



Wetmore Community Action Association

PO Box 146 | Wetmore, KS 66550

March 22, 2023

House Committee on Education
Testimony in Support of House Bill 2458

Chairman Thomas and Members of the Committee:

My name is Analyssa Noe and I represent the Wetmore Community Action Association. The WCAA's mission is to advocate for policies that support strong academic outcomes and economic development in rural communities in Kansas, and we strongly support HB 2458.

A decision about whether to close a school is one of the most important, difficult, and impactful decisions that a local school board has the authority to make. It involves complex financial analysis, balancing between multiple, competing priorities, and the impacts of a decision like this extend far beyond the students in the classroom or the numbers on a page.

There are at least five school districts struggling with this type of situation in the 2022-2023 school year, and with increasing financial pressure and enrollment declines happening across the state, we expect that several local school boards will be forced to face this type of decision over the next 5-10 years.

The community I'm representing has experienced three school closures in the past 10 years, and if there's one thing we've learned from those experiences, it's that this type of decision is much easier for a community to accept if the board has a clearly justifiable rationale for the closure and they develop a considerate and respectful approach to managing the transition.

In at least three of the five school closure discussions happening right now, the boards are not providing either of these things for our people and it is quite literally tearing our communities apart. Businesses are losing customers, patrons are arguing with one another on social media, and the reputations of the local board members have been deeply stressed by the process.

Kansas's current statute related to school closure decisions (72-1431) requires local school boards to hold a public hearing prior to voting to close a school. In the case of both Wetmore and Wilson, we believe that the only reason our local school boards took the time to take this important step was because it is expressly defined in the legal statute, and they are legally required to do so. This simple piece of legislation has a surprising amount of power to help hold local boards to a standard of reasonableness that as citizens, we need and support.

HB 2458 is being proposed in a similar spirit. Legally allowing local communities to request an "administrative review" when conflict emerges will help to ensure that local school boards are managing the process with a level of diligence, rigor, and respectfulness that any reasonable person would expect to see when dealing with a decision of this magnitude. Furthermore, the enactment of the legislation will also require the Kansas Department of Education to develop a set of guidelines and standards that will outline what local school boards should consider, document and present to a community as part of a closure decision and this will provide guardrails and act as a deterrent to prevent local boards from failing

to consider the totality of circumstances surrounding the issue (thereby minimizing the need for local communities to request administrative reviews in the future).

The case study included in this written testimony outlines several examples which justify the need for a neutral, third-party review similar to what is proposed in HB 2458. With no other legal recourse available to citizens (note – it takes 2 election cycles to reset and/or neutralize a board), the only other option communities have is to “disorganize” the district through petition (which enables the minority school/community to engage the state board for review). The current legislation related to reorganizing territory via petition has not been amended in over 50 years and it is filled with vague ambiguities that place our schools and communities at risk.

HB 2458 provides a simple, rationale, and non-controversial approach to help establish a level of reasonableness for school closure decisions and we believe it will go a long way, both to minimize conflict in communities, and to protect the board members who are responsible for dealing with closure and consolidation decisions in their communities.

Both local school board members and the citizens they represent will benefit from this legislation, and with school closure on the risk list in regions throughout the state, the time to enact this legislation is now.

Thank you for taking the time to consider how this matter impacts the local communities across our state. We respectfully ask for your support.

Case Study

USD 113

Wetmore Academic Center (K12)

School scheduled to close May 2023

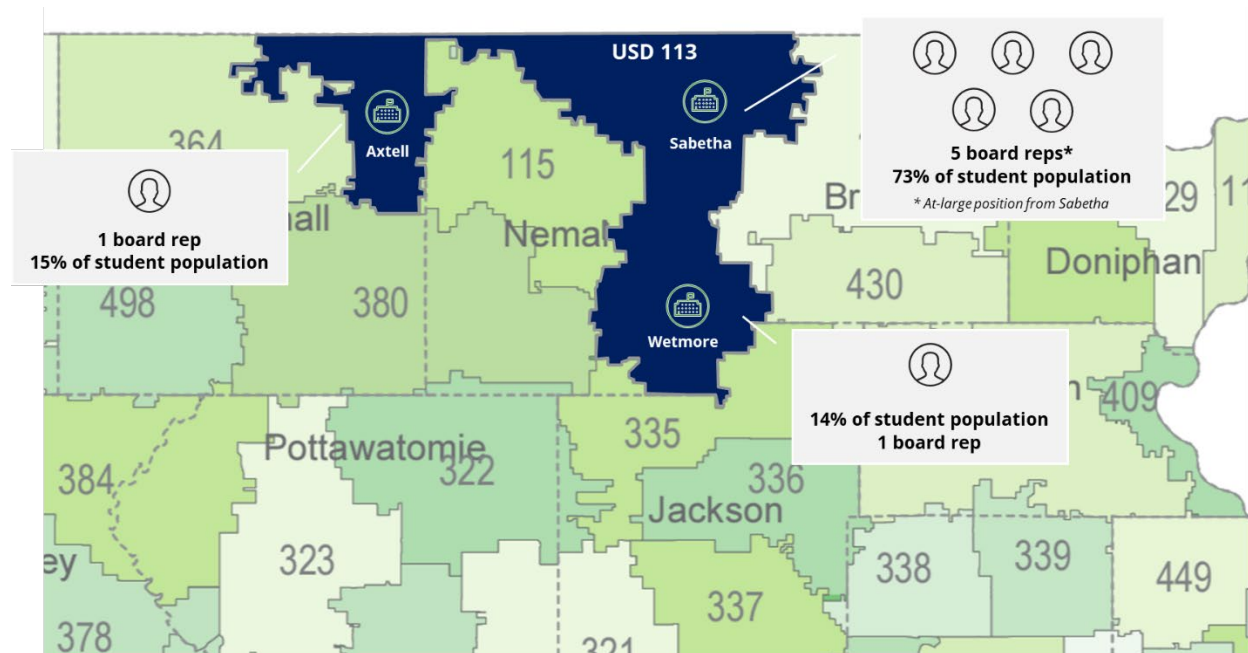
Introduction and Timeline

Wetmore Academic Center (K-12), from USD 113, is one of three schools facing closure in 2023.

USD 113 covers 543 square miles of territory in Northeast Kansas. As of September 2022, the district included three K-12 school systems, which serve a total of 1,073 students. The local school board has 7 members: 4 from Sabetha, 1 from Axtell, 1 from Wetmore, and 1 at-large member who is from the Sabetha community.

On February 13, 2023, the local school board voted to close the Wetmore school by a 5-2 vote. The school is set to close in May 2023. As of March 20th, the board and district office have not provided a transition plan for the building and/or the students. The neighboring schools have not been told how many students to expect, who needs bussing service, how class sizes will be impacted, and/or whether additional teachers are needed to manage the influx of students.

Figure 1: USD 113 district territory map (NE Kansas, District 1)



There are 543 square miles in USD 113, making it the 39th largest district in the state in terms of land area (39th out of 286 districts)

On November 14, 2022, the local board voted to hold a special meeting to review the financial impacts of closing Wetmore and Axtell school buildings. Concerned by the lack of clearly stated reasons for the closure proposals, WCAA leveraged the open records request process to complete a 3rd party review of the district's financial statement data and audited building expense reports.

On November 21, 2022, the WCAA presented the following three findings to the local board of education and asked the district office and local board members to clarify why the closure proposal was being pursued so aggressively if the district is healthy financially:

- 1) The district's annual cash balances have grown by 14% in the past five years (FY18-22), cash reserves are fully funded at the recommended 20% level, and the district appears to have a

healthy cash position that is sufficient to manage normal operations, capital needs, and any unplanned deficits caused by natural ebbs and flows in enrollment numbers.

- 2) The district is consistently moving over \$200K/year from the annual operating budget into the cash surplus (or cash reserves account) at the end of each year, which implies that the district has more than enough funding to manage its current expenses.
- 3) Revenue (+13%) has grown faster than expenses (+10%) since FY18, and with further funding increases expected in FY24, there is no data to suggest that the district's healthy financial position will change in the next 3-5 years.

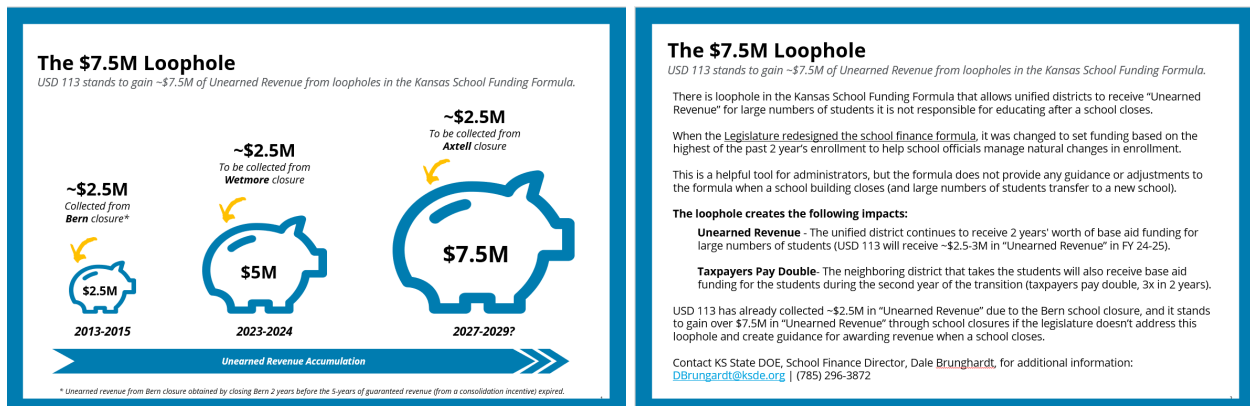
The 25-minute presentation concluded by stating that the financial data does not substantiate the claims that one of the existing schools needs to be closed for the district to remain financially viable over the long term.

The board did not discuss the report findings or address any of the financial questions raised by the community at the November 21st meeting. Instead, the board proceeded to present financial scenarios which showed how the district's finances would change if the Wetmore and Axtell school systems were closed. These closure scenarios showed large, unexpected financial gains that would come to the district if Wetmore and/or Axtell were closed (gains of +\$4M in a two-year period).

These large financial gains were not anticipated based on the initial data provided, so the WCAA used the next three weeks to study the Kansas School Funding Formula and take a deeper look into the individual financial performance of each school.

This more detailed analysis led the WCAA to discover the "Unearned Revenue" loophole in the Kansas School Funding formula, which unintentionally incentivizes consolidated school districts to close schools in exchange for two years of large cash infusions (see explanation in Figure 2). USD 113 collected ~\$2.5M from the closure of Bern's K-12 school in 2013, and it stands to gain an additional ~\$5M from closing the other two small schools in its territory if left unchecked.

Figure 2: Graphic outlining the "Unearned Revenue" loophole in the state funding formula.








The “Unearned Revenue” loophole was presented to the local board at the December 14 meeting, as well as another 25-minute presentation which pointed out the following three facts regarding the financial performance of Wetmore specifically:

- 1) Wetmore’s student population and land valuation tax revenue brings in sufficient revenue from existing funding sources to cover 100% of its expenses (no fiscal support required from other schools in the district).
- 2) Wetmore’s average annual cash surplus (Revenue - Expenses = Cash Surplus) was \$63K/year over the past four years (FY19-22), and the school returned over \$102K to the district in FY22.
- 3) Wetmore’s school is the second most efficient building in the district’s portfolio and its average cost/FTE over the past five years (\$11.9K/student) is below the state average of \$12.9K/student.
- 4) Wetmore’s ranks in the top 20% of the state in terms of academic performance and it serves a large low-income/at-risk student population.

The board did not discuss the data presented and they formally rejected a motion to have a third party independently review and verify the district’s financials. The board voted to schedule a public hearing to proceed with closing Wetmore (the public hearing is a legally required, procedural step to complete as part of the school closure process).

On December 15th, the Board President and Superintendent declined a request to hold a detailed discussion of the district’s financials at the January board meeting and/or a special meeting on the topic prior to the public hearing on Feb 4, 2023.

Figure 3: Snapshot of the 12 questions the community formally submitted to the board for review at the Jan 2023 meeting. None of the questions were directly addressed by the board prior to closure.

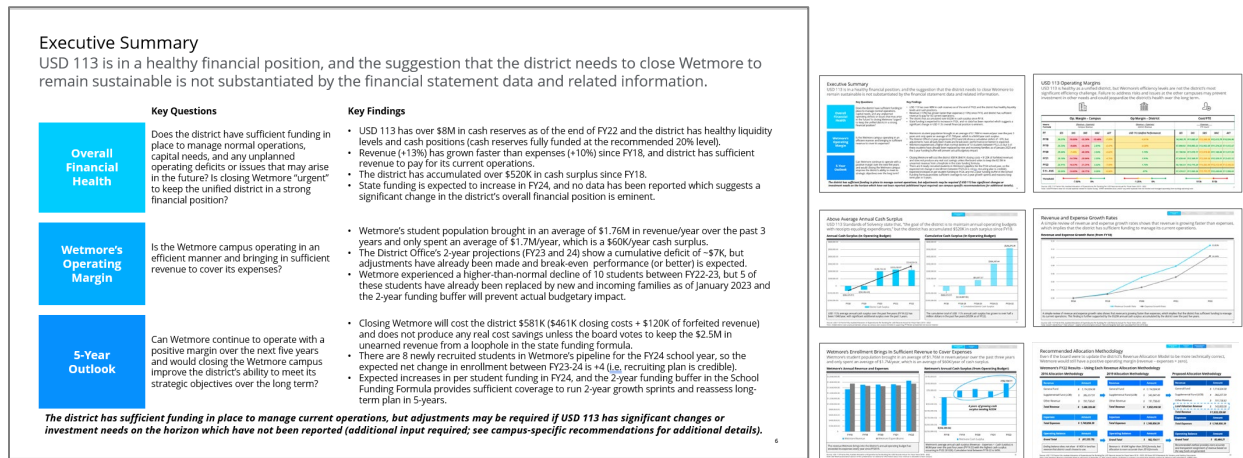
<p>WHAT'S GOING ON AT USD 113</p>  <p>WHY IS THE BOARD TREATING THE WETMORE CLOSURE PROPOSAL AS "URGENT" IF THE DISTRICT IS IN HEALTHY FINANCIAL CONDITION?</p> <p>Mr. Evans has confirmed on 3 separate occasions (and was quoted in the Holton Recorder on Dec. 7, 2022, stating) that the District is "in good financial shape" and bankruptcy is not on the horizon.</p>	<p>WHAT'S GOING ON AT USD 113</p>  <p>HOW DOES THE BOARD PLAN TO USE THE \$2.5M IN "UNEARNED REVENUE" EXPECTED TO BE GAINED FROM THE CLOSURE OF WETMORE?</p> <p>The District will receive ~\$2.5.3M from a legal loophole in the State School Funding Formula that allows schools to set funding based on prior year's attendance (i.e., Sabetha will receive revenue for Wetmore students for two years even though those students will exit the district and enroll in other schools).</p>	
<p>WHAT'S GOING ON AT USD 113</p>  <p>WHY IS THE BOARD RUSHING TO CLOSE WETMORE IF IT HAS ABOVE "BREAK-EVEN" PERFORMANCE IN EACH OF THE LAST 4 YEARS?</p> <p>Wetmore returned ~\$255K in cash surplus between FY19-FY22 (Revenue - Expenses = Cash Surplus). There is a ~\$5K deficit projected for FY23, but Wetmore has made adjustments and expects to achieve break-even or better in FY23 as well. Funding levels from state are also expected to increase in FY23, further improving Wetmore's future margin!</p>	<p>WHAT'S GOING ON AT USD 113</p>  <p>WHAT CRITERIA WILL THE BOARD USE TO JUSTIFY THE WETMORE CLOSURE IF IT DOES NOT INTEND TO USE THE VIABILITY FORMULA AND METRICS?</p> <p>USD 113 formally established "Standards of Solvency and Viability" metrics in 2018 to eliminate bias from decision making. These metrics were established in 2018 and updated in 2019 by a 6-1 Vote.</p>	<p>WHAT'S GOING ON AT USD 113</p>  <p>DOES THE BOARD HAVE UNANNOUNCED INVESTMENT PLANS THAT WARRANT THE NEED TO SAVE LARGER PORTIONS OF THE ANNUAL OPERATING BUDGET?</p> <p>USD 113 has accumulated \$620K in Cash Surplus between FY19-FY22 (Revenue - Expenses = Cash Surplus). Wetmore contributed over \$20K of this total Cash Surplus between FY19-FY22.</p>

On January 9th, 2023, the Wetmore Community Action Association presented the board with a 56-page report, which was compiled to address the following questions related to Wetmore's closure:

1. **Overall Financial Health** – Does the district have sufficient funding in place to manage normal operations, capital needs, and any unplanned operating deficits or issues that may arise in the future?
2. **Individual School's Operating Margin** – Is the school in question operating in an efficient manner and bringing in sufficient revenue to cover its expenses?
3. **Five Year Outlook** – Can the school continue to operate with a positive margin over the next five years and/or would closing the campus improve the district's ability to meet its strategic objectives?

The study analyzed five-years of USD 113's Financial Statements and Annual Audited Building Expense Reports (FY18-22) from the district office (and over 30 related financial documents). The financial data was also supplemented by multiple meetings with the Superintendent and subject matter advisors from across the public education industry (locally, regionally, and nationally). The Superintendent of the school validated the report data and information sources prior to publishing.

Figure 4: 56-page report compiled to address questions related to the closure of Wetmore's K-12 school.



The board did not engage with the study or address any of the relevant questions that were raised about the district's overall finances and/or the financial savings health of the school in question. The District Office presented four different sets of numbers regarding the solvency of Wetmore over the course of the closure discussion as the WCAA pointed out that the original reporting structure was inaccurate and incomplete. The WCAA maintains that the reporting is still incomplete, and we have engaged the State Board of Education to help address the reporting issues that exist in consolidated school districts.

On January 9, 2023, the board formally rejected a motion to conduct a third-party review of the district's financial information a second time and recommitted its intent to proceed with the public hearing for closure on February 4th, 2023.

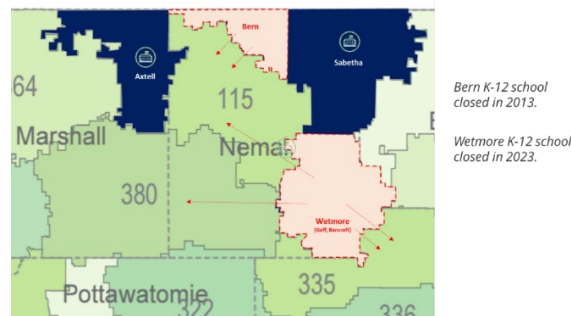
On February 4, 2023, a three-hour public hearing was held regarding the closure proposal. The superintendent presented a 7-minute presentation to justify the Wetmore closure, but it did not expressly address the concerns or questions about financial reporting that were raised by the community. Approximately 20-30 speakers from the community presented testimony requesting the board to delay the closure for one year so financial questions could be clarified and the community could develop an adequate transition plan for the coming year.

On February 13, 2023, the board voted to close Wetmore K-12 school building, effective May 2023. The closure was approved with no discussion of maintaining K-5/K-8 school and, as of March 15, the board has yet to provide a transition plan for the 2023-2024 academic school year.

District Boundaries (and the need for regional reorganization)

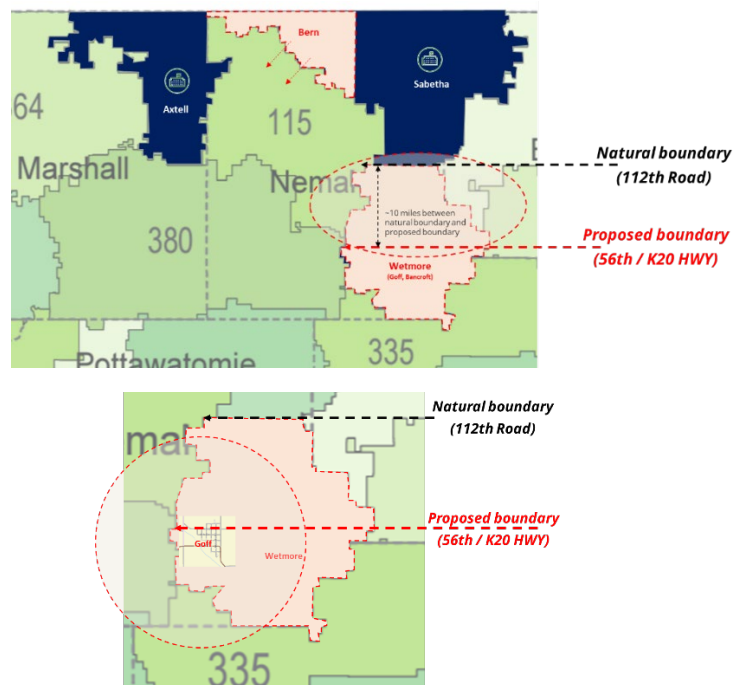
As an outcome of the closure discussion, the board is also discussing the need for a land transfer. There are 543 square miles in USD 113. With the latest vote to close Wetmore, nearly 50% of the land mass in the district is no longer being educated by USD 113.

Figure 5: USD 113 district boundaries, updated to reflect schooling patterns post rural school closures



The district's current transfer proposal cuts Wetmore's natural land mass in half and draws the line 1.5 miles north of Wetmore city limits (~10 miles south of the natural boundary). The proposed line leaves 27 of the Wetmore community's families in the original district, despite known confirmation that families plan to attend neighboring schools. The proposed line slices through the City of Goff and disregards community input stating that many families in the western end of the district will transfer to the smaller school in USD 380.

Figure 6: Initial boundary lines proposed by local board.

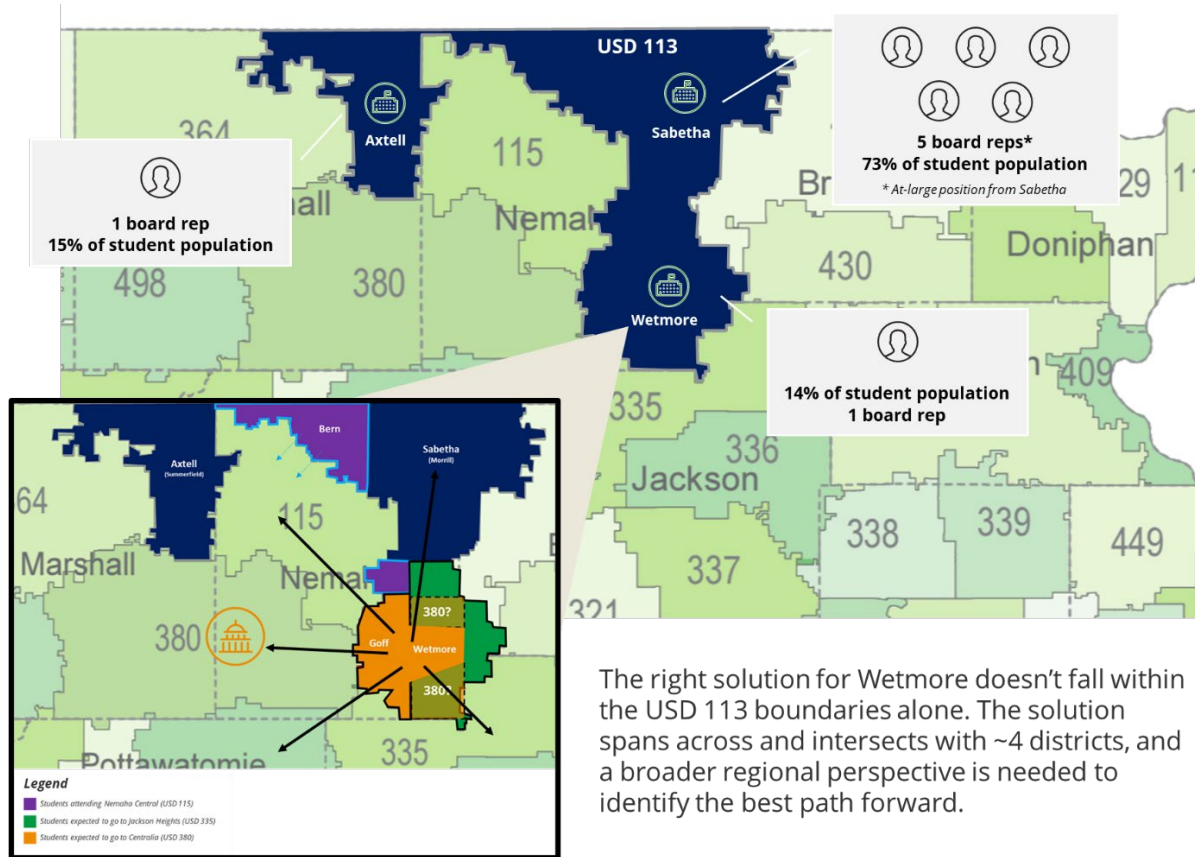


The WCAA maintains that the best long-term solution for this northeast Kansas region would be to keep a local elementary school in the Wetmore area, so the families from this region could send their kids to larger surrounding schools when they are better able to manage the daily commute from a socio-emotional development perspective (i.e. it is not healthy to place 5-10 year old students on a bus at 6am so they can attend schools that are 30+ miles from their homes).

The current board is not incentivized and/or technically required to consider the needs of the broader region when making decisions, and with a 6-1 board make-up, the Wetmore community has no power or authority to advocate for what's best for their families and/or the broader education system of the state.

HB 2458 will afford rural communities the opportunity to engage with the state board when closure questions arise so they can explore options that span across current district boundaries. This opportunity to explore education needs and options from a broader regional perspective will help move Kansas's education system into the future in a way that protects rural communities and supports economic and population growth in the regions and areas that need it most.

Figure 7: Rural communities need the ability to re-evaluate the region's schooling model when traditional structures within the original district boundaries fail.



The right solution for Wetmore doesn't fall within the USD 113 boundaries alone. The solution spans across and intersects with ~4 districts, and a broader regional perspective is needed to identify the best path forward.

If the local school boards and/or state authorities are unwilling to allow a K-5 or K-8 school to be maintained in the Wetmore community, the district boundary lines should be redrawn to ensure that bussing service will be provided and the money will follow the students.

Figure 8: Board's land transfer proposal vs. a geographical representation of where the students are and will be attending school.

