Approved: 1.25.10
Date

MINUTES OF THE HOUSE EDUCATION COMMITTEE

The meeting was called to order by Chairman Clay Aurand at 9:00 a.m. on January 13, 2010, in Room 711 of the Docking State Office Building.

All members were present except:
Representative Lana Gordon - excused
Representative Steve Huebert - excused

Committee staff present:
Theresa Kiernan, Office of the Revisor of Statutes
Reagan Cussimanio, Kansas Legislative Research Department
Sharon Wenger, Kansas Legislative Research Department
Dale Dennis, Deputy Commissioner, Kansas State Department of Education
Janet Henning, Committee Assistant

Conferees appearing before the Committee:
Rochelle Chronister, Chairperson, 2010 Commission

Chairman Aurand introduced staff members to Committee members. He also welcomed new Committee members to the Education Committee which included: Representative Barbara Craft, Representative Shirley Palmer, and Representative Barbara Bollier.

Rochelle Chronister, Chairperson of the 2010 Commission, gave an overview of the 2010 Commission and its duties. Chairperson Chronister told Committee members the 2010 Commission had fulfilled many of its responsibilities by visiting schools all across Kansas and determined that Kansas has one of the best systems of public education in the country. However, the country has been hit hard by the economic times and Kansas is no exception.

Ms. Chronister told Committee members the scores in math and reading are gaining ground every year and the children who are gaining the most are those who would have failed in the past - those we call "at risk". The successful programs are defined as an "eight point program for school success".

- Early childhood education, including but not limited to four year old preschool and all day kindergarten, Parents as Teachers, tiny K, Head Start, and Early Head Start;
- Before and after school tutoring and support programs;
- At-risk funding and programs including small class sizes and more para-professionals;
- Staff development including mentoring programs for new teachers;
- Leadership academies, especially for principals who must be the educational leaders of their schools, not just the disciplinarians;
- Highly qualified teachers;
- Multi-year funding of schools in order to provide for good long-range planning opportunities
- Full funding of the school finance formula

Chairperson Chronister told Committee members that Kansas ranks 23rd in the nation on state and local tax collections as a percent of personal income. She also advised that Kansas ranks in the top ten states on educational outcome testing, but is far below the national average in cost per pupil. Kansas spent $8,392 per pupil for operational costs where the national average for the top ten states is $10,786.

Chairperson Chronister told Committee members that Kansans are getting a bargain for the education of their children through public education and the future of this state is dependent on continuing the support of our schools, but today the ability of those schools to support the high level of public education is threatened.

The 2010 Commission has made the following recommendations:

- The Kansas legislature should refocus its revenue and funding priorities to make education

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

Priority Number One.

- The Legislature should consider generating revenue from at least three specific revenue sources.
  - Reversing previous tax cuts
  - Increasing the state school mill levy back to its former level
  - Increasing the state sales tax

- The Commission recommends that the previously listed eight point for education success be continued which they cannot be under the 2009-2010 funding for Kansas schools.

- The Legislature should retain the three year funding cycle which helps school districts do advance planning and save money.

- The Legislature should shift the administration of the tiny-K and Early Head Start programs to the Department of Education.

- The Legislature should change the formula for determining special education catastrophic aid to either the Commission's or the Special Education director's recommendation. The two are very similar and would allow retention of basic funding for all special education. (This recommendation has not been previously recommended by the Commission and would require introduction of a bill.)

Chairperson Chronister also advised the 2010 Commission expires in December, 2010 and the legislature should consider whether they want to renew or change the Commission. (Attachments 1and 2)

A question and answer session followed the presentation.

Sharon Wenger, Principal Analyst, Kansas Legislative Research Department, gave an overview of the *Report of the Joint Committee on Legislative Education Planning*. Mrs. Wenger told Committee members the Legislative Educational Planning Committee (LEPC) recognized the efforts of all school personnel who continue to provide quality education for Kansas children in the midst of difficult times.

Mrs. Wenger advised the Committee approved introduction of eight bills to be considered during the 2010 Legislative session and are as follows:

- **Catastrophic Funding for Special Education**

  - At the request of the 2010 Commission, the Committee agreed to introduce a bill raising the threshold for catastrophic aid claims to twice the previous year's teacher aid allocation. The bill would require districts to deduct any other categorical state aid already received.
  - The Committee agreed to introduce a second bill raising the threshold for catastrophic aid claims to $36,000 for the 2009-10 school year, with the threshold indexed to the Consumer Price Index-Urban (CPI-U).

- **Students in Youth Residential Centers**

  - The Committee agreed to recommend and support prefiled **SB 340.** This bill would eliminate on June 30, 2011, the "two for one student" funding currently in place for students in the custody of the Department of Social and Rehabilitation Services or the Juvenile Justice Authority enrolled in USD 259 and USD 409, and housed at the Judge James V. Riddel Boys Ranch and the youth residential center located on the groups of the former Atchison Juvenile Correctional Facility.

- **Higher Education**

- The Committee agreed to recommend and introduce the following postsecondary education initiatives proposed by the State Board of Regents.
  - Amend statutes relating to private and out-of-state postsecondary educational institutions by:
    - Providing new definitions of regulated institutions
    - Eliminating the exemptions of branch locations
    - Changing the application and renewal process
    - Clarifying the types of degrees requiring a certificate of approval
    - Providing for greater penalties for violations of the Private and Out-of-state Postsecondary Educational Institution Act
    - Revising the fee structure to establish new maximum amounts that may be charged to regulated entities
    - Requiring data to be reported by regulated institutions
    - Requiring institutions to post their student complaint processes
  - Expand the exemption of state purchasing statutes currently held by Fort Hays State University and the University of Kansas, to all six Regents' institutions making the exemption permanent in nature.
  - Exempt the six Regent's institutions from the State Surplus Property Act.
  - Update and streamline statutory language regarding investments and add an additional investment option.
  - Authorize Fort Hays State University to sell two tracts of land to the City of Hays.
  - Amend a statute relating to the Kansas Postsecondary Technical Education Authority which would require the State Board of Regents to "act upon recommendations of the Authority within 45 days of submission." (Attachment 3)

A question and answer session followed the presentation.

The meeting was adjourned at 10:10 a.m. The next meeting is scheduled for January 14, 2010.

TESTIMONY ON THE 2010 COMMISSION REPORT

I am Rochelle Chronister and for the past four years I have been the chairman of the Kansas 2010 Commission which the legislature created partly as a result of the loss of the school finance case in 2005. One of the court findings in the case was that there was no independent body in Kansas looking at the education system and providing input on what was needed since the study by Augenblick and Myers in the 1980's produced a report saying Kansas was badly underfunding its public education system. That study was authorized and funded by the Kansas legislature which immediately ignored the findings because they didn't want to deal with the potential costs. In 2005 the legislature created the 2010 Commission (so named because it was set to expire in 5 years in December 2010) to provide the independent study group the court felt was missing. The Commission was given very broad powers to go anywhere, examine all parts of public education in the state and given a post audit team to supervise.

2010 has fulfilled many of its responsibilities by visiting schools all across Kansas. We have been in small schools, large schools and those in-between. We went to Shawnee Mission, Wyandotte high school, Baxter Springs, Galena, Junction City, Kearney County, Wichita and Colby. We have seen exemplary programs and mediocre ones, discussed everything from 0-3 early childhood programs to teaching Chinese. As a result of those four years I can stand before you today and report Kansas has one of the best systems of public education in the country and if we do not act now it could be destroyed.

Our country has been hit by hard by the economic times and Kansas is no exception. Revenues to state government are down significantly. Cuts to the budget of public education have been draconian and many schools are being forced to reduce the very programs that helped children to succeed in school.

It is no longer a guessing game as to why many of our children have failed in school and how we can help them. We have put into place a myriad of strategies that will help them succeed and they are working! Our scores in math and reading

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are gaining ground every year and the children who are gaining the most are those who would have failed in the past-those who we call "at risk". What are these successful programs? We could call it and 8 point program for school success.

- Early childhood education, including but not limited to 4 year old preschool and all day kindergarten, Parents as Teachers, tiny K, Head Start and Early Head Start;

- Before and after school tutoring and support programs;

- At-risk funding and programs including small class sizes and more paraprofessionals;

- Staff development including mentoring programs for new teachers;

- Leadership academies, especially for principals who must be the educational leaders of their schools, not just the disciplinarians;

- Highly qualified teachers

- Multi-year funding of schools in order to provide for good long-range planning opportunities.

Finally, full funding of the school finance formula.

These are proven strategies that work for the success of our children.

There are those who would argue that the American public school system is a failure, and they point to international testing to back up their claims. What they do not take into account is the fact that the American system of education is for ALL children-not just the favored few in the top 15-20% as happens in nearly all other countries. We are a nation of immigrants and the road to success has been through education of ALL of our children. We believe that EVERY child deserves to

be educated in order to have a chance to fulfill their potential. If you have only the top 15-20% of American children take those same tests you will find we rank at or near the top.

Next, let's take a look at what I call "urban myths" about Kansas", or the Big Lie.

1) Kansas is a high tax state. Actually Kansas ranks 23rd in the nation on state AND local tax collections as a percent of personal income. From 1930 until 2000 the percentage is steady and ranges between 10.5 and 12% over those 70 years'

2) Tax policy drives prosperity. Johnson County has been an excellent example of this myth in our state. The education system in the county has drawn people to live there while they work in Missouri and surrounding areas. The county has one of the highest income levels in the country and consistently votes to raise their taxes in order to improve their schools. Low taxes don't draw people to this county, but an excellent school system does.

3) A formal education no longer is worth what it costs. The relationship between education and income in the years between 1973 and 2007 shows that the inflation-adjusted income for a high school dropout with no additional training increased just 3.3% while those with some postsecondary training increased 15.8% and those with a college degree went up 36.3%. High income jobs require good basic skills as well as postsecondary training. The high quality of our workforce will draw good jobs to Kansas.

4) Next myth -Kansas schools do not spend their educational dollars efficiently. Kansas ranks in the top 10 states on educational outcome testing, but is far below the national average in cost per pupil. Kansas spent $8392 / pupil where the national average for the top ten states is $10,786-a $2400 difference.

5) Money doesn't really matter in improving education. A Legislative Post Audit team in January of 2006 reported that there is a strong association between the amount districts spend and the outcomes they achieve. For every 1% increase in district performance outcomes there was an associated 0.83% increase in spending-almost a one-to-one relationship.

6) School budgets have far outstripped the ability of Kansans to pay for their children's education. Since 1975 school district operating budgets have increased over 700%, but the per capita income of Kansans has increased over 800%. State aid has increased at a higher percentage, but that was a deliberate decision of the legislature in order to reduce local school property tax burdens.

Here's something that isn't a myth – the Kansas legislature has given over a Billion dollars in tax breaks in the last few years.

The evidence is clear – Kansans are getting a bargain for the education of their children through public education and the future of this state is dependent on continuing the support of our schools, but today the ability of those schools to support the high level of public education is threatened.

Don't be fooled by statements such as "everyone needs to share the pain" or "we have to starve the Beast" of government. "The Beast "is the education of our children and starving it means larger classes (30 kids instead of 21) and consolidation of smaller school districts, along with the loss of exemplary programs.

The 2010 Commission made these recommendations:

1. The Kansas legislature should refocus its revenue and funding priorities to make education Priority Number One.
2. The Legislature should consider generating revenue from at least three specific revenue sources
   a. Reversing previous tax cuts.

b. Increasing the state school mill levy back to it former level
c. Increasing the state sales tax

3. The Commission recommends that the previously listed 8 points for educational success be continued which they cannot be under the 2009-2010 funding for Kansas schools.
4. The Legislature should retain the three year funding cycle which helps school districts do advance planning and save money.
5. The Legislature should shift the administration of the tiny-K and Early Head Start programs to the Department of Education.
6. The Legislature should change the formula for determining special education catastrophic aid to either the Commission's or the Special Education director's recommendation. The two are very similar and would allow retention of basic funding for all special education.

The final recommendation has not been previously recommended by the Commission and would require introduction of a bill.

In closing, the Commission expires in December of 2010 and the legislature should consider whether they want to renew or change the Commission.

Report of the 2010 Commission to the 2010 Kansas Legislature

CHAIRPERSON: Ms. Rochelle Chronister

VICE-CHAIRPERSON: Dr. Ray Daniels

LEGISLATIVE MEMBERS: Senator Jean Schodorf and Representatives Clay Aurand and Marti Crow

NON-LEGISLATIVE MEMBERS: Carolyn Campbell; Stephen Iliff; Dennis Jones; Emile McGill; Barb Hinton, Post Auditor (or designee); and Teri Canfield, Attorney General's designee

STUDY TOPICS

The Commission is required to:

- Conduct ongoing monitoring of the school district finance act;
- Evaluate the school district finance act and determine if there is a fair and equitable relationship between the costs of the weighted components and assigned weightings;
- Determine if additional school district operations should be weighted;
- Review the amount of base state aid per pupil and determine if the amount should be adjusted;
- Evaluate the system of financial support, reform, and restructuring of public education in Kansas and in other states to ensure that the Kansas system is efficient and effective;
- Conduct hearings and receive and consider suggestions for improvements in the educational system from teachers, parents, the Kansas Department of Education the State Board of Education, other governmental officers and agencies, and the general public;
- Make recommendations it deems necessary to guide the Legislature to fulfill goals established by the Legislature in meeting its constitutional duties.

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2010 Commission

Report

Conclusions and recommendations

- **The Legislature should refocus its revenue and funding priorities to make education Priority Number One.** Education is the single most important function provided by state government. It is at its essence how we prepare for the future. The Commission has heard repeatedly that education spending has a direct and positive impact on student performance, most recently in the 2006 Legislative Post Audit report entitled "Elementary and Secondary Education in Kansas: Estimating the Costs of K-12 Education Using Two Approaches." That report stated, in part, "We found a strong association between the amounts districts spend and the outcomes they achieve...." The Commission also has received information regarding the state's dire economic situation. However, we also know the Legislature has made tax policy decisions that have contributed to these dire circumstances. Tax cuts made by the Legislature from FY 2005 through FY 2010 have totaled $180 million. By FY 2011, that total will rise to nearly $209 million (See Attachment 1). In contrast to the philosophy that "low taxes contribute to economic growth and high taxes detract from it," we believe instead the following:

  - Kansas is not a "high tax" state, and the Kansas tax burden (taxes compared to personal income) has been stable for decades.
  - Tax policy alone does not drive prosperity.
  - Education attainment drives state income more than tax burden.
  - Lower taxes will not help the economy in the long run if the State cannot support a strong public education system – and that takes a significant investment.
  - In prosperous economic times, the Legislature has been eager to reduce revenues. Now, in these difficult times, the Legislature must face the fact that it needs to replace some of that revenue.

In summary, the Commission believes we cannot sacrifice a generation of Kansas students because the economy is weak. It is time for the Legislature to take steps to ensure that the revenue and funding policies of the Legislature allow every Kansas student to achieve his or her full potential.

- **The Legislature should consider generating revenue from at least three specific revenue sources.** These are: (1) reversing previous tax cuts, (2) increasing the state school mill levy back to its former level, and (3) increasing the state sales tax. It should be noted the Commission is not suggesting that all of these be implemented in full; rather, the Commission recommends the Legislature consider implementing one or a combination of these potential revenue sources. The Commission believes the revenue generated should equal the amount

needed to fund the statutorily mandated base state aid per pupil (BSAPP) for the 2009-2010 school year of $4,492. This amount would have totaled approximately $314 million for the 2009-2010 school year, given the recent enrollment growth.

- **In addition to the knowledge that the education of children is the most important function of state government, there are practices we know make a difference in assuring that every child receives the maximum benefit of his or her education**. These practices include the following:

  - Early childhood education.
  - Before- and after- school tutoring and support programs.
  - At-risk funding and programs.
  - Staff development.
  - Leadership academies, especially for principals who must be the educational leaders of their schools.
  - Highly qualified teachers. Nothing impacts the quality of education like the quality of the teaching staff.

  The Commission recommends these items remain, or become, funding priorities.

- **The Legislature should continue the three-year funding cycle**. The Commission recommends public education funding in Kansas be implemented on a minimum of a three-year basis so school districts have the flexibility to plan for the future.

- **The Legislature should change the formula for determining special education catastrophic aid**. The Commission recommends a change in the calculation of the special education catastrophic aid. The threshold for qualifying for catastrophic aid should be based upon twice the previous year's categorical aid per teacher less any special education state aid.

- **The Legislature should shift the *tiny-k* and Early Head Start programs' administration to the Kansas Department of Education**. The Commission has made these recommendations in previous years and is making the same recommendations again.

Proposed Legislation: The Commission requests the introduction of two bills (special education catastrophic aid and placement of *tiny-k* and Early Head Start programs).

Background

The 2006 Legislature created the 2010 Commission, which is composed of eleven members, nine voting and two serving as *ex officio* nonvoting members. The statutory duties of the Commission include:

- Monitoring the implementation and operation of the School District Finance and Quality Performance Act and other

provisions of law relating to school finance and the quality performance accreditation system;

- Evaluating the School District Finance and Quality Performance Act and determining if there is a fair and equitable relationship between the costs of the weighted components and assigned weightings;

- Determining if existing weightings should be adjusted;

- Determining if additional school district operations should be weighted;

- Reviewing the amount of base state aid per pupil and determining if the amount should be adjusted;

- Evaluating the reform and restructuring components of the Act and assessing the impact thereof;

- Evaluating the system of financial support, reform, and restructuring of public education in Kansas and in other states to ensure that the Kansas system is efficient and effective;

- Conducting hearings and receiving and considering suggestions from teachers, parents, the Department of Education, the State Board of Education, other governmental officers and agencies, and the general public concerning suggested improvements in the educational system and the financing thereof;

- Making any recommendations it deems necessary to guide the Legislature to fulfill goals established by the Legislature in meeting its constitutional duties to: provide for intellectual, educational, vocational, and scientific improvement in public schools and make suitable provision for the finance of the educational interest of the state;

- Examining the availability of revenues to ensure adequate funding of elementary and secondary education in the state;

- Examining voluntary activities, including extracurricular activities, which affect educational costs;

- Monitoring and evaluating associations and organizations that promote or regulate voluntary or extracurricular activities including, but not limited to, the Kansas State High School Activities Association; and

- Providing direction to the Legislative Division of Post Audit school finance audit team and receiving performance audits conducted by the team.

The statute authorizing the Commission will sunset on December 31, 2010.

The Commission is to submit an annual report to the Legislature on the work of the Commission.

Committee Activities

The Commission met seven times during 2009. Among the issues discussed were:

- Current funding issues related to the economic downturn, including federal stimulus package funding, local property valuation reductions, changes in the number of students eligible for the federal free lunch program (which affects the amount of at-risk funding), and reduction in state revenues. The Commission also heard from a number of school district superintendents who described the effects of the funding cuts.

- Special education catastrophic aid and the recent dramatic increase in numbers of claims and total amount claimed.

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- Early childhood education programming and related funding.

- Merit pay for teachers.

- Efforts to increase school district efficiency.

Additional detail on the Commission's activities is contained in the following section, "Conclusions and Recommendations."

Conclusions and Recommendation

The Legislature should refocus its revenue and funding priorities to make education Priority Number One. Education is the single most important function provided by state government. It is at its essence how we prepare for the future. Whether a student is three or twelve or twenty years old, it is education that allows the student to succeed and to contribute to the state's economy and well-being. The Commission has heard repeatedly that education spending has a direct and positive impact on student performance, most recently in the 2006 Legislative Post Audit report entitled "Elementary and Secondary Education in Kansas: Estimating the Costs of K-12 Education Using Two Approaches." That report stated, in part:

"We found a strong association between the amounts districts spend and the outcomes they achieve. In the cost function results, a 1.0% increase in district performance outcomes was associated with a 0.83% increase in spending – almost a one-to-one relationship. This means that, all other things being equal, districts that spent more had better student performance. The results were statistically significant beyond the 0.01 level, which means we can be more than 99% confident there is a relationship between spending and outcomes." (Audit # 05PA19, Page 40.)

The Commission also received information regarding the state's dire economic situation. This includes the following:

- For the state revenue situation in general:

  - Revenue estimates are still dropping in the current fiscal year. In comparison to the June 2009 Consensus Revenue estimate, the November 2009 estimate shows FY 2010 revenues decreased by another $235.2 million. The revised estimate of $5.301 billion represents a 5.1 percent decrease below final FY 2009 receipts.

  - The initial estimate for FY 2011 of $5.301 billion is 2.3 percent below the newly revised FY 2010 figure. While the Consensus Revenue Estimating Group anticipates a modest improvement in tax receipts for FY 2011, it estimates a net change in over $250 million for transfers out, in compliance with statutory requirements.

(Source: Kansas Legislative Research Department)

- Specifically with regard to K-12 education:

  - It is estimated that general state aid, using the current base state aid per pupil (BSAPP) of $4,218, will require an increase of approximately $100 million for the 2009-10 school year. The increase is due primarily to increases in school district enrollment, the number of students eligible for free lunches, bilingual and virtual school enrollments, and a decrease in assessed valuation. If an increase in appropriation is not approved, this will have the effect of reducing the BSAPP by approximately $150 ($4,218 - $150 = $4,068).

- Because approximately $244 of the BSAPP increase in the recent past was a "trade" in which the enrollment weighting was decreased at the same time, the net result was no increased spending authority. This in effect means the $4,068 BSAPP figure effectively would place education spending authority back to the 2000-01 level.

(Source: Kansas Department of Education)

However, we also know the Legislature has made tax policy decisions that have contributed to these dire circumstances. Tax cuts made by the Legislature from FY 2005 through FY 2010 have totaled $180 million. By FY 2011, that total will rise to nearly $209 million (See Attachment 1). In contrast to the philosophy that "low taxes contribute to economic growth and high taxes detract from it," we believe instead the following:

- Kansas is not a "high tax" state, and the Kansas tax burden (taxes compared to personal income) has been stable for decades. Kansas is a highly educated state, but not a "high tax" state, ranking 23rd in the nation on state and local tax collections as a percent of personal income according to the most recent report from the National Federation of State Tax Administrators. (Source: Kansas Association of School Boards [KASB])

- Tax policy alone does not drive prosperity. Prosperous states do not have low average tax burdens, and low income states do not have high tax burdens. If low taxes spur income growth and prosperity, low tax states should rank high on income measures. However, that is not the case. State per capita income in 2007 ranged from a high of $54,981 in Connecticut to a low of $28,541 in Mississippi. The top 10 states in per capita income had an average ratio of total tax collections to state personal income of 12.17 percent. The 10 states with the lowest incomes had a slightly lower tax burden of 11.34 percent. Likewise the top 10 income states had an average national ranking of 22.4 (where 1 is the highest tax burden) and the bottom 10 had an average ranking of 26.3. In other words, high income states were more likely to be high tax states, not the reverse. (Source: KASB)

- Education attainment drives state income more than tax burden. In a presentation to the Commission, the KASB combined several measures of educational attainment (percent of population 18-24 who are high school completers and percent of population over age 24 with a high school diploma, bachelor's and advanced degrees), ranked the states based on this combined measure, and compared against a number of measures of wealth and tax burden. The analysis showed a stronger correlation to income than tax rates. The 10 highest income states had an average educational rank of 12. As state incomes decline, average education rankings also decline. The bottom 10 income states had by far the worst average educational ranking: 39.2.

This can be seen even more clearly in Kansas' neighboring states and the other Plains states. Of the five regional states with a lower tax burden than Kansas, only Colorado has a higher per capita income and median household income, and only Iowa had a (slightly) lower poverty rate. Lower taxes on low income is not a benefit. For example, Kansans paid about one percent more of their personal income in state and local taxes than Oklahoma, but had a 7.7 percent higher per capita income, 8.5 percent higher household income, and 4.7 percent fewer people living in poverty. Kansas also had better wealth measures than two states with higher tax burdens: Nebraska and North Dakota. On the other hand, Colorado has a low tax rate but

a high ranking on income measures (but also a higher poverty rate). What the top income states in the region (Minnesota, Colorado, and Kansas) have in common is not low taxes, but high education attainment. Likewise, the lowest wealth states have the lowest education levels. (See Attachment 2)

- Lower taxes will not help the economy in the long run if the State cannot support a strong public education system – and that takes a significant investment.

- In prosperous economic times the Legislature has been eager to reduce revenues. Now, in these difficult times, the Legislature must face the fact that it needs to replace some of that revenue.

In summary, the Commission believes we cannot sacrifice a generation of Kansas students because the economy is weak. It is time for the Legislature to take steps to ensure that the revenue and funding policies of the Legislature allow every Kansas student to achieve his or her full potential.

The Legislature should consider generating revenue from at least three specific revenue sources. These are: (1) reversing previous tax cuts, (2) increasing the state school mill levy back to its former level, and (3) increasing the state sales tax. It should be noted the Commission is not suggesting that all of these be implemented in full; rather, the Commission recommends the Legislature consider implementing one or a combination of these potential revenue sources:

- Reversing Previous Tax Cuts – As mentioned previously, the Legislature has reduced the State's tax base and resulting revenues by making a number of tax cuts, and the Commission believes the policy decision on several of these cuts should be reviewed and reversed. If the tax cuts – which, as mentioned previously, have resulted in a cumulative total of $180 million in revenue lost from FY 2005 through FY 2010 – were reversed for FY 2011, the total recovered for that year would be almost $30 million. Furthermore, if the Highway Fund were not repaid in FY 2011 from a previous "loan" to the State General Fund, approximately $31 million would remain in the State General Fund to help finance education.

- Increasing the Statewide School Mill Levy – In 1992, the statewide school mill levy was 32 mills. It increased to 33 mills in 1993 and rose again to 35 mills in 1994, remaining at that level through 1996. The current rate is 20 mills. According to recent estimates, each 1.0 mill increase in the statewide school mill levy would generate approximately $29 million in FY 2011.

- Increasing the State Sales Tax – According to a recent estimate, a 1-cent increase in the state sales tax rate would generate $351 million in FY 2012 receipts.

The Commission believes the revenue generated should equal the amount needed to fund the statutorily mandated base state aid per pupil (BSAPP) for the 2009-2010 school year of $4,492. This amount would have totaled approximately $314 million for the 2009-2010 school year, given the recent enrollment growth.

In addition to the knowledge that the education of children is the most important function of state government, there are practices we know make a difference in assuring that every child receives the maximum benefit of his or her education. These practices include the following:

- Early childhood education.

- Before- and after- school tutoring and

support programs.

- At-risk funding and programs.
- Staff development.
- Leadership academies, especially for principals who must be the educational leaders of their schools.
- Highly qualified teachers. Nothing impacts the quality of education like the quality of the teaching staff.

The Commission recommends these items remain, or become, funding priorities.

The Legislature should continue the three-year funding cycle. The Commission recommends public education funding in Kansas be implemented on a minimum of a three-year basis so school districts have the flexibility to plan for the future.

The Legislature should change the formula for determining special education catastrophic aid. The Commission recommends a change in the calculation of the special education catastrophic aid. The threshold for qualifying for catastrophic aid should be based upon twice the previous year's categorical aid per teacher less any special education state aid.

The current statutory formula allows a school district to receive the aid if the cost for a special education student exceeds $25,000. This amount was placed in law in 1994 with no provision to adjust the threshold for inflation. Because special education costs have increased while the $25,000 threshold amount remained the same, the number of special education students who qualify for catastrophic aid has increased.

In addition, the current formula allows districts to count certain special education expenditures in the $25,000 amount, even though districts receive state aid already for these costs. This results in a "double counting" of transportation and teacher costs, both of which qualify for significant amounts of state aid.

Finally, catastrophic aid has spiked dramatically because one or more districts have begun applying for catastrophic aid for every single student costing over $25,000. More reportedly are planning to do so.

Since catastrophic aid "comes off the top" of special education state aid distributed to teachers, these catastrophic aid increases likely will result in a dramatic decrease in the amount of special education teacher aid, (categorical special education aid).

The Legislature should shift the tiny-k and Early Head Start programs' administration to the Kansas Department of Education. The Commission has made these recommendations in previous years and is making the same recommendations again.

Minority Report to the Legislature

December 2009
by Stephen R Iliff CPA, MBA
2010 Commission member

Executive Summary

Education leaders must be willing to make significant changes to the system:

- Install a comprehensive, consistent accounting system down to the building level so everyone can tell how each building is doing and be able to compare them to each other.
- Reward and dismiss teachers based on quality not seniority.
- Install Leadership academies run by successful business people on the model of New York City's academy.
- Give principals complete local control to run their schools as they see fit without interference from the union.
- The system of tenure should be removed.
- Small school districts need to consolidate and give their students better opportunities much more economically.

Introduction

Kansas and the United States are suffering one of the worst economic downturns since the Great Depression. Tax revenues are down in every area: sales tax, property tax, and income tax etc. The people of our state are being laid off; salaries are being cut, businesses closed, and mandatory furloughs imposed. The financial strain is almost universal. All areas of the economy are suffering, and yet our state is not suffering as greatly as many. Many of our school districts are wrestling with budget cuts and are looking to increase efficiencies to save money. And there is no end in sight.

The major focus of the recommendations of the 2010 Commission to the 2010 Legislature is to get more money for education by raising taxes. We have lost focus on the basic principles of government and economics on which our country and State were founded as well as the purpose for the 2010 Commission in the first place. The 2010 Commission recommendations are little different from those of the paid education lobby.

My goal in this minority report to the legislature on behalf of at least one member of 2010 Commission is to remind the legislature and the Commission of the historical, political and economic principles upon which government and society are based. I believe I represent the common taxpayer and businessperson.

We have some very dedicated teachers and principals, who are underpaid but some are overpaid and therefore we cannot make broad statements on a statewide scale without significant qualifications and distinctions. And while appreciating the role of all those in the education community, we must try to determine a course of action that would not plunder the remaining families, businesses, churches, voluntary associations and other departments of government. The legislature hears most often from the paid lobbyist and his/her powerful organization rather than the individual tax payer. I give to you the following warning of Benjamin Franklin to the Constitution Convention. It was part of his lecture in the debate regarding salaries for the executive branch.

> Sir, there are two passions which have a powerful influence on the affairs of men. These are ambition and avarice; the love of power, and the love of money. Separately each of these has great force in prompting men to action; but when united in view of the same object, they have in many minds the most violent effects. Place before the eyes of such men, a post of honour [sic] that shall be at the same time a place of profit, and they will move heaven and earth to obtain it. The vast number of such places it is that renders the British Government so tempestuous. The struggles for them are the true sources of all those factions which are perpetually dividing the Nation, distracting its Councils, hurrying sometimes into

fruitless & mischievous wars, and often compelling a submission to dishonorable terms of peace.

And what kind are the men that will strive for this profitable pre-eminence, through all the bustle of cabal, the heat of contention, the infinite mutual abuse of parties, tearing to pieces the best of characters? It will not be the wise and moderate; the lovers of peace and good order, the men fittest for the trust. It will be the bold and the violent, the men of strong passions and indefatigable activity in their selfish pursuits. These will thrust themselves into your Government and be your rulers.—And these too will be mistaken in the expected happiness of their situation: For their vanquished competitors of the same spirit, and from the same motives will perpetually be endeavoring to distress their administration, thwart their measures, and render them odious to the people. [1]

Constitution

The Commission has also heard that there is no constitutional obligation to fund the system as it currently exists. The current structure—and the current costs associated with it—represent a policy choice, not a constitutional obligation.

With Regard to the Montoy decision which forced the legislature to bow to the Kansas Supreme Court.

The legislature should not allow the Kansas Supreme Court to bully it into making certain decisions.

> If [the legislature] will positively enact a thing to be done, the judges are not at liberty to reject it, for that were to set the judicial power above that of the legislature, which would be subversive of all government.
>
> Sir William Blackstone.[2]

Principles of Government

According to the 2010 Commission report:

> Education is the single most important function provided by state government.

But the Declaration of Independence states:

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[1] Benjamin Franklin, Motion by Docr. Franklin made before the Constitutional Convention Saturday, June 2nd, 1787

[2] Sir William Blackstone, *Commentaries on the Laws of England (1765-1770)*. According to a work written by Chancellor James Kent of New York entitled, *Commentaries on American Law* (1826-1830), Blackstone's *Commentaries* were so universally accepted in America that by 1775 they had sold more copies in America than in England. This work set the foundation for America's great legal minds including Chief Justice John Marshall.

> We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed.

To our founding fathers, government's main purpose was the protection of life, liberty, and private property without which no one can pursue happiness. The first and foremost duty of the State is enforcement of the moral law and contracts.

> Great and Chief End, therefore, of Men's uniting into Commonwealths, and putting themselves under Government, is the preservation of their property.... [Locke, John]

While a moral and historically accurate, scientific and disciplined education is a very good thing, it is not the most important. Public safety, strong families, and just laws and their enforcement are far more important and in fact foundational. Without law and order and critical infrastructure education as we know it would not be possible.

As James Madison says in a letter regarding property:

> That is not a just government, nor is property secure under it, where the property which a man has in his personal safety and personal liberty, is violated by arbitrary seizures of one class of citizens for the service of the rest. A magistrate issuing his warrants to a press gang, would be in his proper functions in Turkey or Indostan, under appellations proverbial of the most compleat despotism.[3]

The Pilgrims and Puritans fled England and Europe in hopes of finding religious freedom. They educated their own and risked all kinds of losses in order to obtain that freedom. In the first year their colony lost 50 precious lives out of the 100 that came across. Not one would return when given the chance. Education, at least a public education like we have, was not the most important thing to them.

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[3] **The Founders' Constitution** Volume 1, Chapter 16, Document 23 http://press-pubs.uchicago.edu/founders/documents/v1ch16s23.html The University of Chicago Press *The Papers of James Madison*. Edited by William T. Hutchinson et al. Chicago and London: University of Chicago Press, 1962--77 (vols. 1--10); Charlottesville: University Press of Virginia, 1977--(vols. 11--).

Secondly, consider for a moment what life would be like without decent roads, water, electricity and other basic infrastructure like water treatment plants, sewage removal, waste removal, electricity and gasoline. What about state health departments which have administered H1N1 vaccines to protect the public from diseases. We must have judges, jury, police, fire, National Guard, homeland security, roads, bridges, waste removal and sanitation so that we can study at all. Without law and order public education is not possible.

My first semester at Kansas University was in the spring of 1970. The Kansas Union was set on fire by a group of radical students. As a fraternity member, I was asked to guard and sleep in the basement of the Natural History Museum at Dyche Hall with a baseball bat and a fire extinguisher. Outside fire trucks were racing up and down Jayhawk Boulevard. The firemen were carrying shotguns. One day on my way to the Jayhawk Café I noticed the National Guard surrounding a home on Ohio Street. The inhabitants were making Molotov cocktails in the basement. Chancellor Laurence Chalmers called us to the stadium and told us the University would be closing early with no finals.

Thirdly: What does the Commission mean by *education*? It sounds simple and appeals to the emotion but is it meaningful?

The word "education" as used in their main sentence is completely void of meaning. The current educational system we have is a dinosaur that does not function effectively or efficiently. True education goes on only between a teacher and a student. In room **A** you have a standout teacher motivating the students and the little lights turn on in their heads as concepts are repeated and recreated until each student sees something new and true. In room **B**, you have a tired, old history teacher reading in a monotone out of a text that he is not interested in and students bored and learning to dislike history. In room **C** you have a teacher with a child misbehaving; the teacher stands the child up, asks her several humiliating personal questions and ridicules her into submission. Roll all three classrooms up into a bundle and call it "education" and the public buys it like many investors did the subprime mortgage bundles that had AAA ratings stamped on them.

We have some great teachers supported by great principals. We have some really poor ones who are truly harming the students. The strong student will always make it through; but the sensitive genius and troubled slow will not.

The system must be broken into local pieces subject to local parent boards and principals. Principals should not have to fight with unions to hire, motivate or reward one teacher or discipline another. You can't run a business or a school like that. Good teachers must be able to make more than poor teachers.

Take two average wage teachers in Kansas both making $45,000 per year. The good teacher works 2000 hours per year while the poor teacher works 1100. The good teacher makes $22.50 per hour while the bad one makes $40.90 per

hour. What is fair or good about that? It demoralizes the good teachers and causes the poor teacher to hang on to the job for dear life.

The Commission appears to be demanding more money to do the same old thing we have been doing, completely ignoring the economy, struggling families and recommendations that would really improve education. But the purpose of the 2010 Commission was to help the legislature determine where we can get the most "bang for our buck" to quote our Chair Rochelle Chronister. The commission should continue in this vein.

Education has been receiving a percentage of an expanding pie. This was not unreasonable. But when the economy is down and families and businesses are suffering, is it equitable to allocate a greater percentage of a shrinking pie to one faction of the body politic? Shouldn't schools equally bear their share of the downturn even if it means a temporary reduction in wages in order to prevent the loss of critical programs and people? With over 6% unemployment, few teachers and administrators would leave their critical positions because there is little opportunity elsewhere.

Government is coercive by nature

The nature of government requires the use of force and the police power. When the education lobby requests more money from the government, they are really asking the legislators to use the police power of the State to force taxpayers (families and businesses) to hand over more money. This power should be used sparingly. We all know that we must surrender a certain amount of our freedom (i.e. money via taxes) to the government in return for certain critical protections and help for our neighbors, but this power should not be used to plunder[4] the populace at will.

> But what is government itself, but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, **the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself.**[5]

Taxes

The taxes recommended by the 2010 Commission will hurt everyone as well as create an environment that is unattractive to new and existing businesses. According to the Tax Foundation Kansas ranks 31st in total tax burden but it is ahead of Nebraska, Missouri and Oklahoma.[6]

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[4] Frederick Bastiat uses this term in his famous book *The* Law on government and economics.
[5] James Madison Federalist 51
[6] http://www.taxfoundation.org/research/topic/29.html

According to retirement living, Kansas is 21st in highest tax burden. [7]

Sales taxes are regressive and hurt the poor and those on fixed incomes. Our current sales tax in Shawnee County is 7.775%. This means that if a family spends $10,000 on groceries (food and dry goods) it will pay $777.50 in taxes.

Property taxes hurt the poor, retired, those on fixed incomes and prevents businesses from coming to Kansas

Income taxes hurt everyone but are progressive, so the more you earn the more you will pay.

The 2010 Commission said:

> The legislature has created some of the problem by decreasing taxes and keeping those decreases in place.

This is not an accurate opinion. It has been successfully shown that tax decreases create more money for business to expand and employ more people and take more risk. Decreased taxes create an environment friendly to families and businesses. Businesses and the wealthy are evacuating California, New York and Michigan and seeking more business-friendly environments. Kansas could and should be one of those locations that would be attractive to these people.

According to Dennis Jones of the Canada Free Press in October 2009 there have been three major tax cuts in the twentieth century, all with excellent results in the growth of wealth, prosperity and job creation. President Harding in 1921, John F. Kennedy in 1963 and Ronald Reagan in the 1980s. John F. Kennedy said the following in a speech to the Economic Club in New York on December 14, 1962:

> But the most direct and significant kind of Federal action aiding economic growth is to make possible an increase in private consumption and investment demand—to cut the fetters which hold back private spending. If Government is to retain the confidence of the people, it must not spend more than can be justified on grounds of national need or spent with maximum efficiency. The final and best means of strengthening demand among consumers and business is to reduce the burden on private income and the deterrents to private initiative which are imposed by our present tax system; and this administration pledged itself last summer to an across-the-board, top-to-bottom cut in personal and corporate income taxes to be enacted and become effective in 1963.

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[7] http://www.retirementliving.com/tax_burden_2008.pdf

Shouldn't this be the same economic principle we hold today in both the Federal and State governments?

Objective, creative ideas are needed

The 2010 Commission hears many things but rarely hears unbiased information that is resourceful. Standard and Poor's made an excellent presentation as did the Blue Ribbon Schools and Legislative Post auditors but we often hear from lobbyists with vested interests who present information which tends to benefit them in their quest to obtain more money and power.

The KNEA presents teachers' salaries from their Kansas Education Summary that show that Kansas ranks 37th in the nation. This sounds bad until you adjust it for cost of living in the region, which moves us up to 28th. But cost of living is not all. Kansans are able to live close to their jobs, the traffic is light and the roads are good, which save us time. When you compare Kansas' average teacher salaries to other average Kansas worker then Kansas jumps to number 7 in ranking.[8] According to Calnews.com, Kansas pays its teachers 48% more than the average worker in Kansas.

The average teacher salary in Kansas is $45,136. If we add the average health benefit of 10% and the average pension contribution or promise of $20% (this is on top of the required 4% from the employee) you get an average wage of $56,077. When you divide by the average work year of 1600[9] hours you find an average hourly wage with benefits of $35.00 per hour or the equivalent of a $72,800 per year for a full-time job, all this with tenured security. This seems like a very good pay rate. Again, some would still be underpaid at this rate and some far overpaid.

I was once offered a job in Los Angeles working as a movie production accountant. They would have doubled my salary. But after doing a few calculations, I realized that my standard of living would have dropped significantly.

Economic Environment

We may be looking at a taxpayer revolt. Tax revenues have dropped significantly due to the economic downturn and Kansas would have suffered a billion dollar deficit if it did not make drastic cuts in the budget. Unemployment is growing; wages are being frozen or decreased; mandatory furloughs, hiring freezes or layoffs are being imposed.

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[8] www.calnews.com/Archives/1YB_II_sal.htm

[9] Some teachers work far more some much less. A school year is 186 6 hour school days. This leaves 484 hours per year for planning, grading and professional education.

ARRA is protecting many of the current cuts into the education budget but it will only protect one year and that only under certain circumstances. The ARRA money coming from the Federal government is borrowed money which the federal government really can't afford either.

Businesses are very aware of friendly environments in each state.

According to the Topeka Independent Business Association, Kansas has gone up in rankings as being friendly to small business.

> The Small Business and Entrepreneurship Council just released its "2009 Small Business Survival Index". Since last year, Kansas jumped from 31st to 26th in its friendliness to entrepreneurs, jumping over New Mexico, Pennsylvania, Louisiana, Wisconsin, and New Hampshire. [10]

This should continue. The government must be wise in its use of various tax-and-spend policies in order to attract not only businesses but population to the State.

Recommendations

Accounting

We must simplify the accounting and make it transparent and accessible to everyone.

This would allow schools to compete against one another and the citizens and voluntary associations to ask good questions and encourage creative ideas.

Please refer to my previous reports, but Jefferson wrote well on the subject.

> In 1802 Thomas Jefferson wrote to Secretary of the Treasury Albert Gallatin recommending he simplify the system of government finance to improve understanding and ensure citizen control of government.
>
> "I think it an object of great importance to be kept in view and to be undertaken at a fit season, to simplify our system of finance and bring it within the comprehension of every member of Congress. ... [W]e might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any mind in the union should be able to comprehend them, to investigate abuses, and consequently to control them."

- We should have a comprehensive accounting system down to the building level so high schools can be compared to high schools and grade schools

[10] http://www.topekaiba.org

to grade schools. We must break through the mystery of districts to gain comparable size buildings comparing:

- Outcomes:
- Demographics:
- Input-Finances.

Consolidation

The Commission had heard a number of times the benefits of consolidation. Consolidation offers many educational opportunities not available to small districts and the economies of scale which benefits the State budget. This should be considered a top priority before raising taxes.

Testing

While we have been shown consistent increases in test scores and improvements according to AYP graphs, ACT and SAT scores have made no improvements at all in Kansas.

An article in The Wall Street Journal stated that Kansas' 4th grade reading tests have been altered so proficiency is below 2007 national assessment test.[11] Kansas changed proficiency tests in 2005 making long-term historical comparison more difficult. This appears to be a pattern. Tests should not be changed from year to year so that true historical patterns can be seen.

Personnel Costs and Benefits

Suggestions regarding Teachers

- **Tenure for teachers is harmful to students.**

Good teachers don't need it and it makes it difficult for principals to remove poor teachers from the classroom. The New Yorker Magazine recently ran an article entitled *The Rubber Room* by Steven Brill August 31, 2009. The Rubber Room is an expose' on Teachers Unions, specifically the one in New York City and the difficulties they have created for principals and education leaders to remove poor teachers and keep the best teachers. It looks specifically at New York City schools which are now being managed by Mayor Bloomberg under a semi-dictatorship, but has shown enough positive results that he has been given another 4 years. Bloomberg hired Joel Klein, who was a former Assistant Attorney General for the Clinton Administration, to be the school chancellor.

The following quotations come from this article:

"You can never appreciate how irrational the system is until you've lived with it." Joel Klein

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[11] October 30, 2009 Some States Drop Testing Bar Wall Street Journal

In Klein's view, tenure is "ridiculous." "You cannot run a school system that way," he says. "The three principles that govern our system are lockstep compensation, seniority, and tenure. All three are not right for our children."

By now, most serious studies on education reform have concluded that the critical variable when it comes to kids succeeding in school isn't money spent on building or books but, rather, the quality of their teachers. A study of the Los Angeles public schools published in 2006 by the Brookings Institution concluded that "having a top-quartile teacher rather than a bottom-quartile teacher four years in a row would be enough to close the black-white test score gap." But, in New York and elsewhere, holding teachers accountable for how well they teach has proven to be a frontier that cannot be crossed.

- **Pay for Performance (Merit Pay) for the best teachers. Included in this idea should be differential pay for districts in urban centers and any hard-to-find position that is essential to the mission.**

Currently the state of Kansas is held hostage to what Klein calls "lockstep compensation."

Principals and superintendents complain about how hard it is to get a science or math teacher for what they pay. This is true. Science and industry does pay more than schools currently. However, in order to increase the pay for science and math you must increase everyone's pay scale because it is "lockstep". Even though there is no shortage of kindergarten and grade school teachers, in fact there are waiting lists, you must give them an equal increase based on their seniority. Let's take a look at what this would look like.

Assume you have a pay scale like the following:

Grade	Subject	No. of Teachers	Current wage	Current Total Cost	Merit Pay	Lockstep
Kindergarte	General	20	35,000	700,000	700,000	1,200,000
1st	General	18	35,000	630,000	630,000	1,080,000
2nd	General	18	35,000	630,000	630,000	1,080,000
3rd	General	18	35,000	630,000	630,000	1,080,000
4th	General	18	35,000	630,000	630,000	1,080,000
5th	General	18	35,000	630,000	630,000	1,080,000
6th	General	18	35,000	630,000	630,000	1,080,000
7th	General	18	35,000	630,000	630,000	1,080,000
8th	General	18	35,000	630,000	630,000	1,080,000
9th	General	18	35,000	630,000	630,000	1,080,000
10th	General	18	35,000	630,000	630,000	1,080,000
11th	General	18	35,000	630,000	630,000	1,080,000
12th	Math	1	35,000	35,000	60,000	60,000
12th	Science	1	35,000	35,000	60,000	60,000
12th	English	1	35,000	35,000	35,000	60,000
12th	History	1	35,000	35,000	35,000	60,000
12th	Art	1	35,000	35,000	35,000	60,000
12th	Business	1	35,000	35,000	35,000	60,000
12th	Gym	2	35,000	70,000	70,000	120,000
	Total Cost			7,910,000	7,960,000	13,560,000
	Difference				50,000	5,650,000

Assume you want to hire a science and math teacher but no one is interested for the $35,000 starting salary even though it is for 9 months, but they will take $60,000. If you would allow merit or differential pay scale for special groups depending on the district and the demand it would cost $50,000. But under the lockstep method you would have to pay $5,650,000 more. This is senseless. It would cause the grade school teachers to be overpaid because they were very happy at their current pay and there is a waiting list to get in. It also would cause incompetent teachers to do anything hang on to their jobs. And it would break the taxpayer.

Michelle Rhee, chancellor or Washington DC school district proposed changes to the tenure system that would offer six digit salaries to teachers willing to link their paychecks to student performance. Those who choose instead to be paid solely on seniority would retain their job security but receive much smaller pay increases.[12]

- ☐ **Allow professionals who are not certified to teach subjects they may be competent to teach.**

[12] Wall Street Journal *Who's Got Michelle Rhee's Back?* December 15, 2009

Currently there are many highly qualified and competent individuals in private industry who would love to teach but are prevented from applying because they don't have the right education courses on their resume. CPA's can teach at the college level but not at the high school level.

- **Do not increase wages for master degrees unless it really improves the teaching.**

Teachers should get paid on results, not based on their educational attainments.

- **Provide differential pay for science, math and hard-to-place teachers**
  - **See above**

Curriculum costs

Changing curriculum is very expensive both in cost of textbooks but also in the time commitment of teachers to retool with new lesson plans, rereading material and tests. There should be no reason to change a perfectly good curriculum on math, reading, science or history. Instead of changing science curriculum you could just make addendums for new discoveries the students ought to know or note change in theories as old ones are phased out. It is a helpful educational tool for students to understand why theories are replaced.

Professional Development

This should be done in-house or within the district. Every district has super-competent teachers and principals who can train others. If a prophet is not esteemed in his own country then trade with another district. At least get them from within the state. You don't need to go to DC, Hawaii or other states for continuing education at taxpayer expense.

Management

- **Mayoral Leadership**

This seems like a very good idea if you have a strong mayor with very good business sense. New York has done it very successfully. I think some of the things I've read about changes in Chicago schools under Mayor Daley seem very encouraging. Not every mayor would be game for this, but an ambitious, businesslike person who can cut through bureaucracy and is willing to stand up to vested interests to improve schools should give it a try.

- **Principals must have more sovereignty and be held fully responsible for performance of their teachers and staff.**

Set up a leadership academy modeled on the one in New York City.
This is a great academy set up by very sharp business leaders. It decentralizes the districts and empowers people (principals) at the most local level.

- **Give principals power to decide what teachers they keep.**

http://www.nycleadershipacademy.org/ When you go to this website you will find an article from the New York Daily News that describes the new empowerment given to principals of schools:

> Here's how it worked. Since Bloomberg and Klein took over, the city has aggressively shifted powers that used to belong to central school administration to individual principals. This includes power over budget, staffing, curriculum and schedules. The change, launched in 28 schools in 2004, grew to include all 1,467 schools within the next three years. No other city has moved as far, as fast.
>
> As a result, principals in New York City's empowered schools now control, on average, 86% percent of their budgets, compared to the 6% that I measured in an earlier 2001 study, when I sampled 66 of the city's schools.[13]

Read more: http://www.nydailynews.com/opinions/2009/06/07/2009-06 07_at_the_head_of_the_class_.html#ixzz0Z8gFplRL

Culture Changing and increased competition and choice

- **Charter schools with real freedom not in name only**

There is no use starting a Charter school if it remains under the same shackles as all public schools. You must set them free and they will offer real options for parents. Many charters across the nation are beginning to show real improvements for disadvantaged students.

- **Tax credits and more school choice**

Currently between the state, federal and local budgets the cost to educate a student in Kansas is $12,660 per year. Why not give parents a tax credit on their tax return for $5,000 and let them choose to go where ever they want to go? This would save the State $7,600 per student who chooses to go elsewhere. If just 10% of the students chose this option it would save the State, local and Federal government $300 million a year.

Cair Paravel-Latin School charges under $6,000 per year for an excellent education (highest average ACT scores in the city of Topeka) and that includes the price of a full 5-6 day tour to Washington DC, New York City, California or Virginia for the 8th thru 12th grade students.

Heritage and Topeka Lutheran charge similar amounts. Collegiate is a little higher but has scholarships available.

Hayden High School charges $2,000 for those in the Parrish.

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[13] William Ouchi 6/5/09 New York Daily News

There are a number of options other than public schools that would relieve tremendous pressure off the current public school system.

Competition

If we had an accounting system that was comparable and consistent to the building level you could easily see which schools were doing the best job given their demographics and scores with the money they have.

Politics

It seems unfair for vested interests to lobby or testify when their salary comes either directly or indirectly from the taxpayer. I was asked to testify in front of a house budget committee by Representative Lana Gordon. I was surprised that those testifying for transparency and strong accounting consistency and comparability were volunteers i.e me. On the other hand those who want the five billion dollars spent by the State on education each year to be incomprehensible were salaried employees of the school system paid with taxpayer dollars or paid lobbyists paid by union dues from employees paid with taxpayer dollars.

KPERS Defined Benefit Pension Plan is unsustainable

No business, city or State is big enough to maintain a defined benefit plan. These plans guarantee a fixed payout for the rest of a person life no matter what the economy does. This is not economically possible. While everyone in the private sector lost half their retirement due to the economic down turn, State and school employees are being told that the economy had no impact on their pension whatsoever.

The legislature is currently promising a payout the taxpayers cannot afford. And teachers are led to believe in a false promise. The people that are getting paid out are getting a far higher payout than they and the State has actually funded.

KPERS is a defined benefit program and their retirements are as secure as the State of Kansas finances. If you go to the KPERS website you will find the following frequently asked questions.

> **Is my Retirement System money safe?**[14]
> KPERS retiree benefits are safe and guaranteed by Kansas law. A retiree will receive his or her benefit for life, no matter the economic condition. Members who leave employment and withdraw their contributions before retirement will receive the full amount they have contributed, plus interest.
>
> **What is a defined benefit plan?**
> The Retirement System is a 401(a) defined benefit pension plan. With a defined benefit plan, members' benefits are guaranteed by law and

[14] KPERS website http://www.kpers.org/faqs.htm#14

depend on a formula, not on member contributions or market performance.

An estimate of the benefit each teacher and administrator receives each year to their Pension plan could be as high as 22% of their wages

The money that the State actually puts in and goes though the books has never been enough to fund the plan. According to the table below at the end of 2007 it was 63% funded for schools and it dropped in 2008 as a result of the economy.

KPERS has always been actuarially underfunded.

Date	All State Employees	Schools
12/31/07	71%	63%
12/31/08	59%	52%

7/17/09 Kansas Schools portion of the KPERS plan was under funded by 5.2 billion
Projected unfunded liabilities in 5-10 years: 10 billion

The reasons for underfunding are manifold. The State can't afford to pay employees 22% of their salaries to a pension fund so they make a promise of over 11% on top of what they can pay. Secondly, retired employees are pulling out large fixed payments for the rest of their lives which are much longer than originally anticipated and are draining the fund. Thirdly, when the economy goes down, it affects dramatically all the investments in the plan. And fourthly much depends on the management of those in charge of the fund.

If we continue to increase public wages and underfund pensions eventually, like any Ponzi scheme, the State will be forced into bankruptcy sooner rather than later. Technically it may be bankrupt now.

Solution: The only honest solution I know of, is to convert that current Defined Benefit Pension Plan into a defined contribution plan like all private firms have or are moving to. The fixed amounts being drawn out now and in the future are simply unsustainable. But no legislator wants to touch this.

Bankruptcies partially due to Defined Benefit plans

- City of Vallejo, CA
- Detroit Schools
- General Motors
- State of California is getting close.

On the 25th anniversary of the release of *A Nation at Risk*, the nonpartisan organization Strong American Schools released a report card of our nation's progress since the initial report. The organization's analysis said:

> "While the national conversation about education would never be the same, stunningly few of the Commission's recommendations actually have been enacted. "Now is not the time for more educational research or reports or commissions. We have enough commonsense ideas, backed by decades of research, to significantly improve American schools. The missing ingredient isn't even educational at all. It's political. Too often, state and local leaders have tried to enact reforms of the kind recommended in A Nation at Risk only to be stymied by organized special interests and political inertia. Without vigorous national leadership to improve education, states and local school systems simply cannot overcome the obstacles to making the big changes necessary to significantly improve our nation's K-12 schools."

Estimated Fiscal Notes for Selected Tax Cuts Enacted Since 2005

($ in millions)

Session	Bill #	Brief Description	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	thru FY 13
2005	SB 256	Inc Tax Exemption - Military Recruitment Bonuses	$0.000	-$0.587	-$0.622	-$0.660	-$0.699	-$0.741	-$0.786	-$0.833	-$0.883	-$5.810
2005	SB 133	Homestead Program - Indexation	$0.000	$0.000	-$0.025	-$0.050	-$0.075	-$0.100	-$0.125	-$0.150	-$0.175	-$0.700
2005	SB 23	Repeal of "Clunker" Sales Tax on Used Vehicles	-$5.000	-$5.175	-$5.356	-$5.544	-$5.738	-$5.939	-$6.147	-$6.362	-$6.584	-$51.845
2005	SB 138	Certain Tax Credits	-$0.500	-$0.500	-$0.500	-$0.500	-$0.500	-$0.500	-$0.500	-$0.500	-$0.500	-$4.500
2005	HB 2040	Sales Tax Ex - Hearing Aid Repair	$0.000	-$0.093	-$0.096	-$0.100	-$0.103	-$0.107	-$0.110	-$0.114	-$0.118	-$0.842
2005	HB 2222	Indiv Dvlpment Account Program	-$0.503	-$0.503	-$0.503	-$0.503	-$0.503	-$0.503	-$0.503	-$0.503	-$0.503	-$4.527
2006	SB 365	Phasing Out of Estate Tax	$0.000	$0.000	$0.000	-$9.000	-$20.000	-$37.000	-$47.000	-$52.000	-$52.000	-$217.000
2006	SB 404	Numerous Sales Tax Exemptions	$0.000	$0.000	-$12.702	-$15.448	-$17.291	-$8.173	-$8.630	-$10.087	-$11.546	-$83.877
2006	HB 2583	M and E	$0.000	$0.000	-$3.500	-$27.162	-$42.737	-$58.905	-$63.698	-$62.729	-$68.869	-$327.600
2007	HB 2031	Soc Sec Exemption and EITC Expansion	$0.000	$0.000	$0.000	-$12.900	-$19.400	-$21.300	-$23.400	-$25.800	-$26.135	-$128.935
2007	HB 2171	Sales Tax Exemptions - Various	$0.000	$0.000	$0.000	-$0.650	-$0.673	-$0.696	-$0.721	-$0.746	-$0.772	-$4.258
2007	HB 2240	Sales Tax Ex - Repair of Transmission Lines	$0.000	$0.000	$0.000	-$3.000	-$3.387	-$3.506	-$3.629	-$3.756	-$3.887	-$21.165
2007	HB 2405	Historic Preservation Tax Credits	$0.000	$0.000	$0.000	-$0.575	-$0.575	-$0.575	-$0.575	-$0.575	-$0.575	-$3.450
2007	HB 2476	Homestead Program Expansion	$0.000	$0.000	$0.000	-$10.500	-$11.000	-$11.600	-$12.200	-$12.800	-$13.500	-$71.600
2007	HB 2264	Franchise Tax Phase Out	$0.000	$0.000	$0.000	-$7.000	-$16.500	-$26.500	-$37.000	-$48.000	-$50.000	-$185.000
2007	HB 2004	Various Tax Credits	$0.000	$0.000	$0.000	-$4.100	-$4.100	-$4.100	-$4.100	-$4.100	-$4.100	-$24.600
2007	HB 2540	Business Disaster Sales Tax Relief	$0.000	$0.000	-$0.400	-$1.600	$0.000	$0.000	$0.000	$0.000	$0.000	-$2.000
2008	HB 2434	Omnibus Tax Bill Includes Corporate Rate Cut	$0.000	$0.000	$0.000	$0.000	$0.141	$0.141	$0.139	$1.079	$1.078	$2.578
	Total These Bills		-$6.003	-$6.858	-$23.704	-$99.291	-$143.140	-$180.104	-$208.985	-$227.975	-$239.070	-$1,135.131

Attachment 1

Attachment 2

Tax Burden, Wealth and Education Attainment									
	Tax Collections % of Personal Income (2006)	U.S. Rank	Personal Income Per Capita (2007)	U.S. Rank	Household Income Median (2007)	U.S. Rank	Percent in Poverty (2007)	U.S. Rank	Education Attainment Adults 18 and older (Average U.S. Rank)
Nebraska	11.9%	14	$36,471	24	$47,085	33	11.2%	17	15
Minnesota	11.8%	19	$41,034	11	$55,802	10	9.5%	8	5
North Dakota	11.7%	21	$34,846	29	$43,753	39	12.1%	25	23
Kansas	11.7%	23	$36,768	22	$47,451	30	11.2%	17	10
Iowa	11.0%	34	$35,023	27	$47,292	32	11.0%	16	26
Oklahoma	10.6%	41	$34,153	33	$43,424	41	15.9%	41	40
Missouri	10.1%	44	$34,389	32	$45,114	37	13.0%	31	32
Colorado	9.8%	46	$41,042	10	$55,212	12	12.0%	22	11
South Dakota	9.1%	50	$33,905	34	$41,567	44	13.1%	32	30

Source:
Kansas Association of School Boards

Report of the Joint Committee on Legislative Educational Planning to the 2010 Kansas Legislature

CHAIRPERSON: Senator Jean Kurtis Schodorf

VICE-CHAIRPERSON: Representative Deena Horst

OTHER MEMBERS Senators Marci Francisco, Bob Marshall, Mark Taddiken, Ruth Teichman, and John Vratil; and Representatives Barbara Ballard, Owen Donohoe, Steve Huebert, Eber Phelps, Jo Ann Pottorff, and Valdenia Winn

December 2009

House Education Committee
Date 1-13-10
Attachment 3

Joint Committee on Legislative Educational Planning

Report

Conclusions and Recommendations

The Legislative Educational Planning Committee recognized the efforts of all school personnel who continue to provide quality education for Kansas children in the midst of difficult times. The Committee wishes to thank all who came forward to testify and offer information and advice during the 2009 Interim.

The Committee approved introduction of eight bills to be considered during the 2010 Legislative Session. Those items as well as other recommendations are described below.

Catastrophic Funding for Special Education

At the request of 2010 Commission, the Committee agreed to introduce a bill raising the threshold for catastrophic aid claims to twice the previous year's teacher aid allocation. The bill would require districts to deduct any other categorical state aid already received.

The Committee also agreed to introduce a second bill raising the threshold for catastrophic aid claims to $36,000 for the 2009-10 school year, with the threshold indexed to the Consumer Price Index-Urban (CPI-U). The bill would require districts to deduct any other categorical state aid already received. In addition, the bill would require the categorical state aid and catastrophic state aid be funded by separate appropriations and establish a new fund called the Catastrophic Aid Fund at the state level, which would be used to receive appropriations. The bill would include a proration provision if the appropriation proves insufficient to pay districts the full amount to which they are entitled.

Students in Youth Residential Centers

The Committee agreed to recommend and support prefiled Senate Bill 340. This bill would eliminate on June 30, 2011, the "two for one student" funding currently in place for students in the custody of the Department of Social and Rehabilitation Services or the Juvenile Justice Authority enrolled in USD 259, Wichita, and USD 409, Atchison, and housed at the Judge James V. Riddel Boys Ranch and the youth residential center located on the grounds of the former Atchison Juvenile Correctional Facility. In SB 340, each student housed in the above facilities would be counted as one student, instead of two students.

Higher Education

The Committee agreed to recommend and introduce the following postsecondary education initiatives proposed by the State Board of Regents. Those initiatives would accomplish the

following:

- Amend statutes relating to private and out-of-state postsecondary educational institutions by:
  - Providing new definitions of regulated institutions;
  - Eliminating the exemptions for branch locations;
  - Changing the application and renewal process (for out-of-state postsecondary institutions wanting to do business in Kansas);
  - Clarifying the types of degrees requiring a certificate of approval;
  - Providing for greater penalties for violations of the Private and Out-of-State Postsecondary Educational Institution Act;
  - Revising the fee structure to establish new maximum amounts that may be charged to regulated entities;
  - Requiring data to be reported by regulated institutions; and
  - Requiring institutions to post their student complaint processes.
- Expand the exemption from state purchasing statutes currently held by Fort Hays State University and the University of Kansas, to all six Regents' institutions making the exemption permanent in nature.
- Exempt the six Regent's institutions from the State Surplus Property Act.
- Update and streamline statutory language regarding investments and add an additional investment option supported by the recent adoption of the Kansas Uniform Prudent Management of Institutional Funds Act.
- Authorize Fort Hays State University to sell two tracts of land to the City of Hays as part of the development of a community sports complex.

The Committee also agreed to introduce legislation to accomplish the following; however, the Committee chose to introduce the legislation without recommendation.

- Amend a statute relating to the Kansas Postsecondary Technical Education Authority which would require the State Board of Regents to "act upon recommendations of the Authority within 45 days of submission."

Proposed Legislation: The Committee will introduce eight bills; two related to K-12 education and six related to higher education.

Background

The Legislative Educational Planning Committee (LEPC) is a statutorily-created committee with authority over preschool, elementary, secondary, and postsecondary education. The Committee is charged statutorily with monitoring the implementation and ongoing operation of the Kansas Higher Education Coordination Act (KSA 74-3201, *et seq.*). Legislation enacted by the 2005 Legislature changed the LEPC's role concerning matters relating to school finance. The LEPC is no longer statutorily required to study and make plans for school finance issues. This action was intended to eliminate duplication between the LEPC and the 2010 Commission, an entity created by the 2005 Legislature with responsibility for monitoring school district funding.

The LEPC consists of seven House members and six Senate members appointed by the Legislative Coordinating Council (LCC) The LEPC may initiate its own studies or be assigned study topics by the LCC; however, the LCC did not assign any study topics to the LEPC for the 2009 Interim.

Committee Activities

Elementary and Secondary Education

Fiscal Updates

Kansas Department of Education officials provided fiscal updates as the 2009 Interim progressed. Below is a chart showing the change in the Base State Aid per Pupil (BSAPP) presented to the Committee at its November meeting. The BSAPP primarily funds school districts' general fund budgets.

School Year	BSAPP
1992-93	3,600
1993-94	3,600
1994-95	3,600
1995-96	3,626
1996-97	3,648
1997-98	3,670
1998-99	3,720
1999-00	3,770
2000-01	3,820
2001-02	3,870
2002-03	3,863
2003-04	3,863
2004-05	3,863
2005-06	4,257 *
2006-07	4,316
2007-08	4,374
2008-09	4,400
2009-10	4,012 **

Note: Statutes provide for a BSAPP of $4,492 for 2009-10 and each school year thereafter.

* Approximately $244 of the increase was a result of raising the BSAPP and lowering the enrollment weighting which resulted in no increased spending authority.

** Because of a Governor's allotment in late November 2009 as well as the lack of a recommendation by the Governor to cover shortfalls in the school finance formula due to lowered property valuations, increased enrollments, and numbers of free lunch students, the revised BSAPP for the 2009-10 school year as of this report is $4,012.

A chart showing Unified School Districts' Total Expenditures is shown in attachment A.

School District Reduction Survey

A survey conducted in the summer of 2009 by the Kansas Department of Education showed the following reductions made due to state aid budget cuts:

Licensed Positions Eliminated: 2,101

Unlicensed positions eliminated: 1,603

(It is uncertain how many of these positions were filled at the time of elimination.)

Example of items which were cut or eliminated:

- Before, after, and summer school programs;
- Parents as Teachers;
- Fine arts, language arts, and career and technical education;
- All-day kindergarten;
- Professional development;
- Extracurricular activities;
- Transportation;
- Textbook and school bus purchases;
- Number of days in school year; and
- Number of attendance centers in operation.

These reductions totaled an estimated $167.0 million cut from school districts' budgets.

Special Education Catastrophic Aid

A major K-12 funding issue discussed during the 2009 Interim and the topic of a performance audit by the Legislative Division of Post Audit relates to catastrophic funding for special education.

Under current law, school districts and cooperatives can receive extra reimbursement for catastrophic special education cases - the students that cost at least $25,000 per year. Department of Education information provided at the July meeting showed a dramatic increase in the number of catastrophic cases. In 2005, there were 87 cases costing $1.1 million. In 2009, there were 758 cases costing approximately $12.0 million.

Chairperson Schodorf invited school district officials to the July meeting to present information on this topic. Names of those officials and a summary of their comments is included below:

- Mark Hauptman, Assistant Superintendent of Special Services, Hays West Central Special Education Cooperative;
- Mike Bilderback, Director, Special Services Cooperative of Wamego;
- Larry N. Clark, Director of Special Education, Sedgwick County Area Education Service Interlocal Cooperative;
- Judy Denton, Director, Leavenworth County Special Education Cooperative;
- Dr. Ron Sarnacki, Director of Special Education, Cowley County Special Services Cooperative;
- Bruce Givens, Special Services Director, Derby Public Schools;
- Mike Lewis, Director, High Plains Education Cooperative;
- Bert Moore, Director, Chautaugua and Elk County Special Services Cooperative;
- Dr. Tom Trigg, Superintendent, Blue Valley School District;
- Dr. Gary George, Assistant Superintendent, Olathe School District;
- Tim Rooney, Manager of Budget and Finance, Shawnee Mission School District; and
- Deborah Haltom, Director of Special Education Services, Shawnee Mission School District.

The majority of presenters agreed that the current threshold of $25,000 should be raised and changed annually based upon changes in the CPIU. Other recommendations and comments included the following:

- Establish a separate fund or pool for catastrophic aid which would be capped at a predetermined amount;
- Redefine "catastrophic," making program guidelines more detailed;
- Deduct other state aid (such as teacher aid and transportation) received for each catastrophic aid student before computing catastrophic aid in order to eliminate "double dipping"; and

- Consider using a census-based approach of allocating catastrophic aid, for example, base each district's share on the number or percentage of a district's special education students.

However, not all presenters agreed that the catastrophic aid formula should be changed. Three presenters told LEPC members that the whole method for funding special education should be reviewed and that catastrophic aid should not be singled out for a change.

Various Proposals Regarding Catastrophic Aid

Special Education Directors

At the direction of Chairperson Schodorf, Bruce Givens, Special Services Director from Derby Public Schools, presented a proposal developed by a group of special education administrators regarding catastrophic aid. Many special education administrators agreed with this proposal; however, administrations from Region 1 (Johnson County area) did not agree and told the Committee that catastrophic aid should not be singled out for change, but rather the whole special education funding mechanism should be reviewed and considered for change.

The proposal of the special education administrators recommended that the catastrophic aid funding threshold per student be increased to two times the prior year's statewide average cost per special education student (FTE), with a deduction of any other state categorical aid a district had already received for the student, then the result would be multiplied by the percentage determined by state law (current percentage is .75).

2010 Commission

At the November LEPC meeting, Research Department staff presented the 2010 Commission Report. The 2010 Commission held hearings during the 2009 Interim regarding catastrophic aid, and developed a proposal to increase the catastrophic aid funding threshold per student to two times the prior year's aid per teacher, with a deduction for any other state categorical aid a district had already received for the student, then the result would be multiplied by the percentage determined by state law.

Legislative Post Audit Committee

Finally, after hearing a performance audit on the topic of catastrophic aid, the Legislative Post Audit Committee agreed to introduce legislation that would increase the catastrophic aid funding threshold to $36,000, allow the threshold to increase in future years to account for inflation, deduct any other state categorical aid a district had already received for the student, then multiply the result by the percentage determined by state law.

Youth Residential Centers: Are They Funded Consistently Under Kansas Law?

At the July LEPC meeting, Committee members reviewed funding for Youth Residential Centers, hearing statutory history from J. Russell Jennings, Commissioner, Juvenile Justice Authority, and Theresa Kiernan in the Office of the Revisor of Statutes.

A youth residential center (YRC) is a non-secure (not locked) facility providing juvenile residents access to the surrounding community with minimal supervision. These centers are licensed by the Kansas Department of Health and Environment. Students in these centers are in the custody of the Secretary of Social and Rehabilitation Services or the Commissioner of the Juvenile Justice Authority. Students in these centers may leave the centers to go to school and are counted as part of the enrollment of the district they attend. Currently, there are 14 centers where classes are conducted on the campus of the center by a local school

district or service center. Except in two centers - Judge Riddel's Ranch and Atchison Youth Residential Center - school districts receive the same funding as if the student attended facilities of the district.

A student residing at the Judge Riddel Ranch in Sedgwick County or the Atchison Youth Residential Center in Atchison County is counted as two students under the School Finance Act for funding purposes.

Commissioner Jennings provided information indicating that costs for educating the students in youth residential centers, juvenile detention centers, and psychiatric residential treatment facilities exceed the costs of students who are not in these facilities. He told Committee members that these students tend to be some of the most academically challenged young people in the state. He indicated these students lag behind their peers by 4.2 years in reading and 4.8 years in math.

Because of these increased education needs, Commissioner Jennings proposed a funding formula for youth residential centers (those with education services provided on the campus of the center exclusively), juvenile detention centers, and psychiatric residential treatment facilities that would count students in the following manner:

- Funding Formula=Licensed Capacity x 90% x 2.0 x BSAPP

Commissioner Jennings indicated this formula would treat all facilities equally, enable facilities to expand the school year for those students who are significantly behind educationally, and increase the quality and intensity of education for the residents.

Kansas Public Employees Retirement System: Working-After-Retirement Rules, Utilization, and Funding of KPERS School Group

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), gave an overview to Committee members of KPERS rules and regulations. Mr. Deck told Committee members that recent studies and statutory changes included:

- 2006 House Sub. for SB 270 which:
  - Raised the earnings limitation for retirees returning to work for their previous employer from $15,000 to $20,000; and
  - Required employers hiring a retiree who did not previously work for that employer to pay KPERS the actuarial employer and employee contribution rate.
- Interim Studies in 2007 and 2008:
  - During the 2007 Interim, the LEPC, the 2010 Commission, and the Joint Committee on Pensions, Investments and Benefits received testimony on the teacher shortage problem in Kansas and the impact of the working after retirement restrictions on the shortage.
  - During the 2008 Interim, the Joint Committee on Pensions, Investments and Benefits studied a number of different proposals for changes to the working-after-retirement restrictions and particularly focused on the issue of third-party contracting arrangements that circumvent the restrictions.
  - The Joint Committee introduced SB 196 in the 2009 Session, which would apply the same working-after-retirement provisions to employees returning to work either as

individuals or as contracted employees of third-party companies.

Mr. Deck told Committee members that during the 2009 Session, Senate Sub. for HB 2072 included various versions of working-after-retirement legislation. The final legislation included the following major provisions:

- Break in Service: Extends the minimum break in service from any employment with any KPERS participating employer from 30 days to 60 days for all KPERS retirees;

- Licensed School Professional Retirement Date: Amends school law provisions to allow licensed professionals to retire before June 30 of a calendar year;

- Earnings Limit for Licensed School Employees: Eliminates the $20,000 earnings limit for retired licensed professionals returning to work for the same school district from which they retired, for a three-year period (through June 30, 2012), if they retired either:

  - Under a normal retirement option; or

  - Under an early retirement option more than 60 days before the effective date of the bill.

- Employer Contribution Rates: Establishes a special employer contribution rate for public school employers who employ retired licensed professionals for a three-year period;

- Third-Party Contractors: Applies working-after-retirement restrictions to retirees who provide licensed professional services to a participating employer through a third-party contractor. Contracts that are effective on or after April 1, 2009, are covered by the bill; and

- Report to Joint Committee: Requires KPERS to report to the Joint Committee on Pensions, Investments and Benefits on the results of the provisions for licensed school professionals when they expire on June 30, 2012.

Mr. Deck told Committee members that as of December 31, 2008, there were 2,672 KPERS retirees who had returned to work and of those, 1,351 were rehired by the same employer and 1,321 by a different employer.

Mr. Deck also told Committee members that investment losses have had a substantial adverse impact on KPERS' long-term funding outlook. He advised current benefits are safe for a period of time. He advised investment returns alone cannot fix the funding shortfall. While it is not an immediate crisis, addressing the funding shortfall is critical. He told Committee members that KPERS is committed to a comprehensive funding solution that is sustainable and balanced.

Early Childhood Programming: Ages 0 - 3

Tom Racunas, Director of Categorical & Transition Services, Division of Special Education and Support Services, USD 259 Wichita, spoke to Committee members at the October meeting and gave an overview of Autism Spectrum Disorders.

Sarah Hoffmeier, Family Service and Training Coordinator, University of Kansas Medical Center, gave an overview of the Kansas Instructional Support Network (KISN). She told Committee members the mission of KISN is to assist Kansas school districts in building local capacity to serve students with autism based on professional development and technical assistance. She advised their target population includes children, birth to 21 years of age, who are on or show characteristics of an Autism Spectrum Disorder.

Phoebe Rinkel, Technical Assistance Specialist, Kansas Inservice Training System (KITS), spoke to Committee members. She told members the KITS program is designed to meet the need for professional development and technical assistance for early intervention and early childhood special education professionals, paraprofessionals, related services professionals, and parents. Ms. Rinkel advised the goals are:

- Sustain collaborative partnerships between state agencies, institutions of higher education, local education agencies, and professional organizations working in the area of early childhood;
- Develop and disseminate evidence and research-based materials;
- Increase the knowledge, skills, and capacity of individuals or organizations across the state through results-based training and technical assistance; and
- Contribute to the development of state level guidance documents, processes, and training materials.

Committee Recommendations

At the request of the 2010 Commission, the Committee agreed to introduce a bill raising the threshold for catastrophic aid claims to twice the previous year's teacher aid allocation. The bill would require districts to deduct any other categorical state aid already received.

The Committee also agreed to introduce a second bill raising the threshold for catastrophic aid claims to $36,000 for the 2009-10 school year, with the threshold indexed to the CPI-U. The bill would require districts to deduct any other categorical state aid already received. In addition, the bill would require that categorical state aid and catastrophic state aid be funded by separate appropriations and establish a new fund called the Catastrophic Aid Fund at the state level, which would be used to receive appropriations. The bill would include a proration provision if the appropriation proves insufficient to pay districts the full amount to which they are entitled.

Students in Youth Residential Centers

The Committee agreed to recommend and support prefiled Senate Bill 340, which would eliminate on June 30, 2011, the "two for one student" funding currently in place for students in the custody of the Department of Social and Rehabilitation Services or the Juvenile Justice Authority enrolled in USD 259, Wichita, and USD 409, Atchison, and housed at the Judge James V. Riddel Boys Ranch and the youth residential center located on the grounds of the former Atchison Juvenile Correctional Facility. In SB 340, each student housed in the above facilities would be counted as one student, instead of two students.

State Aid for K-12 Education

The Committee recommends that state aid for K-12 education and postsecondary education not be reduced below the 2006 maintenance of effort level required by the American Recovery and Reinvestment Act; in addition, the Governor should not request a waiver of this maintenance of effort requirement

Postsecondary Education

Update on Higher Education Budget

Reginald Robinson, President, Kansas Board of Regents, spoke to Committee members at the July meeting regarding budget reductions which have occurred in the Regents' institutions.

President Robinson told Committee members the impact of the budget cuts at the Regents' institutions have included:

- Approximately 655 employee layoffs,

positions held vacant, and positions eliminated;

- Approximately 448 programs and classes eliminated;
- Increased class sizes and reduced course offerings;
- Reduced library resources (books, databases, and publications) and hours of operation;
- Students less likely to graduate in four years;
- Reduced operating support for equipment and technology upgrades;
- Reduced student counseling services;
- Eliminated purchases of research and educational equipment;
- Reduced or eliminated overtime and student labor budgets;
- Increased faculty teaching loads; and
- Increased tuition costs.

President Robinson also told Committee members the Board of Regents has directed that independent management audits and reviews be conducted at all six state universities. He stated that exit analyses at Kansas State University (KSU), Pittsburg State University (PSU), and University of Kansas (KU) were initiated last year due to leadership changes. The KSU review is complete, and the PSU and KU reviews will conclude in the coming months. He further stated the Board directed that independent management audits be conducted at Emporia State University, Fort Hays State University, and Wichita State University.

President Robinson told Committee members that under Kansas law, entities that are controlled by the state universities annually must submit an independent financial audit to Legislative Post Audit. However, these financial audits do not provide the same level of either transactional analysis or review of the interplay between affiliated campus entities as provided by the Board's recent exit analysis at KSU. The Board has taken an important additional step and asked its Fiscal Affairs and Audit Committee to develop a policy regarding a regular and ongoing process for these management audits.

At its October meeting, Committee members heard a presentation of the performance audit conducted by the Legislative Division of Post Audit entitled: "Can State Universities Provide Postsecondary Education More Efficiently to Reduce Costs?" The audit can be accessed at http://www.accesskansas.org/srv-postaudit/results.do

Budget Impacts on Critical Training and Education at the University of Kansas and the Kansas University Medical Center

Dr. Barbara Atkinson, Interim Chancellor, University of Kansas, told Committee members that even though the Lawrence campus is not as dependent on State General Fund (SGF) funding as the Medical Center, cuts of 12 percent (121 positions) have resulted in layoffs and reductions in the courses and services offered to the students. Of the 121 positions, there will be 55 fewer faculty members and a reduction in the number of graduate teaching assistants.

Dr. Atkinson told Committee members that the University of Kansas Medical Center (KUMC) relies on the State General Fund for a much greater percentage of its budget than does Lawrence. She told Committee members that KUMC has eliminated 79 faculty and staff positions as a result of the cuts, 46 of which were filled. The FY 2010 allotment gap is being treated as permanent and essentially covered by one-time federal Recovery Act funding.

Therefore, permanent reductions and necessary actions are being taken to be put in place by the end of the fiscal year, but this almost certainly will result in the elimination of 40 - 50 additional positions and will have programmatic impacts on the academic, research, and service programs.

Dr. Atkinson stated class sizes will be increased, which has negative effects on student learning, and the cuts also will reduce the number of lab sections offered. Additionally, some students may have difficulty enrolling in specific classes needed to meet degree requirements, increasing time to graduate.

The University of Kansas created the UKanTeach program to increase the number of math and science teachers in Kansas. Unfortunately, UKanTeach will confront particular challenges staffing its core pedagogy classes. Extra sections usually are opened to accommodate additional students and ensure timely progress toward degree completion, but such flexibility has been lost due to current budget cuts.

Engineering is another field that is seeing its capacity constrained by budget cuts. Kansas legislative and business leaders have asked the Regents' institutions to increase the number of engineering graduates; however, budget cuts will result in an expected 10-15 percent decline in the size of the freshmen engineering class, which will have a large impact on the workforce beginning four years from now.

State Board of Regents Legislative Initiatives

Below is a brief description of each of the State Board of Regents legislative initiatives:

- Amend statutes relating to private and out-of-state postsecondary educational institutions by:
  - Providing new definitions of regulated institutions;
  - Eliminating the exemptions for branch locations;
  - Changing the application and renewal process (for out-of-state postsecondary institutions wanting to do business in Kansas);
  - Clarifying the types of degrees requiring a certificate of approval;
  - Providing for greater penalties for violations of the Private and Out-of-State Postsecondary Educational Institution Act;
  - Revising the fee structure to establish new maximum amounts that may be charged to regulated entities;
  - Requiring data to be reported by regulated institutions; and
  - Requiring institutions to post their student complaint processes.
- Expand the exemption from state purchasing statutes currently held by Fort Hays State University and the University of Kansas, to all six state universities making the exemption permanent in nature.
- Exempt the six Regents' institutions from the State Surplus Property Act.
- Update and streamline statutory language regarding investments and add an additional investment option supported by the recent adoption of the Kansas Uniform Prudent Management of Institutional Funds Act.

- Authorize Fort Hays State University to sell two tracts of land to the City of Hays as part of the development of a community sports complex.

- Amend a statute relating to the Kansas Postsecondary Technical Education Authority which would require the State Board of Regents to "act upon recommendations of the Authority within 45 days of submission."

Committee Recommendations

The Committee agreed to introduce all the postsecondary education legislation proposed by the State Board of Regents. The Committee also agreed to recommend all the initiatives favorably, except for the legislation relating to the Kansas Postsecondary Technical Education statute. For this initiative, the Committee chose to introduce the legislation without recommendation.

STATE TOTALS (USD D0999)
COUNTY

Revised - December 15, 2009

Basic Data

School Year	FTE* Enrollment	State Aid	Federal Aid	Local Revenue	Total Expenditures**
1999-2000	448,610.3	2,110,484,390	220,780,350	1,071,444,132	3,402,708,872
2000-2001	446,969.9	2,152,622,486	261,038,153	1,172,918,480	3,586,579,119
2001-2002	445,376.6	2,200,529,799	310,104,678	1,269,928,113	3,780,562,590
2002-2003	444,541.4	2,277,804,680	340,728,648	1,335,185,546	3,953,718,874
2003-2004	443,301.8	2,124,578,761	376,908,121	1,592,564,728	4,094,051,610
2004-2005	441,867.6	2,362,223,172	398,667,040	1,528,524,331	4,289,414,543
2005-2006	442,555.7	2,657,971,383	382,782,642	1,648,540,541	4,689,294,566
2006-2007	444,878.7	2,888,960,769	385,393,086	1,867,723,060	5,142,076,915
2007-2008	446,874.0	3,131,495,347	376,985,620	1,937,972,358	5,446,453,325
2008-2009	447,615.1	3,287,165,278	413,624,558	1,965,942,156	5,666,731,992
2009-2010 Est	454,256.8	2,858,226,158***	703,404,597***	1,991,766,597	5,553,397,352

Amount Per Pupil

School Year	State Aid	Federal Aid	Local Revenue	Total Expenditures	Total % Increase
1999-2000	4,704	492	2,388	7,585	5.01
2000-2001	4,816	584	2,624	8,024	5.79
2001-2002	4,941	696	2,851	8,488	5.78
2002-2003	5,124	766	3,004	8,894	4.78
2003-2004	4,793	850	3,593	9,235	3.83
2004-2005	5,346	902	3,459	9,707	5.11
2005-2006	6,006	865	3,725	10,596	9.16
2006-2007	6,494	866	4,198	11,558	9.08
2007-2008	7,008	844	4,337	12,188	5.45
2008-2009	7,344	924	4,392	12,660	3.87
2009-2010 Est	6,292	1,548	4,385	12,225	-3.43

*September 20th Full-Time Equivalency Enrollment (includes 4yr old at risk). Beginning with the 2005-06 school year, enrollment includes February 20 FTE enrollment for military districts based on 2005 House Bill 2059. Beginning with the 2008-09 school year, enrollment includes virtual enrollment.

**Total expenditures include the following funds (less transfers): General, Supplemental General, At-Risk 4Yr Old (beginning 2005-06 and thereafter), At-Risk K-12 (beginning 2005-06 and thereafter), Adult Education, Adult Supplemental Education, Bilingual Education, Virtual Education (beginning 2008-09), Capital Outlay, Driver Training, Extraordinary School Program, Food Service, Professional Development, Parent Education Program, Summer School, Special Education, Vocational Education, Area Vocational School, Special Liability Expense, School Retirement, KPERS Special Retirement Contribution (beginning 2004-05 and thereafter), Contingency Reserve, Textbook and Student Material Revolving, Bond and Interest #1, Bond and Interest #2, No-Fund Warrant, Special Assessment, Temporary Note, Cooperative Special Education, unbudgeted federal funds, and Gifts and Grants, which were collected beginning with 2002-03.

***Federal funds will decrease substantially in 2011-12 and state aid for KPERS increased statewide approximately $14.2M during 2009-2010, while the local revenue increase may be the result of property tax increases.

Local revenue is computed by determining the total expenditures minus state and federal aid. It is not unusual for a district to accumulate monies in its capital outlay fund for large projects and spend the money in one year. During that year, expenditures will be higher than usual and may drop the following year. Also, in those districts where the voters have approved for a bond issue, the expenditures would be higher in the year that the district begins making bond payments.

- Effective July 1, 2002, USD #280-Morland and USD #281-Hill City consolidated into USD #281 – Hill City.
- Effective July 1, 2003, USD #317-Herndon and USD #318-Atwood consolidated into USD #105 – Rawlins County.
- Effective July 1, 2004, USD #302-Ransom and USD #304-Bazine consolidated into USD #106 – Western Plains.
- Effective July 1, 2005, USD #301-NesTreLaGo dissolved with most of their students going to USD #106 – Western Plains.
- Effective July 1, 2006, USD #104-White Rock and USD #278-Mankato consolidated into USD #107 – Rock Hills.
- Effective July 1, 2006, USD #221-North Central and USD #222-Washington consolidated into USD #108 – Washington Co. Schs.
- Effective July 1, 2006, USD #427-Belleville and USD #455-Cuba consolidated into USD #109 – Republic Co.
- Effective July 1, 2006, USD #295-Prairie Heights dissolved with most of their students going to USD #412 – Hoxie.
- Effective July 1, 2008, USD #238-West Smith County and USD #324-Eastern Heights consolidated into USD #110 – Thunder Ridge.
- Effective July 1, 2009, USD #279-Jewell dissolved with their enrollment split between USD #107-Rock Hills and USD #273-Beloit.
- Effective July 1, 2009, USD #425-Highland and USD #433-Midway consolidated into USD #111 – Doniphan West Schools.

Source: Kansas Department of Education

Attachment A