

Kansas House Appropriations Committee
K-12 Increased Efficiency and Cost Reduction Testimony
by Dr. Walt Chappell – November 23rd, 2009

In these hard economic times, it is my opinion that we must first reduce duplicated and non-instructional expenses before we cut programs. Likewise, since K-12 education receives 51% of the General Fund appropriations, if only small cuts are made in public education now, then drastic cuts will be necessary in all other public services which will greatly impact the lives of thousands of Kansans. We already see this happening with the closing of prisons, stopping programs to get people back to work and ending mental health programs. The \$300 million of annual savings by reorganizing school district boundaries is one example of where money saved can be used to keep high priority programs and services.

“He Who Pays The Piper Calls The Tune!!” For too long, the Kansas Legislature and taxpayers have had little accountability for how their education dollars are spent. It is time for the State Legislature to change the way school districts are organized and increase their productivity to lower costs and increase student achievement. Here’s how.

- 1) **Remove the Legislative restrictions on some of the 27 Special Accounts where school districts have accumulated \$1.5 BILLION dollars as of July 1, 2009.** The attached summaries show, for example, that even with the cuts made by the legislature last session, school districts in Kansas carried forward nearly \$700 million dollars in Operating Fund accounts. **This is a 53% increase in operating cash balances in just the past 4 years.**

Not all school districts are alike. Some have more money carried forward than others. But, the good news is that these tax dollars are already in their bank accounts.

By making specific changes to the Legislative restrictions on the use of these funds, Kansas school districts can use these cash balances by transferring dollars into their General Fund accounts to pay teachers and maintain quality programs. This means that the cuts which must be made to K-12 education will have minimal impact on instruction and eliminate any need to raise taxes or increase funding. It is best to use the money already in the bank rather than ask for more during these tough economic times.

- 2) **To save \$300 million dollars per year, use the Legislature’s Constitutional Authority to change school district boundaries.**

One main reason government services cost so much in Kansas is because there are too many taxing units with the authority to increase taxes and fees rather than operate efficiently. This is especially true in Kansas K-12 school districts.

Each year, over \$300 million could be saved in Kansas by merging the 296 school districts into (+/- 40) Regional Education Districts of 10,000 students or more. Below are district enrollments for 2007 showing that only 7 districts in Kansas have over 10,000 students.

There are 252 school districts or 85% which have less than 2,000 students. This is not

cost-effective.

Number of USDs by Enrollment Categories

< 100	101-200	201-399	400-1,999	2,000-9,999	> 10,000	Total
4	26	70	152	37	7	296

Total 2006-2007 Enrollment 468,778

In addition to saving \$300 million per year in state general fund expenditures, by reorganizing districts, the tax base in each district will increase which will help equalize the educational opportunity for each Kansas student—no matter where they attend school. Increasing the tax base will also help districts raise local dollars through their LOB while lowering the amount of property tax paid by each taxpayer. Most of the savings will come from the elimination of duplicate transportation, administrative, operational and personnel costs.

Article 6 of the Kansas Constitution gives the Legislature the responsibility and authority to reorganize school districts. It states:

Constitution of the State of Kansas

Article 6.--EDUCATION

1: Schools and related institutions and activities. The legislature shall provide for intellectual, educational, vocational and scientific improvement by establishing and maintaining public schools, educational institutions and related activities which may be organized and changed in such manner as may be provided by law.

School district reorganization will establish “**Regional Education Districts**”. **It is NOT about closing schools or eliminating Friday night football or basketball in hundreds of small Kansas towns.**

Instead, it is getting smart about how we use limited tax dollars by cutting millions of dollars of duplicate expenses. Rather than waste this \$300 million each year, we must use these savings to teach our kids employable skills and help fund other vital government services.

A simple definition of a Kansas school district could read:

To receive State General Fund per pupil dollars, a school district in Kansas must enroll at least 10,000 students or more by September 20th, 2012.

This amendment needs to be passed this legislative session. It puts in Statute two key factors—FTE student enrollment plus a date certain for local boards to work together to reorganize to set district boundaries within their regions. School Board elections for the new districts will follow. By acting now, small districts around the state will have time during FY2011 to work out compatible boundaries and merger details.

Also, by allowing local school boards to reorganize their boundaries between now and 2012, the Legislature is taking responsible action to conserve tax dollars for use in other

instructional programs. Plus, Kansans at the local level can use this time to negotiate new boundaries while the Federal Stimulus dollars are available. The new, larger school districts will have more assessed value thus allowing them to more equitably raise LOB funding across the state. There will no longer be such vast differences in per pupil spending.

Regional Education Districts will simply make more efficient use of administrators, teachers, transportation, maintenance, and purchasing power. The economy-of-scale will allow much better use of existing facilities. And, once combined, the 3, 4, and 5 year incentive to consolidate small districts should be repealed by 2012 as well.

Since 67% of the School Superintendents in Kansas are eligible to retire in the next 5 years, this decision by the Legislature to use its Constitutional authority to reorganize school district boundaries is even more important. The urgency to save money combined with the Federal Stimulus dollars as a buffer, plus retiring Superintendents makes action NOW very timely. (See attached summaries for more details on the benefits of Regional Education Districts.)

- 3) **Increasing the productivity of K-12 teachers and college faculty is another major savings of taxpayer dollars with very positive benefits to students, teachers and parents.** This management strategy is used by profitable businesses throughout the world and must be applied to education as well.

After the Montoy case was settled, an extra billion dollars was pumped into K-12 school districts. Instead of targeting At Risk students, most of these new dollars were used to hire 6,000 more teachers, paraprofessionals and non-instructional staff. Since payroll is 80% of education budgets, these added positions are not sustainable. (See the attached itemization of new employees hired by school districts since Montoy.)

Also, due to low productivity on college campuses, tuition has risen beyond the reach of most low and middle class students and their parents. Rather than cut costs and increase productivity, the trend at Regent's institutions has been to increase student tuition and fees.

The following **amendment to KSA 72-5413(1) and KSA 72-5417(3)** will give local boards of education and college administrators the statutory authority to expect and receive a **“Full Day’s Work for a Full Day’s Pay”**. Since the State Legislature has the Constitutional mandate to appropriate funds for a “suitable” education for all K-12 students, you have the responsibility and authority to define what is expected of the teachers and faculty who receive tax dollars in return for their services.

Increasing productivity will give local school boards the statutory authority they need to substantially reduce instructional costs, make better use of existing classrooms, lower student/teacher ratios, improve student achievement and reduce the number of in-service days when students are not in school. Hundreds of millions of dollars will be saved each year by this one amendment to the Statutes.

To receive a full-time salary, each Kansas K-12 teacher must be in the school building not less than eight hours per day. While students are attending school, each K-12 certified teacher must teach at least six class periods. After the students are dismissed from classes at the end of each school day, the teachers shall remain in the building to grade papers,

hold parent-teacher conferences, collaborate with other teachers, attend in-service training, tutor students, sponsor after school clubs or supervise other activities such as intramural sports.

This change will not only make better use of teachers and classrooms, but it will also limit the need to take class time for teacher In-Service. These paid days off for teachers cost the taxpayers millions of dollars with questionable improvement in instruction plus are very expensive for parents who must find a way to care for their children while they are at work.

Part of the savings from this increased productivity should be used to increase teachers' salaries. Increased pay is especially needed to attract qualified math, science and technology teachers. If Kansans are going to compete in the global economy, our students need the best teachers we can find. It is time to pay extra for these highly skilled technical instructors.

To give college and university administrators the statutory authority they need to increase productivity on our campuses, the following amendment is suggested.

To receive a full time salary for teaching at a Kansas Post-secondary college or university, faculty must teach a minimum of 12 credit hours with at least 100 FTE students per academic semester. Graduate teaching assistants will only be paid to lead discussion groups, grade assignments and tests or prepare laboratories and classroom space for faculty but not to teach course content.

- 4) **Put a temporary, 2 year hold on using State dollars to pay a portion of the \$800 million in new school construction bonds not sold by January 1, 2010.** By adding wording to exempt bonds to finish classrooms under construction, current instructional projects can be completed. But, the current funding formula requires a Demand Transfer out of the State General Fund each time a school district bond payment is made. Many of these building projects have low instructional priority yet require all taxpayers in the State to pay for construction for which they had no input or vote.

Until the State budget deficit is closed, the millions in savings each year from stopping these unnecessary building projects will be better used to fund high priority instructional programs. For example, these dollars are greatly needed to teach students employable skills.

5) **PAY-TO-PLAY FOR K-12 VARSITY SPORTS**

American workers are facing stiff competition for jobs from well educated and less expensive labor in other countries. Yet, only 1% of our State General Fund budget in Kansas is spent on vocational education courses. This lack of vocational funding is also true for local school district budgets as well.

By contrast, as much as 3-4% of K-12 expenses are for varsity athletics. Students taught in other countries do not have expensive uniforms, paid coaches, massive sports complexes in each school. They go to school to learn and their taxpayers expect and receive academic excellence.

Is it more important to watch a few students chase another student down the field with a football or make sure that each K-12 student in Kansas graduates with employable skills?

It is time for sport-boosters and the parents of “want-to-be jocks” to pay the extra cost of coaches, uniforms, insurance, referees, utilities such as lights and heat, new additions to gymnasiums and sports fields. Tax dollars should instead be spent to pay teachers, purchase equipment and build facilities which will actually train our high school graduates with skills to get jobs at a living wage. Only then will they be able to afford to feed themselves, pay for a place to live and start a family.

By shifting funding priorities, more students will stay in school because they see the relevance of what they are learning, plus employers will not have the added expense of teaching new employees what students could and should have learned in public school. Learning employable skills now will help our economy become strong again.

6) CHANGE THE DEFINITION OF AN AT-RISK STUDENT

Basing the At-Risk weighting in the School Finance Formula on whether a parent’s low income qualifies their child for free or reduced school lunch has nothing to do with that child’s ability to learn. This is an artificial measure which greatly pads the budgets of school districts with large numbers of low income families and deprives school districts which have families with higher incomes of the funds needed to keep low achieving students from dropping out before graduation.

Obviously, this weighting in the formula is broken and must be changed. Once corrected, State General Fund tax dollars can be targeted to teach students who actually need extra resources. Furthermore, all school districts across the state will benefit based on criteria that are reflective of learning needs of potential drop-outs instead of the income level of each student’s parents.

The proposals listed above are my own and have not been discussed or voted on by the State Board of Education. Therefore, please contact me directly for clarification of any questions and suggestions for wording on legislation.

I have 40 years of experience as a businessman, former science teacher, college and university faculty, administrator and education budget director. I have also helped draft and pass legislation in 5 states and the US Congress, so I am willing to help find solutions which work!!

As you can see, these recommendations are not Republican or Democrat. Bi-partisan efforts now will save Kansas taxpayers millions of dollars which are needed to prepare students to compete for jobs in the 21st Century.

By making these amendments this Legislative session, over \$500 million dollars of annual savings can be achieved. In addition, local school districts will have more flexibility to use cash balances which they already have in their bank accounts. Thus, State revenues can be used for other vital services without “hurting” local school districts’ ability to educate our K-12 students. Funds which are saved as the result of greater efficiencies, establishing Regional Education

Districts and removing the restrictions on special fund accounts will then be available to increase teacher salaries, add courses to teach employable skills to high school students, improve the use of existing classrooms, lower student/teacher ratios and make a proportional cut in education spending to help close the State budget deficit while strengthening student achievement.

It is TIME TO ACT!! This opportunity to make simple but substantial changes in how education dollars are spent is rare. Please do your part to see that these strategies are implemented **THIS LEGISLATIVE SESSION.**

As always, your leadership and support are appreciated as we work together to **“Do More With Less”!!!**

Respectfully yours,

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SCHOOL FINANCE CHANGES SINCE MONTROY

"All truth passes through three stages. First, it is ridiculed. Second, it is violently opposed. Third, it is accepted as being self-evident."

- Arthur Schopenhauer (1788-1860)

Unencumbered Cash (millions)		
	<u>July 1, 2009</u>	<u>4-Yr Chg.</u>
Capital and Debt	795.9	32%
Federal Funds	3.8	-33%
Operating	<u>699.2</u>	<u>53%</u>
	<u>1,498.9</u>	<u>40%</u>

Total Spending (millions)			
	<u>State</u>	<u>Other</u>	<u>Total</u>
2001-01	2,152.6	1,434.0	3,586.6
2008-09	3,287.2	2,379.6	5,666.7
2009-10*	3,008.3	2,639.1	5,647.4

*budget as of July, 2009

Per Pupil Spending			
	<u>State</u>	<u>Other</u>	<u>Total</u>
2001-01	4,816	3,208	8,024
2008-09	7,344	5,316	12,660
2009-10*	6,701	5,878	12,579

*budget as of July, 2009

A Kansas Primer on Education Funding

Vol. 2: Analysis of *Montroy vs. State of Kansas* by Caleb Stegall

Per Pupil Costs		
	<u>Actual</u>	<u>Budget</u>
	<u>2007-08</u>	<u>2008-09</u>
Low	9,017	7,986
High	25,240	45,278

Excludes Greensburg

Kansas K-12 Funding History

Basic Data

FTE	State	Federal	Local	Total
School Year	Enrollment	Aid	Aid	Revenue Expenditures
1997-1998	448,609.0	1,815,684,144	189,120,462	1,058,428,663 3,063,233,269
1998-1999	448,925.7	2,035,194,082	202,565,725	1,004,736,639 3,242,496,446
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	377,006,174	1,937,863,161 5,446,364,682
2008-2009	447,615.1	3,287,165,278	413,624,558	1,965,942,156 5,666,731,992
2009-2010+	448,961.0	3,008,275,000	635,313,000	2,003,801,000 5,647,389,000

Amount Per Pupil

State	Federal	Local	Total	Total
School Year	Aid	Aid	Revenue	Expenditures % Increase
1997-1998	4,047	422	2,359	6,828 4.16%
1998-1999	4,533	451	2,238	7,223 5.79%
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	4,336	12,188 5.45%
2008-2009	7,344	924	4,392	12,660 3.87%
2009-2010+	6,701	1,415	4,463	12,579 -0.64%

+2008-2009 and 2009-2010 are estimates. Approximate \$242 million of one-time federal money for FY 2010. According to federal law, this amount will decrease slightly in FY 2011 and be eliminated in FY 2012.

*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.

**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, 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, 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. 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.

Source: Kansas Department of Education

Kansas Education Personnel Increases Since Montoy

Source: Kansas Department of Education

	2004-05	2008-09	Change
Certified Personnel Positions			
Superintendants	268.7	264.9	(3.8)
Associate/Assistant Superintendents	83.8	91.0	7.2
Administrative Assistants	44.2	62.5	18.3
Principals	1,225.6	1,248.7	23.1
Assistant Principals	491.7	543.7	52.0
Directors/Supervisors of Special Education	120.1	120.8	0.7
Directors/Supervisors of Health	10.0	11.6	1.6
Directors/Supervisors of Vocational Education	15.2	13.9	(1.3)
Instructional Coordinators/Superviso rs	109.7	178.4	68.7
Other Directors/Supervisors	195.2	202.1	6.9
Other Curriculum Specialist	101.5	164.8	63.3
Practical Arts/ Vocational Education Teachers	1,144.4	1,282.1	137.7
Special Education Teachers	3,542.6	3,958.2	415.6
Pre- Kindergarten Teachers	380.4	461.8	81.4
Kindergarten Teachers	1,325.7	1,776.2	450.5
Other Teachers	25,743.0	27,130.4	1,387.4
Library Media Specialists	924.4	903.1	(21.3)
School Counselors Clinical/School Psychologists	1,111.3	1,169.9	58.6
Nurses	358.3	387.0	28.7
Speech Pathologists	430.0	530.9	100.9
Audiologists	530.9	559.7	28.8
Social Work Services Reading	9.6	12.7	3.1
Specialists/Teachers	273.5	341.1	67.6
Others	688.5	829.3	140.8
	352.8	292.7	(60.1)
Certified Total	39,481.1	42,537.5	3,056.4
Certified Teachers			
Only Total	32,824.6	35,438.0	2,613.4

Non-Certified Personnel Positions

Asst. Superintendents	4.0	4.4	0.4
Business Managers	76.8	94.2	17.4
Business			
Directors/Coordinators/ Supervisors	93.5	104.5	11.0
Other Business			
Personnel	567.9	464.8	(103.1)
Directors/Coordinators/ Supervisors	358.0	394.2	36.2
Other Maintenance and Operation Personnel	5,111.8	5,148.6	36.8
Food Service			
Directors/Coordinators/ Supervisors	280.7	311.4	30.7
Other Food Service			
Personnel	3,019.6	3,139.1	119.5
Transportation			
Directors/Coordinators/ Supervisors	175.9	166.6	(9.3)
Other Transportation			
Personnel	1,633.3	1,717.6	84.3
Technology Director	0.0	203.0	203.0
Other Technology			
Personnel	0.0	719.9	719.9
Other			
Directors/Coordinators/ Supervisors	267.8	184.6	(83.2)
Attendance Services			
Staff	92.5	76.1	(16.4)
Library Media Aides	562.1	615.4	53.3
LPN Nurses	194.5	170.4	(24.1)
Security Officers	156.1	157.0	0.9
Social Services Staff	36.9	79.2	42.3
Regular Education			
Teacher Aides	2,377.4	2,944.0	566.6
Coaching Assistant	405.6	455.7	50.1
Central Administration			
Clerical Staff	850.2	826.8	(23.4)
School Administration			
Clerical Staff	2,078.3	2,194.3	116.0
Student Services			
Clerical Staff	516.4	521.2	4.8
Special Education			
Paraprofessionals	4,730.7	6,266.8	1,536.1
Parents as Teachers	0.0	219.5	219.5
School Resource			
Officer	0.0	42.0	42.0
Others	935.9	650.6	(285.3)
Non-Certified Total	24,525.9	27,871.9	3,346.0
Total of Certified and Non-Certified Personnel	64,007.0	70,409.4	6,402.4
FTE Enrollment	441,867.6	447,705.6	5,838.0

Rationale for Regional Education Districts (Fiscal Issues)

Regional Education Districts (R.E.D)'s will be of sufficient size to take advantage of cost savings and educational enhancements based upon organizational decisions made by their governing boards. This will occur as the decision-makers strive for the expansion of educational opportunities for the students they serve. With the continued decline in enrollment in many of our school districts it is obvious that without restructuring educational opportunities will degrade. This is critical in small school districts at the secondary level.

It is time for the citizens of Kansas to set aside the emotional aspects of school consolidation and school closures. The need is to focus upon what is best for the students and for the state as a whole from both the fiscal and educational view. The state can no longer afford to fund the education of some of the students at 2+ times the rate of the statewide average funding. The financial considerations coupled with the difficulty of small high schools to provide a comprehensive educational program are sufficient reason to seriously consider regionalization and consolidation of K-12 education in Kansas.

The argument that the proposed reorganization will not save money cannot be sustained when examined even in light of the current finance structure. For example the four districts in one Kansas County during the 2001-2002 school year reported budgets for their general fund and supplemental general fund (LOB) that show a composite per pupil expenditure of \$8,907 based upon their FTE enrollment. The smallest district reported a cost of \$13,164 per pupil while the largest reported costs of \$6,924. If these districts were consolidated in FY 02, the state would have saved \$810,757. Comparing these expenditures with other school districts of like size and circumstance you will find that other districts have found the means and methods of delivering educational services at a lower cost.

For example, the Scott County School District reported an FTE enrollment of 964.7 with costs of \$6,825 per pupil. Riley County with 606 reported FTE provided their services at a cost of \$7,041 per pupil. Stanton County Schools with 543 FTE came in with a low cost of \$6,976. These data suggest that with the proper reorganization over time the State would realize savings of \$1,500 to \$2,000 per student in these districts. See below for data on additional districts.

The more significant savings realized by these school districts are found in their ability to offer reasonably sized classes at the elementary level and to reduce the number of very small high schools in the area. At the secondary level it should be noted that the four districts in the sample reported on their 2002-2003 staffing reports that they had 28.7 certified staff at the senior high level and 28.6 at the elementary level, which would imply that if there was one high school in the county considerable savings could be realized.

Other cost savings will include reductions in the extracurricular, athletic, food service, maintenance and operations budgets if fewer facilities are used. The reduction in the number of administrators and support staff for central offices along with fewer boards of education will save additional funds.

The R.E.D. organizational plan will realize the greatest level of cost savings with the consolidation of small schools and school districts that are small by choice rather than necessity caused by excessive distances or some natural or manmade barrier. The schools that are small by necessity must have some provision in the funding formula to provide additional funds.

To accomplish the consolidation of school districts there must be a fiscal incentive to consolidate, as opposed to the current school finance formula, which has a built-in fiscal penalty for consolidation.

In addition to the elements introduced above the ideal fiscal formula for school districts will have the following elements: 1) It must provide for all school districts regardless of size or location; 2) Upon implementation, it cannot destroy the fiscal integrity of existing districts; 3) There must be some provision in the formula to provide for regression to the mean. Low funded school districts should receive more annual increase than high funded districts; 4) It must provide for the funding of necessary small and isolated schools; 5) It must accommodate supplemental funding to address unique needs of students such as poverty and language barriers; 6) It must address transportation needs of both rural and urban school districts; 7) It should be fiscally neutral for the state in funding of interdistrict transfer students; 8) Special education funding should be structured in a manner to discourage over identification of special education students.

Proposed to the Kansas Legislature by Superintendents Dr. Sharol Little and Mr. Ken Kennedy in 2003.