the State's three large inner-city districts: Kansas City (USD 500), Topeka (USD 501), and Wichita (USD 259).

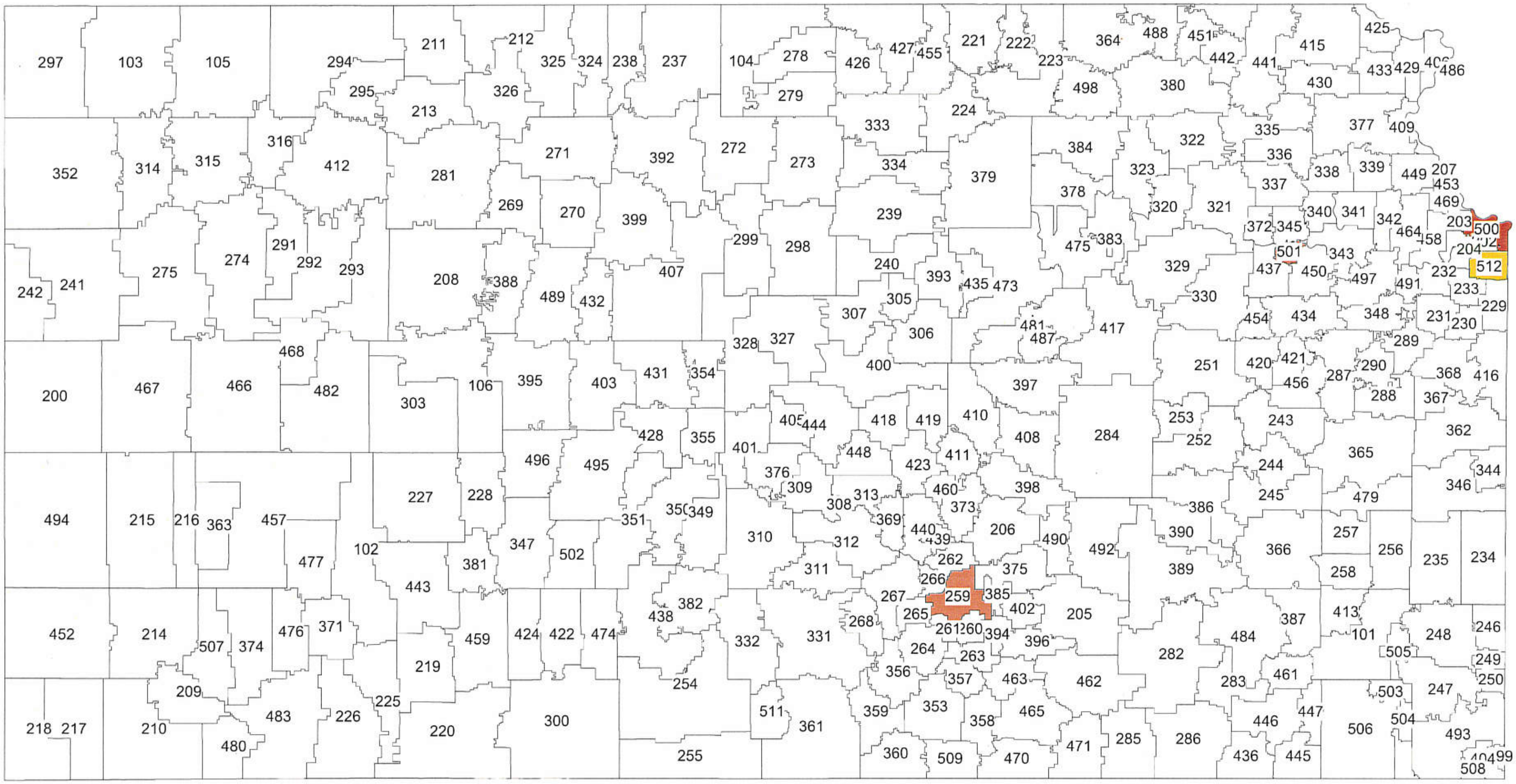
3-13

Unified School Districts

Index of Working Conditions

Index Working Conditions

107 to 110	(1)
105 to 107	(2)
103 to 105	(1)
101 to 103	(3)
99 to 101	(293)
97 to 99	(0)
95 to 97	(0)
93 to 95	(0)
0 to 93	(0)



MEMORANDUM

Legislative Division of Post Audit
US Bank Building, 800 SW Jackson, Suite 1200
Topeka, KS 66612-2212
voice: 785.296.3792
fax: 785.296.4482
email: LPA@lpa.state.ks.us
web: www.kslegislature.org/postaudit

TO: Senator Lee
FROM: Barbara J. Hinton, Legislative Post Auditor
DATE: January 19, 2006
SUBJECT: Correlation Between District Performance and Outcomes-Based Funding

This is in response to your request to see how district performance correlated with outcomes-based funding–specifically, to what extent would districts that exceed the standards lose State funding under an outcomes-based approach (without a hold harmless provision).

To do this, we compared districts' performance in 2003-04 to the 2006-07 standards to identify the districts that met those standards and the districts that didn't. We also looked at the outcomes-based results to see which districts would receive less funding under the outcomes-based approach than under the current formula. We've made three sets of comparisons, looking at (1) all districts Statewide, (2) districts with different enrollment levels, and (3) districts in Senate District #36.

ALL DISTRICTS

As the figure shows, not all districts that met or exceeded the 2006-07 standards would lose funding under an outcomes-based approach, although they certainly are more likely to do so. About 51% of all districts that met or exceeded the standards lost money, as compared with only 31% of those who didn't meet the standards.

ALL DISTRICTS (a)

Met or Exceeded Standards	Lose Money Under Outcomes-Based Approach: Yes	Lose Money Under Outcomes-Based Approach: No
Yes	114 *51%*	109 *49%*
No	22 *31%*	49 *69%*

(a) The following districts have been excluded because their outcome data are incomplete: Montezuma (371), Highland (425), Midway (433), Copeland (476), Ft. Leavenworth (207), and West Solomon Valley (213).

DIFFERENT ENROLLMENT LEVELS

As the figures show, smaller districts are far more likely to lose money under an outcomes-based approach than larger districts. Again, while districts that met or exceeded the 2006-07 standards are more likely to lose funding, not all of them would.

UP TO 500 STUDENTS

Met or Exceeded Standards	Lose Money Under Outcomes-Based Approach: Yes	Lose Money Under Outcomes-Based Approach: No
Yes	88 *83%*	18 *17%*
No	20 *67%*	10 *33%*

MORE THAN 500 STUDENTS

Met or Exceeded Standards	Lose Money Under Outcomes-Based Approach: Yes	Lose Money Under Outcomes-Based Approach: No
Yes	26 *22%*	91 *78%*
No	2 *5%*	39 *95%*

SENATE DISTRICT #36

Overall, school districts in your senate district are more likely to lose money under an outcomes-based approach if they met or exceeded the 2006-07 standards than if they didn't.

SENATE DISTRICT #36

Met or Exceeded Standards	Lose Money Under Outcomes-Based Approach: Yes	Lose Money Under Outcomes-Based Approach: No
Yes	18 *75%*	6 *25%*
No	5 *50%*	5 *50%*

Note: We've attached an additional page that shows various spending, enrollment, student characteristic, and performance data for the school districts in Senate District #36.

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3

Selected Data for School Districts in Senate District #36

District	K-12 Enrollment (2003-04)	Expenditures per Student (a) (2003-04)	Outcome Measure (2003-04)	Percent Free Lunch (2003-04)	Estimated Percent Bilingual (2003-04)	Current Formula (2006-07)	Outcomes-Based Formula (2006-07)	Hold Harmless (2006-07)	Hold Harmless as a % of Current Formula (2006-07)
102 Cimarron-Ensign	649.5	$5,881	75.3	21.7	12.3	$4,815,319	$4,811,517	**$3,801**	0.1%
104 White Rock	141.0	$9,816	82.1	29.8	0.0	$1,192,118	$1,102,091	**$90,027**	7.6%
212 Northern Valley	175.0	$7,994	78.2	33.4	0.0	$1,824,621	$1,742,827	**$81,794**	4.5%
227 Jetmore	288.0	$7,197	70.7	20.5	0.0	$2,294,752	$2,288,746	**$6,006**	0.3%
228 Hanston	99.0	$10,583	**65.7**	30.3	0.0	$982,758	$1,016,262	$0	0.0%
237 Smith Center	474.0	$7,100	**65.9**	27.7	0.0	$3,555,748	$3,503,957	**$51,792**	1.5%
238 West Smith County	192.5	$7,626	75.3	29.5	0.0	$1,742,581	$1,645,152	**$97,429**	5.6%
269 Palco	146.6	$10,007	80.1	28.5	0.0	$1,491,074	$1,417,463	**$73,611**	4.9%
270 Plainville	372.4	$7,419	**64.9**	26.4	8.3	$2,856,816	$2,854,622	**$2,194**	0.1%
271 Stockton	363.3	$6,943	**62.9**	26.5	0.0	$2,735,873	$2,744,060	$0	0.0%
272 Waconda	363.9	$9,630	86.4	27.4	6.5	$2,746,375	$2,720,312	**$26,062**	0.9%
273 Beloit	727.2	$6,771	69.2	18.1	1.9	$5,389,150	$5,390,425	$0	0.0%
278 Mankato	216.0	$9,410	**66.6**	29.5	6.2	$1,819,983	$1,677,542	**$142,442**	7.8%
279 Jewell	171.7	$8,998	70.7	31.9	7.8	$1,675,306	$1,569,312	**$105,994**	6.3%
298 Lincoln	360.0	$6,766	81.0	32.9	0.0	$2,897,488	$3,067,915	$0	0.0%
299 Sylvan Grove	157.0	$9,603	78.4	38.2	0.0	$1,455,934	$1,358,368	**$97,567**	6.7%
324 Eastern Heights	148.0	$7,882	73.1	22.3	0.0	$1,509,752	$1,419,906	**$89,846**	6.0%
325 Phillipsburg	621.0	$7,008	83.2	20.6	2.0	$4,412,715	$4,293,661	**$119,054**	2.7%
326 Logan	191.0	$8,982	76.2	31.2	0.0	$1,694,168	$1,605,736	**$88,431**	5.2%
328 Lorraine	459.0	$6,781	74.6	30.1	2.6	$3,290,511	$3,290,710	$0	0.0%
347 Kinsley-Offerle	305.7	$8,508	**62.6**	34.2	11.5	$2,687,809	$2,780,874	$0	0.0%
351 Macksville	300.7	$6,849	72.6	45.0	8.2	$2,481,642	$2,573,773	$0	0.0%
381 Spearville	341.5	$6,484	79.2	9.6	0.0	$2,607,505	$2,529,021	**$78,484**	3.0%
388 Ellis	351.4	$7,034	79.1	20.7	0.0	$2,792,208	$2,740,770	**$51,438**	1.8%
392 Osborne County	395.4	$6,934	82.9	31.8	2.9	$2,994,644	$2,984,364	**$10,280**	0.3%
395 LaCrosse	343.0	$6,537	**53.9**	30.9	0.0	$2,372,771	$2,386,950	$0	0.0%
399 Paradise	151.1	$9,635	**62.9**	36.4	0.0	$1,487,944	$1,432,463	**$55,481**	3.7%
403 Otis-Bison	228.5	$8,661	71.1	32.2	4.8	$2,085,416	$1,969,029	**$116,388**	5.6%
407 Russell County	983.3	$6,588	72.5	29.7	0.0	$6,484,372	$6,791,239	$0	0.0%
432 Victoria	276.6	$7,747	80.5	9.8	0.0	$2,116,263	$1,983,977	**$132,286**	6.3%
443 Dodge City	5,506.4	$6,795	**55.8**	55.2	47.5	$36,546,750	$42,359,893	$0	0.0%
489 Hays	2,985.2	$6,247	78.0	21.0	2.1	$16,902,866	$19,158,254	$0	0.0%
495 Ft Larned	881.8	$6,933	**62.1**	29.0	0.0	$6,740,110	$7,081,380	$0	0.0%
496 Pawnee Heights	195.5	$8,150	78.2	24.8	0.0	$1,778,358	$1,681,003	**$97,354**	5.5%

[dotted box] District performance did <u>not</u> meet the 2006-07 standards.

[solid box] District would lose money under an outcomes-based approach.

(a) This is the expenditures per student used by the consultants' to build the outcomes-based model. It doesn't include many types of expenditures, such as Special Education, Vocational Education, and transportation. In our cost study, these costs were added in after the consultants' analysis.