

MINUTES OF THE SELECT COMMITTEE ON SCHOOL FINANCE

The meeting was called to order by Chairman Kathe Decker at 9:00 A.M. on February 7, 2006 in Room 313-S of the Capitol.

All members were present except:

Lana Gordon - excused
Ray Merrick - excused

Committee staff present:

Art Griggs - Revisor of Statutes Office
Theresa Kiernan - Revisor of Statutes Office
Ann Deitcher, Committee Secretary

Conferees appearing before the committee:

Barb Hinton - Legislative Division of Post Audit
Bill Reardon - Kansas City, KS Public Schools
Mark Desetti - KNEA
Val DeFever - Schools for Quality Education
Bob Van Crum - Blue Valley Schools

The Chair introduced Barb Hinton who offered additional information related to regional cost indices presented in the K-12 education cost study. (Attachment 1).

Bill Reardon spoke to the Committee to encourage them to adopt the Post Audit's recommendations regarding Regional Cost Adjustments. (Attachment 2).

Mark Desetti testified regarding the issue of the regional cost index in the Legislative Post Audit report. (Attachment 3).

Val DeFever gave a rural perspective of the cost of living adjustments and declining enrollment weighting. (Attachment 4).

Bob VanCrum offered testimony regarding the cost of living weighting factor. (Attachment 5).

The hearing on the LPA K-12 Cost Study report on Regional Cost Adjustment Weighting and Declining Enrollment Weightings was closed.

The meeting was adjourned at 10:50. The next meeting is scheduled for Wednesday, February 8, 2006



MEMORANDUM

Legislative Division of Post Audit

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TO: Members, House Select Committee on School Finance
FROM: Barbara J. Hinton, Legislative Post Auditor
DATE: February 6, 2006
SUBJECT: Additional information related to the regional cost indices presented in the K-12 education cost study

Attached are 4 maps that help show which districts would have a higher or lower salary index for a comparable or "average" teacher in Kansas, taking into account such factors as teacher education and experience, housing costs, distance from a large metropolitan city, and school working conditions.

- **A map showing the overall teacher salary index.** We used statistical techniques to isolate each of the factors noted above to measure how it affects teacher salaries. (e.g., all other things being equal, how much do teacher salaries increase with an increase in their education and experience, or in housing prices in the community?)
- **A map showing the cost of living index.** This index essentially shows how housing costs within a district (and its surrounding counties) compare with the average price Statewide for a comparable house. Districts in communities with high housing prices often need to pay more for a comparable teacher.
- **A map showing the "community amenities" index.** This map essentially shows how the distance to a major metropolitan city affects the salaries a district would have to pay for a comparable teacher. Districts that are closer to such cities may be able to pay less.
- **A map showing the "working conditions" index.** This map shows those districts that have high concentrations of inner-city poverty. Because teachers generally prefer to avoid teaching in such districts, those districts may have to pay more for a comparable teacher.

Appendix 14 (beginning on page 187) provides detailed information about these indices for each school district.

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Attachment # 1-1

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:

| | | | | | | | | |
|-------------------------------------|---|-------------------------------------|---|--|---|---|---|-----|
| <i>Overall Salary Index</i> | = | <i>Cost of Living Index</i> | X | <i>Community Amenities Index</i> | X | <i>Working Conditions Index</i> | X | 100 |
| 97.21 | = | $\frac{95.92}{100}$ | X | $\frac{101.46}{100}$ | X | $\frac{99.84}{100}$ | X | 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.

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.

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.

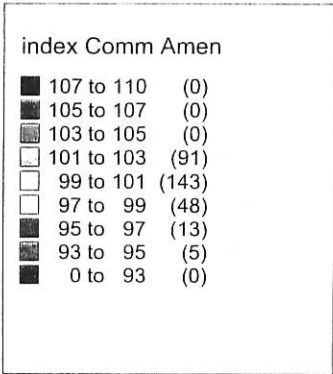
For this index, we measured the driving distance from each district to Kansas City or Denver, whichever was closer. (In our initial models, we tried to include the distance to smaller cities, such as Wichita, Tulsa, Oklahoma City, and Omaha, but none of these were statistically significant.)

On the map:

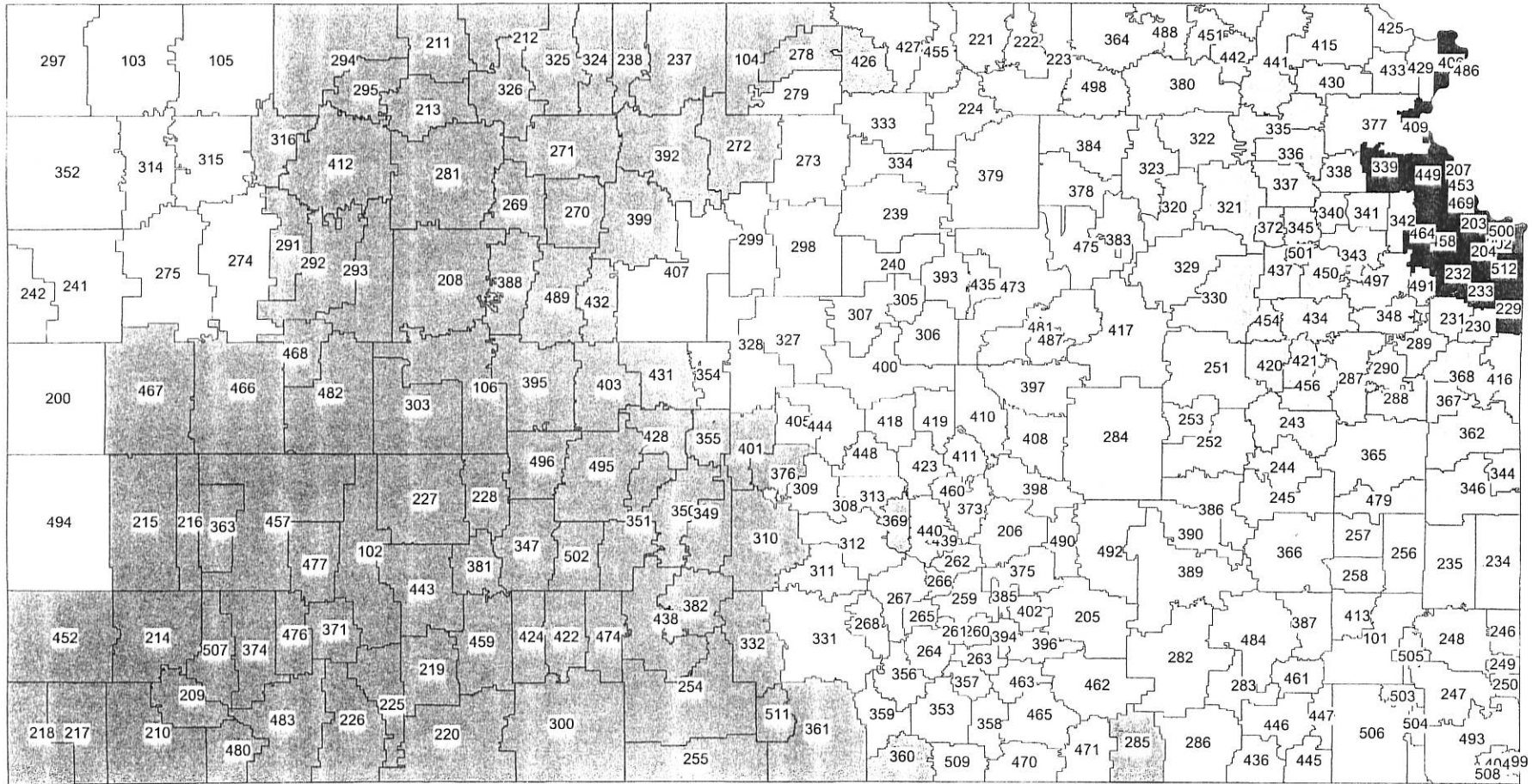
- Districts with longer driving distances to the nearest major city are shown in gold. These districts are likely to have to pay higher salaries to attract comparable teachers.
- Districts that are close to Kansas City are shown in shades of blue, with the nearest districts colored deep blue.
- Because 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.

Unified School Districts

Index of Comm Amen



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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).



Kansas City, Kansas Public Schools

Unified School District No. 500

Testimony by USD 500 Before the House Select Committee on School Funding February 2006

In 2005, USD 500 opposed the increased funding for the so-called “sweet sixteen”. This opposition was based on the premise that while some districts do have higher living costs, these costs are reflected over an entire metro area and not just selected districts within a metro area. The Post Audit Report validates this position by endorsing a regional approach to state assistance for teacher salaries.

An illustration of the need for a regional approach regarding ‘cost of living’ is the fact that there are more teachers employed in the Kansas City, Kansas public schools who reside in Johnson County than KCK teachers who reside in Wyandotte County.

Under the provision of last year’s bill, none of these KCK teachers living in Johnson County would have benefited. Similarly, there are KCK residents who teach in Johnson County who would have benefited by last year’s law.

USD 500 believes that the Post Audit recommendation to recognize variations in teacher salaries on a regional basis dramatically reduces these anomalies and lays the foundation for a sound and defensible public policy.

USD 500 was also encouraged by the Post Audit recognition of the need for urban core districts to offer higher teacher salaries than their suburban counterparts if they hope to successfully compete with the more affluent districts in a metro area for hiring and retaining teachers.

USD 500 encourages this committee to adopt the Post Audit's recommendations regarding Regional Cost Adjustments.

Bill Reardon, Lobbyist – Kansas City Public Schools



**Mark Desetti, Testimony
House Select Committee
School Finance
February 7, 2006
Regional Cost Index**

Madame Chair, members of the committee, thank you for the opportunity to submit testimony on the issue of the regional cost index in the Legislative Post Audit report.

The Legislative Post Audit studied, at your request, variations in cost that might be attributed to attracting and retaining teachers in different areas of the state. This is, in a sense, this year's version of the "sweet 17" proposal of 2005. KNEA objected to the sweet 17 proposal for a variety of reasons but among those reasons was the fact that the cost of housing within a particular school district's boundaries did not necessarily bear a relationship to hiring teachers. For example, a teacher might live in Baldwin City - a school district not among the sweet 17 - but get extra salary because he or she taught in neighboring Lawrence - a district that was among the sweet 17.

The concept in the regional cost index goes beyond the sweet 17 in that it examines salary needs on a regional basis and not on a district by district basis. In addition, it accounts for more than simply the cost of housing by adding in the challenging nature of a particular student population and the draw of community amenities; access to museums, restaurants, and cultural events.

But the flaw in the proposal is that it does not address the core issue which is teacher salaries and benefits in general. Kansas teacher salaries last year ranked 42nd in the United States. It is possible that our ranking will improve somewhat with the influx of school funds from the special session but it is unlikely that it will rise significantly. There are some who will argue that we do better when adjusted for cost of living as if we are competing only with our neighbors with similar circumstances. Unfortunately, we are competing with Texas where starting salaries and, in urban areas, salaries in general are significantly higher; we are competing with Clark County, Nevada where teachers are being lured away with high salaries. We do not compete only within our state or region.

Kansas NEA believes that your first priority in this area must be to address the overall level of salaries and benefits for teachers. It is appalling that some school districts do not even offer health benefits to teachers to buy out of their own pockets. You may recall Representative Miller's question on this issue to the teacher of the year team. Their responses indicated enormous out of pocket expenditures to maintain health insurance. And with salaries ranking in the bottom 20% in the U.S. is it any wonder that we have a high new teacher attrition rate in Kansas?

We would urge the Legislature to first address the underlying teacher salary problem and turn your attention at a later date to regional cost differences.

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Date 2-7-06
Attachment # 3

Cost of Living Adjustments & Declining Enrollment Weighting
A Rural Perspective
February 7, 2006

The Cost Analysis study took into consideration teachers' salaries, cost of living, working conditions, community amenities and district efficiency in determining regional cost adjustments that could enhance individual districts state funding by up to \$14,186,00 (Wichita) to withholding up to \$96,000 (Fredonia).

The premise is that it costs more to live in Wichita or Fredonia. Yes, housing costs are less in rural Kansas. Yes, there are fewer amenities. However other costs are the same or more. Choices are limited when you live in a smaller community. Many services are not available at all. You must travel to population centers to enjoy many of the amenities that residents in larger communities can easily access. So those who live outside population center pay the same amount for desired services plus the cost of traveling to attain the product or services.

As one looks at district efficiencies it would be appropriate to note cuts in spending over the past five years. I heard from many district leaders that the Standard and Poors study's reorganization of efficient districts was greatly affected by the lack of additional funding over recent years. Districts have cut to the bone, while striving to improve instruction and thus student achievement.

Working conditions in poverty ridden inner city schools are terribly challenging. There is no doubt about it, you have to pay teachers more to attract them to meet those challenges. At the same time it takes a great deal to attract young teachers to our rural areas. This dilemma calls to mind the same challenge we face in attract doctors to rural Kansas. What do our young professionals want? They are inclined to want the amenities found in urban or suburban Kansas. Students who become teachers have spent four years in a college setting where amenities are close at hand. Our small community can offer them little of what they see as the necessities of life. Many of these young educator will opt to live in the nearest population center and drive to work each day. Their choice may also be due to a lack of appropriate housing or the desire to live.

Declining enrollment weighting

Over the years Kansas legislators have supported a our small schools with the three year average method to help districts gradually adjust to a decline in their student population. In exchange these schools have done much to boost our academic standing in national comparisons. This gradual reduction is fair. With the decrease in low enrollment weighting and the more targeted dollars approach to funding it is essential hat districts are not further compromised. Every dollar shifted means a widening opportunity gap for rural Kansas children.

Respectfully submitted
Val DeFever
Schools for Quality Education

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Date 2-7-06
Attachment # 4

Testimony to House Select Committee on School Finance
on behalf of the Blue Valley Unified School District No. 229
Robert J. Vancrum, Government Affairs Specialist
February 7, 2006

To Chairman Kathe Decker and Honorable Members of the Committee:

We want to first of all compliment Barb Hinton and her excellent staff in recognizing that there should be a regional cost adjustment for delivery of public education meeting the constitutional requirements of the State of Kansas. The Augenblick-Myers Study also recognized that there should be a geographic weighting factor, recognizing that it simply costs more money in many urban and suburban areas of this state to deliver the same unit of instruction. This legislature also attempted to adopt a cost of living weighting factor last year. In fact, our reading is that the court stayed this adjustment last year only because some of the districts that should have been included, were not. I think this is because housing costs were used rather than comparable wage indices (CWI). The concept of CWI is well known to economists and economic development planners and this is where the focus should be.

I believe that the legislative post-audit division used average teacher's salary as the sole determinant of what the regional cost adjustments should be. With all due respect, such teacher salary data is liable to either understate or overstate the amount of adjustment needed, depending upon the school boards' desire and financial ability (given budgetary caps on school districts which have been quite severe on some school districts since 1992.)

In a month the National Center of Education Statistics will have a very well documented and reliable study of CWI reflecting regional variations in the salary of workers in all sectors of the economy. CWI specifically uses the variations for every sector **EXCEPT FOR THE ONES IN THE SECTOR UNDER STUDY**. Excluding teacher wage rates can measure that portion of variations in teacher pay that are not subject to the control of the local school board very easily by comparing earnings of comparable workers who are not educators.

Even though this study is not yet available, our district has done some projections based upon preliminary raw data which indicates that north central, south central, west central, and large parts of the southeast and northeast areas of the state would be entitled to some differentials ranging from 10 to 20% under CWI study, or perhaps a little more.

In conclusion, even though we certainly support the use of a regional cost adjustment, we would urge you to instead apply the CWI study of the National Center for Education Statistics because it is more accurate.

more completely reflects the wage cost differential due to geography
Of course I will be happy to answer questions now or at your committees' convenience.