

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:30 p.m. on February 7, 2007, in Room 123-S of the Capitol.

Committee members absent:

Committee staff present: Sharon Wenger, Kansas Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Mark Desetti, Kansas National Education Association
Scott Frank, Legislative Division of Post Audit
Diane Gjerstad, Wichita Public Schools
Bill Brady, Schools for Fair Funding
Senator John Vratil
Corey D. Peterson, Associated General Contractors of
Kansas
Trudy Aron, American Institute of Architects
Mark Tallman, Kansas Association of School Boards

Continued hearing on: **SB 142 – Finance; cost of living weighting; comparative wage index**

Mark Desetti, Kansas National Educational Association, stated that KNEA was neutral on **SB 142**. He went on to say that, while KNEA members appreciated the effort to move to a more rational basis for the cost of living weighting, they still believe that the Legislature is ignoring the fundamental fact that all teachers in Kansas are underpaid. He recalled that a Legislative Post Audit study found that, after making adjustments for regional differences in overall wages, Kansas' average teacher salaries ranked 33rd in the nation. KNEA believes that the bill moves the weighting in the right direction, but KNEA continues to be troubled by the disparity in wealth and property valuations that makes it easy to raise funds in some parts of the state and very difficult in other parts of the state. Mr. Desetti urged the Committee to find a way to address the shortfall in all teacher salaries. (Attachment 1)

Scott Frank, Legislative Division of Post Audit, responded to Committee questions regarding the comparable wage index developed by the National Center for Education Statistics, which he summarized at the February 6 meeting.

Diane Gjerstad, Wichita Public Schools, testified in opposition to **SB 142**. She noted that the bill would allow about one-third of Kansas school districts to increase local property taxes, unequalized, based on comparable wages in the area. She pointed out that, under the bill, Wichita's adjustment would be markedly less even though it is in competition with Johnson County for teachers. In her opinion, it was premature to allow a few districts to increase spending power while urban districts continue to struggle to meet the needs of challenging populations. (Attachment 2)

Bill Brady, Schools for Fair Funding, testified in opposition to **SB 142**. He said that passage of the bill would provide certain districts with the equivalent of an additional LOB authority of nearly 22 percent. Combined with the current 30 percent LOB and additional weights available, some districts would be afforded the opportunity to levy in excess of 60 percent in additional budget authority. He went on to say that the current cost of living weighting applies to approximately 16 school districts, but passage of the bill would extend additional authority to approximately 100 districts. He then discussed the reasons that Schools for Fair Funding believes that this type of index is unfair. In conclusion, he noted, "If every district eligible for property tax authority took was offered in **SB 142**, we would see a property tax increase of \$190 million." In his opinion, the legislative focus should be on the implementation of the portions of the Legislative Post Audit cost study not fully addressed last year. (Attachment 3)

There being no others wishing to testify, the hearing on **SB 142** was closed.

CONTINUATION SHEET

MINUTES OF THE Senate Education Committee at 1:30 p.m. on February 7, 2007, in Room 123-S of the Capitol.

SB 130 – School districts; authorized expenditures from capital outlay fund

Theresa Kiernan, Revisor of Statutes Office, explained that **SB 130** would add utility services, insurance, computer software, and other computer and technology expenses as authorized expenditures from the capital outlay fund. It would also codify an Attorney General's opinion which stated that capital outlay funds could be expended for computer hardware. She also explained the clean-up language on pages 1 and 2.

Senator John Vratil testified in support of **SB 130**. He noted that school districts which have an existing levy for capital outlay could not take advantage of the bill unless they get a new resolution incorporating insurance, utilities, and computer technology. He explained that the purpose of the bill was to continue with the philosophy the Legislature has followed the last two years to allow school districts more flexibility in determining how to best allocate the funds available to them. (Attachment 4)

Corey D. Peterson, Associated General Contractors of Kansas, testified in opposition to **SB 130**. He argued that the availability of the expanded use of capital outlay funds by school districts would open the door for districts to forgo needed capital projects. With capital improvement projects postponed or not scheduled at all, the K-12 system could be faced with a backlog of capital improvement needs similar to what the Board of Regents was currently facing. He emphasized that the reassignment of funds would have a detrimental impact on Kansas' construction industry, many of which rely heavily on school work. (Attachment 5)

Trudy Aron, American Institute of Architects, testified in opposition to **SB 130**. She commented that insurance and utility costs are part of the on going operational expenses of buildings, but capital outlay funds are for expenses that are durable. In her opinion, passage of the bill would be harmful to the design and construction industry, and it would have a damaging impact on housing for K-12 students. (Attachment 6)

Diane Gjerstad, Wichita Public Schools, testified in opposition to **SB 130**. She noted that capital expenditures are traditionally improvements to the physical structure of the district (building, remodeling, or repair). She reasoned that utility and insurance costs are on going expenditures, not investments in capital. In her opinion, the best state policy was to keep capital funds focused on building and grounds. (Attachment 7)

Mark Tallman, Kansas Association of School Boards, informed the Committee that KASB members have not proposed or adopted a position that would support changes in the capital outlay law. They believe that **SB 130** is a symptom of a more basic problem: If the base budget per pupil was adequate, school districts would not have to shift operating expenses to capital outlay. KASB believes that the base should be high enough to provide funding for basic operating expenses such as utilities and insurance. Mr. Tallman urged the Committee to develop a proposal that would move toward a base budget per pupil that truly reflects education costs, reduces reliance on the LOB, and makes reliance on bills like **SB 130** unnecessary. (Attachment 8)

There being no others wishing to testify, the hearing on **SB 130** was closed.

SB 143 – School districts; procedure to adopt local option budget

Due to the lack of sufficient time for a hearing on **SB 143**, Senator Schodorf announced that the hearing would be rescheduled for the February 19 meeting.

Attention was turned to the minutes of the January 30 and 31 meetings and the February 1 and 5 meetings.

Senator Vratil moved to approve the minutes of the meetings for January 30, 31, February 1, and 5 meetings, seconded by Senator Goodwin. The motion carried.

The meeting was adjourned at 2:20 p.m.

The next meeting is scheduled for February 8, 2007.



**Mark Desetti, Testimony
Senate Education Committee
February 6, 2007**

Senate Bill 142

Madame Chair, members of the Committee, thank you for the opportunity to appear before you today to share our thoughts on **Senate Bill 142**.

I want first to be very clear on our position on the cost of living weighting. As you probably remember, KNEA did not support passage of this measure back in 2005. Our objections were simple:

- All teacher salaries in Kansas are too low,
- The COLA as passed benefited only 18 school districts,
- The COLA puts funding our schools on a local community, absolving the legislature of responsibility,
- The use of housing costs within district boundaries ignores other issues of teacher recruitment and retention,
- Neighboring districts with low-income populations and low residential property values will be unable to compete for teachers when they have no ability to keep up with surrounding salaries.

Last year, we suggested that if the legislature wanted to do something about salaries using a cost of living model, the one suggested by the Legislative Post Audit, though not perfect, made more sense.

While we appreciate this effort to move to a more rational basis for the cost of living weighting, we still believe that you are ignoring the fundamental fact that all teachers in Kansas are underpaid.

I would point out that in the LPA's recent study of teacher recruitment and retention, they found that "(a)fter making adjustments for regional differences in overall wages, Kansas' average teacher salaries ranked 33rd in the nation."

In a further examination of Kansas' teacher salaries, the LPA found that "Kansas' starting salaries rank 6th nationally, but salaries for experienced teachers rank only about 36th." They go on to conclude that "(t)his may indicate that the long-term earning potential for teachers is limited."

The problem is not that teachers in high cost of living areas are being paid too little; **ALL** Kansas teachers are being paid too little.

We would urge the legislature to make every effort to bring all Kansas teachers salaries up. You can do this by providing maximum flexibility to school districts in the use of new monies and by letting them know that it is the Legislature's intent that Kansas teacher salaries increase significantly.

As for the proposal in SB 142, we believe it would be wrong to strip districts of these funds now that you have granted them this authority. But we believe that continuation of the cost of living

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Attachment 1*

weighting should be tied to a regionally based formula. Senate Bill 142 does move the weighting in the right direction.

But as with all these local mill levy issues, we continue to be troubled by the disparity in wealth and property valuations that make it easy to raise funds in some parts of the state and terribly difficult in others.

The LOB benefits from state aid. The COLA has no such aide. Raising teacher salaries via the COLA in some parts of the state requires a significantly lower mill levy than in other parts. This is also true among neighboring districts.

We do not believe that this proposal goes far enough in addressing the situation. Given two districts side by side – one with low valuation, the other with high valuation – using the cost of living adjustment to create competitive salaries might well be out of reach for the low valuation district because of the level of mill levy necessary to support it.

SB 142 addresses only one of the concerns we had with the COLA as it stands now – the regional basis allows more districts to access it.

We urge this committee to find ways to address the shortfall in all teacher salaries.



Senate Education Senator Schodorf, chair

S.B. 142 Cost of living methodology

February 6, 2007

*Diane Gjerstad
Wichita Public Schools*

Madame Chair, members of the Committee:

Wichita Public Schools stands in opposition to SB 142.

S.B. 142 would allow about one-third of Kansas school districts to increase local property taxes, unequalized, based on comparable wages in the area. I admit we compete with the private sector who find math and science teachers exceptional employees but the direct competition with business is less for other teachers. Our major competitor are other districts who come into Wichita and recruit, offer signing bonuses and attractive salaries. Under this plan Wichita would be able to impose an additional 9% unequalized property tax, far less than 21% in KC area. Under this bill our adjustment be so markedly less even though we are in direct competition with Johnson County for teachers.

It seems premature to offer a few districts opportunities to increase revenue an additional 3% to 21% when several provisions of Post Audit *Cost Study* have not been fully funded. In particular, the "urban density" weighting (now called "high density") is phased in over three years to .10; fall short of the .242 recommended by the *Cost Study*. In additional regular at risk has been increased but it also short of the recommended .484. These weightings are important to districts with large populations of economically disadvantaged students. Allowing a few districts to increase spending power while the urban districts struggle to meet the needs of challenging populations seems premature.

Thank you, Madame Chair.

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Attachment 2*

**TESTIMONY IN OPPOSITION TO SB 142
SCHOOLS FOR FAIR FUNDING
BILL BRADY
FEBRUARY 6, 2007**

MEMBERS OF THE SENATE EDUCATION COMMITTEE:

SCHOOLS FOR FAIR FUNDING, a coalition of 16 school districts interested in a state educational finance formula that his equitable and adequate express our opposition to SB 142. Passage of this proposal would provide certain districts with the equivalent of an additional local option budget authority of nearly 22%. Combined with the current 30% LOB and additional weights available, some districts would be afforded the opportunity to levy in excess of 60% in additional budget authority.

The current Cost of Living weighting applies to approximately 16 districts. Passage of SB 142 would extend the additional authority to about 100 school districts. Our schools believe this type of index is unfair for a number of reasons. First, we believe there are inherent problems with both a housing and wage index. The research we have seen and the dialogue we have heard from the State Board of Education is that districts in Kansas experiencing the most difficulty in finding and retaining teachers are the very small isolated rural districts and the urban core districts with high numbers of at risk students. Very little in this legislation addresses either of these problems. Second, if we agreed that there was this problem, allowing districts to levy a local tax does not allow even the districts authorized to adequately address it. For example, in the county in which I live, Douglas, lets compare two districts, Lawrence and Eudora. Both are considered higher cost districts as defined by SB 142. The bill would afford each district the opportunity to increase their budget authority by almost 10%. If both districts decided to increase their budgets \$400 for every pupil in the district, Eudora would have to raise its mill levy almost 11 mills while Lawrence for the same amount of money per pupil would have to raise its levy 5 mills. Would you as a school board member consider one of those decisions to be harder than the other? The disparity is even more pronounced in looking at two adjoining districts in the Kansas City metro area. In Kansas City, Kansas additional budget authority of 21.7% would force the school board to raise its levy 23.21 mills (that's 15% more than the statewide mill levy for schools) yet in the district just to its south, Shawnee Mission, no doubt its biggest competitor for quality teachers, that same budget authority would cost its school district patrons 8.72 mills, almost 15 mills less that KCK. These inequities I have

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Attachment 3*

outlined are between districts that are part of the 100 districts that would receive more authority by this bill. What about the inequities between districts that receive authority and those that do not? Lets look at two districts in southwest Kansas, Garden City and Dodge City. Two districts that have been part of our organization. Both districts have been faced with huge challenges from the large migration of non-english speaking students. The districts are approximately 50 miles apart and compete with each other for teachers. Yet SB 142 would allow Garden City to levy as much as \$939 more for each of its students. Dodge City is not considered a high cost district.

If every district eligible for property tax authority took what was offered in SB 142, we would see a property tax increase of \$190 million. We believe the legislature was extremely generous in increasing the LOB by nearly 25% over three years in SB 549. We continue to believe that the road map for future decisions on funding for K-12 education can best be found in the 2005 Legislative Post Audit Outcomes Study. In our opinion a wholesale change in the direction provided by that study is not warranted. We believe the legislative focus should be on the implementation of the portions of the study not fully addressed by SB 549.

State of Kansas

JOHN VRATIL
SENATOR, ELEVENTH DISTRICT
JOHNSON COUNTY
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COMMITTEE ASSIGNMENTS
CHAIR: JUDICIARY
VICE CHAIR: EDUCATION
MEMBER: FEDERAL AND STATE AFFAIRS
ORGANIZATION, CALENDAR
AND RULES
SENTENCING COMMISSION
INTERSTATE COOPERATION

Vice President Kansas Senate

Testimony Presented To
The Senate Education Committee
by Senator John Vratil
February 7, 2007
concerning Senate Bill 130

Good afternoon. Thank you for the opportunity to come before the Senate Education Committee in support of Senate Bill (SB) 130. The language in SB 130 would add to the list of expenditures identified in the Kansas Statutes for which a school district may expend its capital outlay funds.

Currently, school districts may use their respective capital outlay funds to finance the construction, repair, remodeling and equipping of school buildings; acquisition of building sites; financing asbestos abatement; acquiring school buses and other equipment. Senate Bill 130 would add to this list the acquisition of computers, computer software and other computer and technology related expenses. It would enable school districts to use their capital outlay funds to pay for the cost of utility services and insurance premiums.

The legislation contained in Senate Bill 130 is consistent with the direction, the philosophy we have followed the last two years. It allows school districts more flexibility in determining how to best allocate the funds available to them.

I ask that you support Senate Bill 130 because it strengthens the ability of local school districts to make the best use of the resources available to them.

A handwritten signature in blue ink that reads "John Vratil". The signature is fluid and cursive.

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Senate Education Committee
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Building a Better Kansas Since 1934
200 SW 33rd St. Topeka, KS 66611 785-266-4015

**TESTIMONY OF
ASSOCIATED GENERAL CONTRACTORS OF KANSAS
BEFORE SENATE COMMITTEE ON EDUCATION
SB 130**

February 7, 2007

By Corey D Peterson, Associated General Contractors of Kansas, Inc.

Madame Chair and members of the committee, my name is Corey D Peterson. I am the Executive Vice President of the Associated General Contractors of Kansas, Inc. The AGC of Kansas is a trade association representing the commercial building construction industry, including general contractors, subcontractors and suppliers throughout Kansas (with the exception of Johnson and Wyandotte counties).

AGC of Kansas opposes Senate Bill 130. Opposition to this bill is due to the negative impact it would have on the construction industry in Kansas, as well as over concerns it would set the stage for long term negative consequences for the state's school system.

SB 130 would enable school districts to use capital outlay funds on expenditures not typically considered "capital improvements" such as utility services and insurance. The availability for the expanded use of capital outlay funds by school districts would open the door for school districts to forgo needed capital projects.

This reassignment of funds would have a detrimental impact on Kansas' construction industry, mostly comprised of small businesses, many of which rely heavily on school work.

Just as importantly, AGC sees this proposed bill leading to long-term negative problems with the State's K-12 school infrastructure. With capital improvement projects postponed or not scheduled at all, in lieu of using such funds for operational expenses, the K-12 system could over time be faced with a backlog of capital improvement needs similar to what the Board of Regents are currently facing.

AGC of Kansas respectfully requests that SB 130 not be recommended for passage. Thank you for your consideration.

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Attachment 5*

February 7, 2007



TO: Chairwoman Schodorf
FROM: Trudy Aron, Executive Director
Re: Opposition to SB 130

President
Douglas R. Cook, AIA
Olathe
President Elect
C. Stan Peterson, FAIA
Topeka
Secretary
David S. Heit, AIA
Topeka
Treasurer
J. Michael Vieux, AIA
Leavenworth

Directors
Jan Burgess, AIA
Lawrence
Corey L. Dehn, AIA
Topeka
Dale R. Duncan, AIA
Olathe
John Gaunt, FAIA
Lawrence
Gary Grimes, AIA
Topeka
Josh Herrman, AIA
Wichita
Chris C. Kliever, AIA
Wichita
Craig W. Lofton, AIA
Lindsborg
Bruce E. McMillan, AIA
Manhattan
Hans Nettelblad, AIA
Overland Park
Don I. Norton, P.E.
Wichita
Wendy Ornelas, FAIA
Manhattan
Zachary Sneathen,
Associate AIA
Topeka
Daniel (Terry) Tevis, AIA
Lenexa
Jerry E. Volesky, AIA
Topeka
Eric Wittman,
Associate AIA
Wichita
Nadia Zhiri, AIA
Lawrence

Madame Chair and members of the committee I am Trudy Aron, Executive Director, of the American Institute of Architects in Kansas.

AIA Kansas is a statewide association of architects and intern architects. Most of our 700 members work in over 120 private practice architectural firms designing a variety of project types for both public and private clients. The rest of our members work in industry, government and education where many manage the facilities of their employers and hire private practice firms to design new buildings and to renovate or remodel existing buildings.

SB 130 would allow school districts to use capital outlay funds for non capital improvement projects. This will not only impact the number of new building projects but it will affect and, in some cases, eliminate the funds needed for repair, remodeling, and equipping buildings. This will lead to a situation similar to the one we currently have with deferred maintenance on Regents projects.

Insurance and utility costs are part of the on-going, annual operational expenses of buildings. Capital outlay funds are for expenses that are durable.

The passage of SB 130 is harmful to the design and construction industry and to the damaging impact it will have on housing our K-12 students.

AIA Kansas asks that that SB 130 not be recommended for passage. Thank you.

I stand for questions.

Executive Director
Trudy Aron, Hon. AIA

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Attachment 6



Senate Education Committee
Senator Schodorf, chair

S.B. 130 Expanding Capital Outlay Expenditure

February 7, 2007

*Submitted by: Diane Gjerstad
Wichita Public Schools*

capital: relating to or being assets that add to the long-term net worth of a corporation

Madame Chair, members of the Committee:

After careful consideration and many conversations, we rise in opposition to this proposal to expand allowable Capital Outlay expenditures.

Capital expenditures are traditionally improvements to the physical infrastructure of the district. Building construction, remodeling or repair are capital expenditures.

Capital expenditures change over time. In the past 20 years two major new capital expenditures have emerged: technology and environmental. Technology infrastructure is a new expense – wiring buildings, routers, electrical feeds. Environmental expenditures include asbestos removal and containment, indoor air quality as required by the clean air act, hazardous waste compliance. Expanding Capital to include non-capital expenses assumes capital requirements are static which our recent history easily disproves.

Business models suggest an appropriate allocation of capital is 2 to 3% of the total physical plant net worth. When the cap was four mills Wichita was well below that standard. Today we are on target. During our bond campaign in spring of 2000 the naysayer's chief complaint was why wasn't capital enough to keep up with the needs of buildings that averaged 53 year old.

Utility and insurance costs are on-going expenditures, not investments in Capital.

We believe it's the best state policy to keep Capital focused on building and grounds. This is essential to avoid deferred maintenance issues such as those now facing the State Universities and their infrastructure.

*Senate Education Committee
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Attachment 7*

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

1420 SW Arrowhead Road • Topeka, Kansas 66604-4024
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Testimony on **SB 130**
before the
Senate Education Committee

by

Mark Tallman, Assistant Executive Director/Advocacy
Kansas Association of School Boards

February 7, 2007

Madam Chair, Members of the Committee:

Thank you for the opportunity to comment on **SB 130**, which would expand the authorized use of school district capital outlay funds to include insurance, utility costs and technology purchases.

In the past, KASB has opposed such measures because the capital outlay fund was not equalized by state aid, and for several years, was unlimited by any state restrictions on the mill levy that would be adopted. Changes in school finance in response to the *Montoy* lawsuit have provided a measure of state equalization aid and a limit of eight mills. These changes reduce our previous concerns.

However, KASB members have not proposed or adopted a position that would support changes in the capital outlay law. **SB 130** would allow the use of these funds to pay for expenditures that are generally considered "current operating expenses" rather than the long-term capital improvements that have been the traditional purpose of this levy. Despite the improvements in the capital outlay system, it still remains easier for higher-wealth districts to raise funds through local mill levies, and this bill would make it easier for such districts to shift portions of their operating budgets to capital outlay. Lower-wealth districts or those who must use the capital outlay fund exclusively for capital projects would not have this option. Some districts have no capital outlay funds at all.

We believe this bill is a symptom of a more basic problem. School districts should not have to shift operating expenses to capital outlay, and they wouldn't if the base budget per pupil were adequate. KASB believes the base should be high enough to provide funding for basic operating expenses like utilities and insurance. These costs are not "capital" expenses, and they aren't extras or enhancements.

Both the Governor and Legislators have expressed the position that the three-year school finance plan was accomplished without a tax increase. We know that wasn't true – there simply wasn't a state-level tax increase. But most districts are experiencing increases in mill levies to use the Local Option Budget to make up for base increases that are less than half the rate of inflation, and much less than actual educational costs.

The answer, we believe, is to move toward a base budget per pupil that truly reflects education costs, reduces reliance on the local option budget and makes bills like this unnecessary. We urge this committee to develop a proposal to accomplish that goal.

Thank you for your consideration.

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Attachment 8