

## MINUTES

### SCHOOL-BASED BUDGET WORKING GROUP

November 18, 2003  
Room 123-S—Statehouse

#### Members Present

Senator Bill Bunten, Chair  
Senator Derek Schmidt  
Representative Carol Edward Beggs  
Representative Marti Crow  
Representative Tim Owens  
John Atchley  
Paul Fink  
Mike Jones  
Kevin Murphy  
Max Prosser

#### Members Absent

Senator Chris Steineger

#### Legislative Staff

Carolyn Rampey, Kansas Legislative Research Department  
Kathie Sparks, Kansas Legislative Research Department  
Art Griggs, Office of the Revisor of Statutes  
Theresa Kiernan, Office of the Revisor of Statutes

#### State Department of Education Staff

Dale Dennis, Deputy Commissioner  
Veryl Peter, Director, School Finance

Working Group members reviewed preliminary decisions made at the meeting on November 10. (See the minutes of November 10, 2003, for a list of preliminary decisions made on the basis of group consensus.) In addition, members discussed the difficulties presented by having to account for federal and other grants that in many cases are unanticipated at the time the school district budget is adopted or that begin and end at times that do not correspond to the school district fiscal year. In many cases, these grants are earmarked for specific purposes and cannot be spent at the

discretion of the local board. To ensure that the grants are spent as intended, they are audited annually by certified public accountants and, in some cases, by federal auditors. The fact that federal funds must be audited means that, at some level, school districts must keep the funds separate.

In discussion about how districts manage their budgets, Dale Dennis, State Department of Education, said that school districts make cuts if they realize that anticipated revenues are not available. Areas where cuts are made generally are those in which costs are not fixed and can be controlled, such as travel, supplies, equipment, staff development. Mr. Dennis explained that, if more revenue becomes available than is budgeted (such as happens when enrollments increase more than expected and more state aid is generated than was budgeted in the original approved budget), it is necessary for a school district to republish its budget. Mr. Dennis estimated that about 100 school districts a year have to republish. However, on a statewide basis, budgets generally are underspent, rather than overspent.

Representative Owens expressed concerns about what he termed “unintended consequences” of imposing site-based budgeting on school districts. He said that he had heard fears expressed by some of the larger districts about difficulties they expected to encounter if they have to do building-based budgeting. Representative Owens said he wants to be sure the benefits of site-based budgeting outweigh the problems before legislation is enacted.

Senator Bunten responded that there is a natural reluctance to change and that, if legislation is proposed by the Working Group, ample opportunity will be available during the legislative session for both proponents and opponents to make their views known.

Representative Beggs expressed his opinion that there is a danger the site-based format could become so complicated that patrons will not understand it. He encouraged the Group to keep in mind the ultimate objective, which is to devise a format that will be easy to use and simple to understand.

Representative Owens expressed a preference for one budget document that meets all applicable federal and state reporting requirements for school district budgeting, so that multiple documents are not necessary.

The Working Group resumed its review of items tentatively agreed to at the November 10 meeting and, by consensus, decided to add “gifts and bequests” to the list of funds or programs that would be budgeted at the district, not building, level. (See page 3 of the November 10 minutes.) *Upon a motion by Mr. Prosser, seconded by Mr. Murphy, the Group approved the list, with the addition of “gifts and bequests.”*

By consensus, the Group reaffirmed the consensus reached regarding special education. (See page 2 of the November 10 minutes.)

By consensus, the Group reaffirmed the consensus reached regarding fringe benefits, with a revision. (See page 3 of the November 10 minutes for the original wording.) The revised wording is as follows:

- Salaries for employee fringe benefits would be shown by employee category (administrators; teachers; etc.) as a total expenditure and broken down by funding category.

By consensus, the Group reaffirmed the consensus reached regarding those funds or programs that would be budgeted at the building level. (See page 3 of the November 10 minutes.)

The Working Group resumed discussion from the prior meeting about how to budget central services, an area in which no consensus had been reached at the November 10 meeting. At the prior meeting, Senator Bunten had suggested that each building be allocated an amount of money for such things as maintenance and repairs and that such expenditures made by each building be charged to the building allocation.

Mr. Jones told the Group that USD 501 (Topeka) has an estimated 35,000 work orders per year and that keeping track of them on a building basis could be difficult.

Mr. Peter responded to a question by saying that between 15 percent and 20 percent of the districts have central service operations, from which they provide maintenance and other services to their schools. The remaining districts contract for services from local providers. Bills are paid by the district, not by the building for which the service is purchased, because buildings have no authority to spend district funds and bills must be submitted to and approved by the local board.

Representative Crow made the point that all of the information being discussed by the Group already is available and can be requested by a local board member or patron who is interested. She asked why, if the information already can be obtained, would it be necessary to require that it be reported?

*Mr. Murphy made a motion, seconded by Mr. Prosser, that expenditures for operations and maintenance be budgeted at the district level. The motion was withdrawn.*

Senator Schmidt asked whether local school districts would have latitude to vary from a proscribed building-based budget format. Representative Crow asked how breaking a budget that already is hard to understand into component parts (buildings) will make it any easier for the public to understand.

Mr. Dennis reviewed with the Group a building-based format that had been revised to take into account changes made since the November 10 meeting (Attachment 1).

Representative Owens asked if school districts could individualize the format by adding items to it. Senator Bunten said they could, but Representative Owens questioned whether allowing districts to customize the format might make the documents non-uniform. Senator Bunten explained that a district could keep whatever data it wants at whatever level of detail it desires and simply aggregate it, using the prescribed format, for purposes of compiling its building-based budget.

Representative Crow told the Group that perhaps a more useful document would be the monthly treasurer's report to local boards that shows how much money has been expended to-date for each budgeted item. Mr. Atchley responded that a budget is a planning document and is the starting point for activities and expenditures for the upcoming year.

Mr. Prosser suggested that the document itself should contain both the district-level budget and the building-based budgets so that a board member or patron could either look at a summary for the district as a whole or, if interested, locate the budget of a specific building.

Mr. Fink responded to comments about there being a general lack of interest in viewing school district budgets by saying that perhaps if the budgets were easier to understand, more people might be interested in looking at them.

Discussion centered around the ability of boards and patrons to know how much of budgeted expenditures actually have been spent. Mr. Dennis said that information is kept at the local level and is routinely available.

Senator Bunten pointed out that building-based budgeting forces school districts to budget from the bottom up, not the top down. He explained that he believes school districts begin the budget process with a known amount of money that is available and then allocate that money among buildings. Not only is there no input from building administrators in the development of such a budget, but the overall effect is that all available money is allocated whether it actually is needed or not.

Mr. Jones objected to Senator Bunten's statement and said that USD 501 was forced to make between \$4.0 million and \$5.0 million in cuts last year and could only fund about 80 percent of the programs building principals said were necessary. He said the district does not "look for ways to spend money" and, in fact, does not have enough to go around.

Senator Schmidt told the Group that site-based budgeting is irrelevant to the school districts he represents. He explained that his districts are small and local board members, parents, and others are familiar with schools and already know, or can easily obtain, information about how money is being spent at each building. He acknowledged that site-based budgeting might be a useful tool in larger districts but said he does not want to add an additional reporting burden to small districts.

Senator Bunten responded that the Legislature could consider exempting certain districts when it considers the proposal in bill form during the 2004 Session. He said the purpose of the Working Group is to develop a building-based reporting format and codes.

*Upon a motion by Mr. Murphy, seconded by Mr. Atchley, the Group voted to adopt the most recent version of the format.*

Representative Crow is recorded as having voted against the motion.

Senator Schmidt voted in support of the motion, but requests that the minutes show that he does not believe that small school districts should be required to use the format.

The meeting was adjourned.

Prepared by Carolyn Rampey

Approved by Committee on:

January 14, 2004

(date)