

MINUTES

SCHOOL-BASED BUDGET WORKING GROUP

November 25, 2003
Room 313-S—Statehouse

Members Present

Senator Bill Bunten, Chair
Senator Derek Schmidt
Senator Chris Steineger
Representative Carol Edward Beggs
Representative Marti Crow
John R. Atchley
Paul Fink
Mike Jones
Kevin Murphy

Members Absent

Representative Tim Owens
Max Prosser

Legislative Staff

Carolyn Rampey, 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

The Working Group reviewed the minutes of prior meetings to confirm earlier decisions, at which time it was noted that a decision had not been made regarding whether vocational education expenditures would be budgeted at the building or district level. *Upon a motion by Mr. Murphy, seconded by Mr. Atchley, the Working Group voted to recommend that vocational education expenditures be budgeted at the building level.*

Discussion ensued regarding how to budget expenditures for maintenance and operations. It was noted that major projects, such as roof repairs, are paid for out of the capital outlay fund, which

the Group previously agreed would be budgeted at the district level. It also was noted that routine maintenance projects generally are performed by staff at the building level and would be reported as part of the building budget. The difficulty lay in how to budget those projects that are not capital outlay expenditures, but exceed the capacity or ability of building staff to perform and thus are paid for at the district level.

Upon a motion by Mr. Atchley, seconded by Mr. Murphy, the Group voted to recommend that expenditures for maintenance and operations made at the district level (that is, not part of the building expense for routine maintenance and not a major expenditure from the district's capital outlay fund) would be budgeted as a district expenditure, but would be coded or otherwise recorded in such a way that it would be possible to identify the building for which the expenditure was made.

Mr. Griggs summarized work of the Group as follows: Expenditures from the general, supplemental general, vocational education, bilingual, professional development, and federal funds would be shown at the building level using the building-based format previously approved by the Group. Expenditures for central administration and special education would be shown at the district level, using the same format as for a building. There would be no change in how districts presently format expenditures from all other funds expended at the district level, as identified by the Group.

Questions were raised about the availability of quarterly reports of school district expenditures, and Mr. Dennis said that local boards of education are required by law to approve all expenditures, which means that, as a practice, they review expenditures on a monthly basis. He said that the local board determines the information it wants reported to it and that some boards are requesting expenditures be reported on a building basis. Asked whether local boards compare current-year expenditures to the prior year, Mr. Dennis said they could, although he thought it more likely that school district staff, not board members, tracked expenditures in this manner.

Mr. Murphy raised the issue of how student achievement is tracked and Mr. Dennis said the school district report card, required by law, contains information on each building, including student achievement and violence reports. The reports are annually compiled at the end of the year because they rely in large part on information from the state assessments, which are only given once each year.

When asked who hires the certified public accountants who do the mandatory school district financial audits, and to whom the accountants report, Mr. Dennis said they are hired by and accountable to the local board.

Attention turned to the time line for budget preparation, a concern of Senator Buntin. Senator Buntin explained that, although the school district fiscal year begins July 1, approval of the budget does not occur until August—after the fiscal year has begun—and details about the approved budget are not available until the fall.

The staff reviewed the current time line, which is as follows:

- June—Administrators begin actual preparation of school district budgets.
- July—Board of education sets public hearing date for the proposed budget.
- August—Board of education conducts public hearing on proposed budget at least ten days before the date by which they must certify their levies (August 25) (KSA 79-2933).

- August 25—On or before this date, board of education certifies the tax levy to the county clerk (KSA 79-1801) and submits approved budget to State Department of Education.

Senator Bunten proposed that the time frame be moved forward so that school district budgets would be approved on or before June 15. (Senator Bunten introduced SB 121, which would have accomplished this recommendation, during the 2003 Session.)

Staff explained that school districts, cities, and counties are on the same budgetary schedule, even though they have different fiscal years. Under the current schedule, assessed valuation of city and county property and state assessed property is certified by June 15 (KSA 79-1466 pertains to city and county property and KSA 79-5a27 pertains to state-assessed property). County clerks have until July 1 to report assessed valuations to local units, including school districts (KSA 79-5a27). Budgets approved before that date would have to be based on the prior year's valuations or on estimates, because the certified valuations would not be known at the time the budget was prepared.

Mr. Jones pointed out that, given that assessed valuations in most parts of the state are increasing, a budget prepared using the prior year's valuation actually could require higher taxes to fund, because any current-year increase in valuation would not be taken into account. In addition, the school district fiscal year does not end until June 30 and it would not be known what the district's ending balances would be in time to reflect them in a budget that was approved prior to that date. Finally, school districts have until May 15 to enter into contracts with returning teachers and other personnel for the next school year, meaning that most budget preparation in anticipation of a June 15 approval date would have to occur before the district knows with certainty which staff will be returning.

However, Mr. Jones said that the ten-day requirement for the notice of the public hearing for the budget might be shortened, thus reducing the time until the budget is approved by a few days. His reasoning was that the original policy likely had been set when many newspapers that were designated the official paper for the district were published only once a week.

Senator Bunten told the Group that, in light of the several problems that are involved in moving the budget preparation process up, such as not knowing assessed valuations and carry-forward balances, he was inclined to drop consideration of the issue, although he still is interested in addressing the notice publication requirement at a later meeting.

Discussion turned to the possibility of using a central state computer system to do building-based budgets, which would be accessed by school districts. This would be an alternative to districts adapting their own computer systems. Senator Bunten indicated that Legislative Coordinating Council (LCC) approval would be sought to schedule Don Heiman, Legislative Chief Information Technology Officer, to meet with the Group to discuss the matter. Mr. Murphy suggested that contact also be made with representatives of IBM or other computer corporations for the purpose of getting their input.

Regarding possible costs of implementing a building-based budgeting system, the staff informed the Group that an attempt to estimate the cost was made by the School District Budget Task Force, which made its report to the Legislature in February 2003. The Task Force had been appointed to, among other things, consider the response of the State Department of Education to an audit by the Legislative Division of Post Audit, and to consider the feasibility of implementing building-based budgeting.

The Task Force estimated it would cost \$5.0 million to implement building-based budgeting, with costs likely being less in many districts after the first year. The figure was based on estimates made by individual Task Force members for computer and staffing expenses in their districts, and ranged from \$1,000 for a district that had approximately 150 students to \$400,000 for the state's largest district (Wichita), which had 49,000 students. (The Task Force did not recommend the implementation of building-based budgeting.)

Representative Beggs expressed concern that the format under consideration by the Group would aggregate salaries of staff into categories such as "administrators," and would not allow the public to locate the salary, including fringe benefits, of individual employees. *Upon a motion by Representative Beggs, seconded by Mr. Murphy, the Group voted to amend New Sec. 6(a) of Chapter 104 of the 2003 Session Laws of Kansas to add "fringe benefits" to the salary information that is required to be reported.* Chapter 104 in 2003 SB 82 requires each local board of education to provide to a newspaper of general circulation a statement showing the name, position, and salary of the superintendent, deputy superintendents, assistant superintendents, directors, principals, and any other administrator with district-wide responsibilities. Publishing the information is at the discretion of the newspaper. The requirement will sunset June 30, 2006.

Senator Buntin announced that a request would be made of the LCC to approve another meeting date for the Group (for a total of six) for the purpose of holding a public hearing. He said conferees should confine their remarks to the proposed building-based budget format and other work of the Group. He said the purpose of the hearings is not to discuss building-based budgeting *per se*. (Groups and individuals who want to discuss building-based budgeting will have the opportunity during the Session if legislation to implement such a system is introduced.)

Following the public hearing, the sixth and final meeting of the Group will be scheduled for the purpose of reviewing the format with actual information supplied by a school district to be designated.

The meeting was adjourned.

Prepared by Carolyn Rampey

Approved by Committee on:

January 14, 2004

(date)