

MINUTES

2010 COMMISSION

September 13-14, 2007
Room 123-S—Statehouse

Members Present

Rochelle Chronister, Chairperson
Dr. Ray Daniels, Vice-Chairperson (September 13)
Senator Jean Schodorf (September 13)
Representative Clay Aurand (September 13)
Representative Sue Storm
Carolyn Campbell
Barb Hinton (September 14)
Linda Kenney, ex officio, Department of Health and Environment (September 13)
Emile McGill
Lee Urban
Jim Redmon, ex officio, Children's Cabinet (September 13)
Candy Shively, ex officio, Department of Social and Rehabilitation Services (September 13)

Members Absent

Stephen Iliff
Dennis Jones

Staff Present

Sharon Wenger, Kansas Legislative Research Department
Michele Alishahi, Kansas Legislative Research Department
Theresa Kiernan, Office of the Revisor of Statutes
Dianne Rosell, Office of the Revisor of Statutes
Matt Todd, Office of the Revisor of Statutes
Dale Dennis, Kansas Department of Education
Janet Henning, Legislative Educational Planning Committee Assistant

Others Present

September 13

Scott Frank, Kansas Legislative Post Audit
Dr. Brenda Dietrich, Superintendent, USD 437, Auburn-Washburn
Representative Lana Gordon
Representative Tom Holland, President, Holland Technologies, Inc.
Mark Dick, Executive Vice-President, Assurance Department, Allen, Gibbs, and Houlik

Dr. Dale Rawson, Superintendent, Burlington USD
Dr. Marcia Nielsen, Executive Director, Kansas Health Policy Authority
Dr. Alexa Posny, Commissioner, Kansas Department of Education
Dr. Rob Balsters, Deputy Superintendent, USD 345, Seaman, and President, United School Administrators of Kansas
Mike Reece, Gaches Braden
Diane Gjerstad, Wichita Public Schools
Dodie Wellshear, United School Administrators of Kansas
Rod Mealy, Little Government Relations Consulting
Mark Tallman, Kansas Association of School Boards
Bob Vancrum, Blue Valley, USD 229
Bill Brady, Schools for Fair Funding
Kimberly Becker, Rainbows United
Debbie Mai, Rainbows United
Tom Foster, Kansas State Department of Education
Colleen Riley, Kansas State Department of Education
Gayle Stuber, Kansas State Department of Education
Patty Gray, Kansas State Department of Education
Jackie Counts, University of Kansas
Jill Quigley, Representative-elect, 17th District
Bill Reardon, Kansas City, Kansas Public Schools
Val DeFever, Schools for Quality Education
Sue Gamble, Kansas State Board of Education
Jennie Rose, Kansas Children's Service League
Wendy Webb, Kansas Parents as Teachers Association (KPATA)
Jennifer Spencer, Kansas State Department of Education, Parents as Teachers
Doug Bowman, Kansas Coordinating Council on Early Childhood Developmental Services
Andy Sanchez, Kansas ALF-CIO
Ralph Beacham, USD 609
Larry Meyer, USD 609

September 14

Scott Frank, Kansas Legislative Post Audit
Katrín Osterhaus, Kansas Legislative Post Audit
Rob Mealy, Little Government Relations Consulting
Ralph Beacham, USD 609
Mark Tallman, Kansas Association of School Boards
Diane Gjerstad, Wichita Public Schools
Jennie Rose, Kansas Children's Service League
Tom Foster, Kansas State Department of Education
Robin Harris, Kansas State Department of Education
Sue Gamble, Kansas State Board of Education
Val DeFever, Schools for Quality Education

**Thursday, September 13
Morning Session**

The meeting of the 2010 Commission was called to order at 10:00 a.m. by Chairperson Rochelle Chronister.

**Local School District Centralized
Accounting (LCC-Assigned Topic)**

Theresa Kiernan, Senior Assistant, Office of Revisor of Statutes, gave an overview to Commission members of HB 2175. Ms. Kiernan reported HB 2175 would require the State Board of Education to develop and maintain a centralized accounting and reporting system for the receipts and expenditures of all school districts. The State Board would be required to prescribe a uniform classification of accounts or chart of accounts and reports ([Attachment 1](#)).

Scott Frank, Kansas Legislative Post Audit, gave an overview of the *Performance Audit Report Limited-Scope Audit, K-12 Education: Comparing the Centralization of School District Accounting in Different States* ([on file - Legislative Post Audit](#)).

Mr. Frank advised the Commission members that auditors had surveyed 20 states, similar to Kansas, regarding the types of accounting systems used within each respective state. It was determined through the survey there were not any states which utilized a centralized system for recording transactions and reporting accounting information. Fourteen states utilized a standardized system for recording transactions and reporting accounting information. Six states, and Kansas, utilize the standardized system for reporting accounting information, but a non-standardized system for recording transactions. There were not any states which used the non-standardized system for recording transactions and reporting accounting information ([Attachment 2](#)).

A question and answer session followed the presentation.

Dr. Brenda Dietrich, Superintendent, Auburn-Washburn USD 437, spoke to Commission members regarding the centralization of school district accounting. On behalf of the Kansas Association of School Administrators, Dr. Dietrich urged Commission members to continue supporting initiatives that will maintain and enhance the quality of education for students. Dr. Dietrich stressed that school district boards of education and school district leaders fully recognize the importance of demonstrating accountability and results for those funds appropriated for programs that support students ([Attachment 3](#)).

A question and answer session followed the presentation.

Representative Lana Gordon, 52nd District, told Commission members that she had introduced HB 2175 which directs the State Board of Education to develop and maintain a centralized accounting and reporting system. Each district would have remote access with the program. Representative Gordon stated this system would not only benefit the Legislature in more clearly being able to compare monies spent within districts and between districts; but also would provide good data for school boards and administrators ([Attachment 4](#)).

A question and answer session followed the presentation.

Representative Tom Holland, President and co-owner of Holland Technologies, Inc., told Commission members that all school districts across Kansas need to be held accountable for how

public monies are spent within their districts. Transparency and consistency in financial transaction reporting for school districts are objectives that simply must be met at all times if taxpayers are to be shown that K-12 education expenditure processes have integrity.

The Kansas Department of Education, in 2005, created the Kansas Education Comparative Performance and Fiscal System which provides users the ability to view online certain comparative fiscal and geographic data between school districts. Representative Holland further stated some legislators have expressed a desire to compare data at a much finer level, *i.e.*, by school building, and have rightly noted that available information is not that detailed nor consistent across districts. Therefore, they have proposed implementing a single, standardized accounting system across all school districts that would maintain a mandatory statewide chart of accounts. Such a system would result in more uniform and detailed financial information being made available for comparison across districts.

Representative Holland urged Commission members to first conduct a thorough cost-benefit analysis prior to embarking on such an endeavor (Attachment 5).

A question and answer session followed the presentation

Mark Dick, Executive Vice President, Allen, Gibbs and Houlik, L.L.C., spoke to Commission members as an opponent of the proposed legislation regarding centrally-maintained accounting and reporting systems, HB 2175. Mr. Dick told Commission members that it appeared the intent of HB 2175 was to improve the accuracy and comparability of school district financial statements. However, the methods advocated in this bill would achieve little, if any, accuracy or comparability.

Mr. Dick urged the Commission members to take a more moderate step toward financial reporting consistency. He recommended considering spending a modest amount of resources in more extensive training and refinement of the current system required by the State Department of Education. At the same time, he advocated working closely with district financial professionals to identify system deficits, set goals, and collaboratively develop a system that delivers the financial reporting consistency sought by the Legislature while minimizing risk and expense (Attachment 6).

Dr. Dale Rawson, Superintendent, Burlington USD 244, spoke to Commission members regarding the local school district centralized accounting system. Dr. Rawson pointed out to Commission members that during the past several legislative sessions, there have been inquiries and explorations concerning school district accounting practices in the following areas.

Accountability Issues:

- Schools receive an annual audit as required by KSA 75-1122;
- KSDE performs audits of state funding by verifying various weighting factors that are components of the school finance plan enacted by the Legislature;
- Federal program audits are performed by either or both KSDE and private audit firms depending upon the amount of federal funds involved; and
- School records are public and are open to inspection under the Kansas Open Records Act.

Consistent Data:

- Budgets and accounting codification match federal government suggestions;
- The Department of Education's Kansas Accounting Handbook clearly describes codification of expense protocols by fund, function, object, and leaves discretionary codification for location/level tracking;
- KSDE audits since 2005 have audited compliance with Kansas accounting guidelines;
- Current system of accounting protocols in the Kansas Accounting Handbook allows for varying degrees of complexity to make them adaptable for both large and small school districts; and
- Some differences in spending are incorrectly labeled as “inconsistent.”

Simplified Process:

- Legislative attempts to address “special” needs often have increased the complexity of the budget process;
- While not necessarily complex, reading and understanding budgets is oftentimes like reading the instruction manual for a piece of equipment;
- “Budget at a Glance” and “Budget Profile” are relatively new publications that were incorporated into KSDE budget software in 2003-04; and
- Frequent conversations with other school administrators indicate a lack of interest in these publications and/or other budget explanations provided.

Costs Over Time:

- No knowledge of long-term cost savings is known.

Dr. Rawson testified that while the Kansas Accounting Handbook is readily available, there is no required training for school district personnel tasked with school accounting. Such training should be made available or required of all staff upon initial employment. Refresher training should be made available, at least annually (Attachments 7, 8, 9, and 10).

Chairperson Chronister asked if there were any additions or corrections to the minutes of August 20 - 21, 2007. *Dr. Ray Daniels moved to accept the minutes as recorded. The motion was seconded by Senator Jean Schodorf. The motion carried.*

Afternoon Session

Kansas Public Health Authority

Dr. Marcia Nielsen, Executive Director, Kansas Health Policy Authority (KHPA), spoke to Commission members and gave an overview of KHPA. Dr. Nielsen said KHPA, created in the 2005 Legislative Session, was based on Governor Sebelius' proposed Executive Reorganization Order and modified by the State Legislature which created a nine-member board to govern health policy, appointed an Executive Director which reports to the Board, and added a specific focus on health promotion and data driven policy making.

Dr. Nielsen told Commission members that programs transferred to KHPA in 2006 were Medicaid, MediKan, State Children's Health Insurance Program, Medicaid Drug Utilization Review and related programs, State Employee Health Insurance, State Workers' Compensation, Ticket to Work/Working Healthy Program, the Medicaid Management Information System, the Health Care Data Governing Board, and Business Health Partnership Program.

Dr. Nielsen told Commission members that priorities for KHPA reform include:

- Promoting personal responsibility;
 - For responsible health behaviors;
 - Informed purchase of health care services; and
 - Contributing to the cost of health insurance, based on sliding scale.
- Prevention and primary care;
 - Focus on obesity, tobacco control, chronic disease management, and incentives for primary care.
- Providing and protecting affordable health insurance;
 - Focus on small business, the uninsured, and the under-insured (Attachment 11).

A question and answer session followed the presentation.

Early Childhood Education

Dr. Alexa Posny, Commissioner, Kansas State Department of Education (KSDE), spoke to Commission members in response to the 2010 Commission's direction to review the proposal of Dr. Ray Daniels regarding the creation of an Early Childhood Education Office within the Kansas State Department of Education.

Dr. Posny told Commission members KSDE promotes school readiness and works to enhance the school success of young children through the work of the Early Learning Team. This team is the staff that currently coordinates programs that focus on child learning, family supports, professional development, and technical assistance.

Dr. Posny said the purpose of this plan is to enhance the quality of early learning programs and promote the creation of a coordinated and comprehensive early childhood system.

Action steps include:

- Designate KSDE as the coordinating agency for early learning programs;
- Coalesce all programs (current programs and programs that KSDE would become responsible for) into the KSDE Early Learning Team to include programs that address the needs of all learners;
- Create a stakeholders group that will provide input into a plan for program cohesion and collaboration, including a transition plan that will allow programs to move or merge (if necessary and appropriate) with minimum impact on services, children, and families.
- Develop the plan (in cooperation with stakeholders, including members of the Early Learning Coordinating Council);
- Designate one position in the KSDE to coordinate the early learning programs and provide leadership for the Early Learning Team; and
- Develop a long-term (three to five years) detailed plan over the course of the next year (Attachment 12).

Jim Redmon, Executive Director of the Children's Cabinet, reported that the Cabinet is willing to facilitate and be a convener of early childhood program providers in order to enhance coordination. Mr. Redmon requested the Commission provide time lines by when it wished work would be accomplished.

Dr. Rob Balsters, Deputy Superintendent of Business, Seaman USD 345, and on behalf of United School Administrators of Kansas, spoke to Commission members on the issue as proposed in HB 2175. Dr. Balsters stated Kansas already has a chart of accounts and a centralized reporting system that has been used for many years, as outlined in the Kansas Accounting Handbook for Unified School Districts.

Dr. Balsters reported that the argument that a new reporting system would somehow improve expenditure classification, fails to account for genuine differences of opinion relating to specific types of expenditures. It also is possible that a new reporting system, with many more detailed levels of classifications, would result in increased differences in classification, not fewer (Attachment 13).

Chairperson Chronister requested Commission members state recommendations, suggestions, or concerns regarding the Early Childhood proposal.

Dr. Ray Daniels moved and Emile McGill seconded acceptance of the Kansas Department of Education Division of Early Childhood Education Proposal presented to the Commission by Dr. Alexa Posny, Commissioner, Kansas State Department of Education. Representative Aurand abstained from voting; all others voted aye.

This proposal retains current Department of Education early childhood programs in the Department and shifts the Infant-Toddler special education program (tiny K) from the Department of Health and Environment to the Department of Education. In addition, the Early Head Start Program

would shift from the Department of Social and Rehabilitation Services to the Department of Education.

Chairperson Chronister moved and Carolyn Campbell seconded a motion asking the Children's Cabinet to move forward over the next year leading the Early Learning Coordinating Council (ELCC) in improving coordination and expanding services in early childhood programs not included in the Department of Education. Chairperson Chronister expressed the desire that these programs "cover all corners of the state." The motion carried.

School District Accounting

In response to previous discussions of the performance audit, *K-12 Education: Comparing the Centralization of School District Accounting in Different States*, Scott Frank, Legislative Division of Post Audit, addressed Commission members.

Dr. Daniels wanted to know how many of the 14 states identified have standardized recording and reporting systems and require districts to record transactions at the building level.

Mr. Frank reported that six of the 14 districts (states) require building-level accounting.

Senator Schodorf inquired if any of the 14 states with standardized recording and reporting systems cited increased transparency in budgeting as one of the benefits.

Mr. Frank report none of the officials who had been contacted used the term "transparency" in describing the benefits of their systems.

Commissioner Urban wanted to know when Kentucky developed its standardized accounting software.

Mr. Frank reported that according to the information received, Kentucky's system has been in place for about 15 years (Attachment 14).

Chairperson Chronister asked Commission members for any recommendations on this issue.

Chairperson Chronister moved to ask the State Department of Education to require training of newly hired school district clerks on the Kansas Accounting Handbook; returning clerks should be required to complete a refresher course. Representative Sue Storm seconded the motion. The motion carried.

Representative Sue Storm moved to recommend to the State Board of Education that each year, they review the reporting system to determine if any alterations or additions are needed based on requests for accounting information. The motion was seconded by Carolyn Campbell. The motion was amended to "review and update the reporting system." After a brief discussion, the motion carried.

Chairperson Chronister declared the topic of centralized accounting closed.

The next meeting is scheduled for September 14, 2007 at 9:00 a.m., in Room 123-S.

The meeting was adjourned at 3:15 p.m.

**Friday, September 14
Morning Session**

The meeting of the 2010 Commission was called to order at 9:00 a.m. by Chairperson Rochelle Chronister.

Mark Tallman, Assistant Executive Director/Advocacy, Kansas Association of School Boards, reported to Commission members of the *K-12 Headcount Enrollment Projection for Kansas, 2007-08 School Year through 2011-12*. Mr. Tallman stated a few Kansas school districts are growing in enrollment; however, the 2007-08 school year will mark the tenth consecutive year in Kansas with a majority of districts declining in enrollment.

It is an ironic situation confronting policy makers from the school board meeting room to the halls of the Capitol; the highest rates of enrollment growth are happening among students who present some of the greatest challenges, and costs, for the public schools of Kansas, e.g., those needing special education or bilingual services (Attachments 15, 16, 17, and 18).

A question and answer session followed the presentation.

Katrin Osterhaus, Principal Auditor, Legislative Division of Post Audit, reported to Commission members on Performance Audit Report - School District Audit, K-12 Education: Reviewing the Cost of Vocational Education Programs. Commission members were told that vocational education programs prepare students for occupations that do not require a bachelor's degree. Over the last eight years, enrollment in vocational education programs has grown by more than 26 percent.

The most common vocational education program areas are: business and computer technology, family and consumer sciences, and trade and industry. These program areas account for more than \$22 million of the \$34 million in vocational education funding districts received from the State in 2006-07.

Ms. Osterhaus told Commission members that changes at the federal level are radically changing the focus of vocational education - from a more-limited notion of technical careers that do not require a four-year degree to an expanded notion that includes almost all professional career paths. This change likely will increase the number of programs and students who participate in those programs throughout the state (on file - Legislative Post Audit).

A question and answer session followed the presentation.

Chairperson Chronister requested Tom Foster, Deputy Commissioner of the Learning Services Division of the Kansas State Department of Education, to speak to Commission members regarding changing federal guidelines. Mr. Foster reported that whenever a federal bill is passed or renewed, there is always a period of time when there is a lot of uncertainty because of waiting for new guidelines.

A lot of the guidance already has been established and the Department is doing two things. One is that they want to look at a different organizational pattern (career clusters). The other concept is to provide some real accountability in moving people toward some kind of certification in a career area.

A question and answer session followed the presentation.

Chairperson Chronister announced that Scott Frank, Legislative Division of Post Audit, is requesting new topics for audits.

Chairperson Chronister announced the next 2010 Commission meeting will be held Monday, October 22, 2007 and Tuesday, October 23, 2007.

The meeting was adjourned at 10:15 a.m.

Prepared by Janet Henning
Edited by Sharon Wenger

Approved by Commission on:

October 10, 2007

(Date)