

Report of the Special Committee on a Comprehensive Response to the School Finance Decision to the 2018 Kansas Legislature

CHAIRPERSON: Representative Blaine Finch

VICE-CHAIRPERSON: Senator Molly Baumgardner

OTHER MEMBERS: Senators Jim Denning, Anthony Hensley, Carolyn McGinn, and Rick Wilborn; and Representatives Larry Campbell, Steven Johnson, Ed Trimmer, Troy Waymaster, and Valdenia Winn

STUDY TOPIC

- Review and analyze the recent *Gannon v. State* decision (402 P.3d 513 (2017));
- Identify the responses available to the Legislature and the consequences of each; and
- Explore options to reduce or eliminate the perpetual cycle of conflict over school finance and end the perennial and recurrent threat of school closures.

Special Committee on a Comprehensive Response to the School Finance Decision

REPORT

Conclusions and Recommendations

Following informative hearings and discussion, the Committee declined to make recommendations; however, it commends to the Legislature the testimony provided to the Committee, the minutes of each meeting, this report, and its appendices.

Proposed Legislation: None.

BACKGROUND

The Kansas Supreme Court issued its fifth opinion in *Gannon v. State* on Monday, October 2, 2017. The *Gannon* litigation concerns whether the Legislature is in compliance with Article 6, Section 6 of the *Kansas Constitution*, which, in relevant part requires the Legislature to “make suitable provision for finance of the educational interests of the state.” In *Gannon I*, the Court reiterated its prior holding that Article 6 contains at least two components: equity and adequacy. The Court provided the following test for equity: “School districts must have reasonably equal access to substantially similar educational opportunity through similar tax effort.” Further, the Court stated adequacy would be achieved when the school finance system is reasonably calculated to have all Kansas public education students meet or exceed the capacities set out in *Rose v. Council for Better Educ., Inc.*, 790 S.W.2d 186 (Ky. 1989), including sufficient oral and written communication skills; knowledge of economic, social, and political systems; understanding of governmental processes; self knowledge and knowledge of one’s mental and physical wellness; grounding in the arts; training or preparation for advanced training in either academic or vocational fields; and academic or vocational skills that enable favorable competition in academics or the job market.

In *Gannon IV*, the Court held the K-12 public financing system was constitutionally inadequate and gave the Legislature an opportunity to bring the State’s education financing system into compliance with Article 6, Section 6 of the *Kansas Constitution* by June 30, 2017. The Legislature subsequently passed 2017 SB 19, creating the Kansas School Equity and Enhancement Act. The Governor signed the bill on June 15, 2017, and it became effective on July 1, 2017.

In *Gannon V*, the Kansas Supreme Court held the State has not met its burden of showing SB 19 meets the constitutional requirements for equity and adequacy. The Court retained jurisdiction of the case and extended to June 30, 2018, the stay of its previous mandate that without a constitutionally valid school finance system, the system would be void and schools could be closed. The Court stated at that time the Court will not “be placed in the position of being complicit actors in the continuing deprivation of a constitutionally adequate and equitable education owed to hundreds of thousands of Kansas school children.” Additionally, the Court announced briefs on any legislative remedies are due April 30, 2018, response briefs are due May 10, and oral arguments will be conducted May 22.

At its October 30, 2017, meeting, the Legislative Coordinating Council considered a request submitted by Speaker Ron Ryckman to create an 11-member special committee chaired by

a House of Representatives member, with 6 members from the House of Representatives (4 Republicans and 2 Democrats) and 5 members from the Senate (4 Republicans and 1 Democrat). The request emphasized the need to begin work immediately given the scope of the issue to be addressed and the limited time available. To allow the Legislature to begin work quickly and efficiently in January, the request suggested the Committee “act as fact-finders, gather the necessary information, compile the options available to the legislative body, and identify specific matters for the standing committees of both houses.” Standing committees include the House and Senate Education Committees, the House K-12 Education Budget Committee, and the Senate Select Committee on Education Finance (if reauthorized).

The LCC authorized the Committee to meet three days with the specific charge to:

- Review and analyze *Gannon V*;
- Identify the responses available to the Legislature and the consequences of each; and
- Explore options to reduce or eliminate the perpetual cycle of conflict over school finance and end the perennial and recurrent threat of school closures.

COMMITTEE ACTIVITIES

The Committee held meetings on December 4, December 18, and December 19, 2017. Information provided at the meetings is summarized below.

December 4

Review of Gannon Litigation and Previous Legislative Responses

The Committee began its work with a presentation from staff of the Office of Revisor of Statutes (Revisor’s Office) on the history of school finance litigation in Kansas; the procedural history of *Gannon*, which was filed in 2010; SB 19; and the *Gannon V* opinion. Staff of the Kansas

Legislative Research Department (KLRD) followed with additional information on legislative action taken in response to the *Gannon* litigation, as well as information about education consensus calculations for fiscal years (FYs) 2018 and 2019 and a five-year profile of the State General Fund (SGF). A representative of the Kansas State Department of Education (KSDE) also provided data to the Committee concerning changes in enrollment, spending for personnel and at-risk programs, the Local Option Budget (LOB), and capital outlay.

In the afternoon, the Committee received information from staff of the Revisor’s Office on the specific equity and adequacy issues identified by the Court in *Gannon V* and from KLRD staff on the potential fiscal impact associated with addressing those issues.

Discussion of Equity Issues

The Court identified four points of inequity in SB 19. First, the Court ruled the expanded use of capital outlay funds for utilities and property and casualty insurance would result in unacceptable levels of wealth-based disparities as a district’s ability to take advantage of this provision is tied to its property wealth. The most direct remedy would be to repeal these provisions, which would result in no direct cost to the State.

Second, the Court ruled the reinstatement of the protest petition and election process to reach the maximum LOB authority of 33.0 percent resulted in inequity as it effectively denied access to the maximum LOB authority for many districts while other districts are granted that access. The most direct remedy would be to allow all districts to reach maximum LOB authority without being subject to a protest petition. KSDE estimates allowing districts to reach the maximum LOB authority of 33.0 percent without the protest petition and election process would increase state obligations for Supplemental General State Aid (LOB State Aid) by approximately \$10.0 million for FY 2019. Combined, all school districts in the State are approximately \$87.0 million below the maximum LOB possible under current law. KSDE officials do not anticipate allowing all districts to reach 33.0 percent without the protest petition and election process would result in all districts below 33.0 percent raising their LOB authority to the

maximum authority due to a variety of factors, including local concerns about property tax levels.

Third, the Court ruled the change to using the prior year LOB amount to determine the amount of LOB State Aid a district is entitled to receive results in inequity as a property-poor district that raises its LOB will not receive increased equalization aid for the first year of the increased LOB. The most direct remedy would be to return to using the current year LOB amount to determine LOB State Aid. The November 2017 Consensus Revenue Estimates included savings of \$26.4 million in FY 2018 and \$8.2 million for FY 2019 due to reduced LOB State Aid payments as the SB 19 appropriation for LOB State Aid was based on current year LOB authority, not the change to prior year LOB authority. Returning to current year LOB would eliminate the FY 2019 savings. Additionally, Committee members discussed the possibility of legislation that would require districts to provide notice to the KSDE by a date certain if they were going to increase their LOB, which would also give the Legislature notice of the need for additional equalization dollars.

Fourth, the Court ruled the 10.0 percent floor for the at-risk weighting violated the equity requirement as only two school districts benefit from this provision, and the State did not demonstrate why the free-meals proxy used for the at-risk weighting was inappropriate for those two districts but appropriate for all other districts. The most direct remedy would be to repeal this provision, which would save the State approximately \$2.2 million.

The Committee discussed these issues, as well as potential responses, and requested the following information from the KSDE: the number of students in the Blue Valley and DeSoto school districts receiving at-risk services and the number of students in those districts eligible for free meals; the process each district used in pursuing LOB authority of 33.0 percent; and information on the extent to which districts were using capital outlay funds for utility expenses and property and casualty insurance.

Discussion of Adequacy Issues

The Court explicitly declined to provide a specific minimum amount to reach constitutional

adequacy, but did refer to three recommendations for the FY 2019 base aid for student excellence (BASE). First, it referred to the three-judge panel recommendation, which included a FY 2019 BASE of \$5,055. This is an increase of \$927 above the FY 2019 BASE of \$4,128 included in current law and would result in an additional cost to the State of \$635.9 million for FY 2019. Next, the Court referred to the State Board of Education recommendation, which recommended a FY 2019 BASE of \$5,090. This is an increase of \$962 above the FY 2019 BASE of \$4,128 included in current law and would result in an additional cost to the State of \$659.9 million for FY 2019. Finally, the Court referred to the Plaintiff's recommendation, which recommended a FY 2019 BASE of \$6,539. This is an increase of \$2,411 above the FY 2019 BASE of \$4,128 included in current law and would result in an additional cost to the State of \$1.65 billion for FY 2019.

The Committee discussed these issues, as well as potential responses, and requested information needed to better understand how to proceed, including information on revenue and budget adjustment scenarios that may be required if additional funding was appropriated for K-12 education.

December 18

Presentation of Follow-up Information

The Committee received information from KLRD staff and KSDE in response to questions asked at the December 4 meeting. Information provided included the legislative history of the LOB cap; the process school districts used in pursuing LOB authority of 33.0 percent; the cost if all districts were required to hold elections to increase their LOB; districts' balances and use of capital outlay funds; summaries of Parents as Teachers, the four-year-old at-risk program, and the at-risk program; data concerning all-day kindergarten; further explanation of the results of a recent survey concerning how school districts would use additional funds; historic data on student performance and numbers of teachers; and headcount data for virtual, out-of-state, and free-lunch eligible students and students receiving at-risk services.

Discussion of Gannon v. State litigation

Arthur S. Chalmers, attorney for the State in the *Gannon v. State* litigation, also appeared before the Committee to answer questions about the case presented to the three-judge panel and the Supreme Court, as well as the Supreme Court's opinion in *Gannon V*. The conferee declined to identify a "safe harbor" for equity or adequacy, but agreed the Court found the Legislature to be in compliance with the equity standard prior to the changes made in SB 19. Further, in response to a question about how the State can demonstrate adequate funding without relying on outputs, such as improved test scores and graduation rates, which will not be immediately available, the conferee referred to *Gannon IV*.

In *Gannon IV*, the Court stated "[t]here is no one specific way for this funding to be achieved"; parted company with the three-judge panel to the extent it would limit the State to a particular system or structure or refuse to consider sources of funding other than those calculated through the Base State Aid Per Pupil; and rejected "any litmus test that relies on specific funding levels to reach constitutional compliance" (*Gannon v. State*, 305 Kan. 850, 916-17 (2017)). Further, the Court stated that while the cost studies are estimates of spending, they represent evaluations that the Court cannot simply disregard, and the State should not ignore them in creating a remedy. (*Id.* at 917.) The Court advised that while considering cures, the Legislature should also be mindful of the connection between equity and adequacy. (*Id.*) Further, the Court emphasized that the adequacy test is one of minimal standards, and "whether the legislature satisfies the test by exceeding the *Rose* standards is up to that deliberative body—and ultimately the people of Kansas who elect its members to office" (305 Kan. at 917-18). the conferee stated the Legislative Division of Post Audit (LPA) cost study looked at the results of math and reading tests that were paired with standards no longer in place, and he questioned whether those outputs were still appropriate to measure adequacy. The conferee indicated that whatever the measure, the Legislature must persuade the Court it is "moving the ball along" toward meeting the minimal standards in *Rose*.

In response to further questioning, the conferee stated his opinion that in "showing its

work" to meet the burden for adequacy, the Legislature should demonstrate why, how, and how much performance will improve with the funding provided, and agreed outside expertise may be needed to establish the validity of the methodology relied upon. In showing the validity of phasing in funding, the conferee agreed the Court may be more responsive to this argument if presented with evidence from school boards or other reliable sources that the total amount of funding could not immediately be put to use.

When asked about the timeline for formulating a response, the conferee advised the Committee that given the April 30 briefing deadline, ideally the Legislature will have concluded its work by March 1 to ensure sufficient time for the bill to be enacted and for the Attorney General's Office to compile necessary documents.

Presentation on Revenue and Budget Adjustment Scenarios

KLRD Staff provided information on revenue and budget adjustment scenarios that may be required if additional funding was appropriated for K-12 education. (For a summary of this information, see Appendix I.) Additionally, representatives of selected state agencies appeared before the Committee and spoke to the potential impact of an 18.0 percent across-the-board reduction of SGF appropriations in FY 2019, which, if K-12 education were excluded, would total around \$600 million.

The Kansas Department of Corrections (KDOC) indicated an 18.0 percent reduction would be a reduction of \$65.6 million. As many of the agency's costs are fixed in relation to the offender population, KDOC stated this reduction would require a reduction in the average daily population (ADP) of offenders through a change in sentencing laws and the early release of offenders. KDOC prepared the following 3 options for consideration: closure of 3 correctional facilities, reducing ADP by 2,503; elimination of all community corrections funding and closure of 2 correctional facilities, reducing ADP by 1,730; or elimination of parole services and community corrections funding and closure of 1 correctional facility, reducing ADP by 1,082.

The Kansas Judicial Branch indicated an 18.0 percent reduction would be a reduction of \$18.5 million. Because 94.0 percent of the Judicial Branch budget is dedicated to personnel costs, the reduction would result in approximately 70 working days of court closures across the state, depending on turnover savings and fluctuating docket fee revenues. The Judicial Branch stated layoffs or hiring freezes are not options as it already has approximately 120 vacancies due to previous years' budget cuts and high employee turnover.

The Kansas Department of Health and Environment (KDHE) described how an 18.0 percent reduction of SGF funding would impact the agency; however, the agency indicated a detailed review of all relevant state and federal statutes and regulations would be necessary to determine the extent to which the loss of State match funds could result in the loss of additional federal funds. An 18.0 percent reduction would remove: \$645,009 from Administration, which KDHE estimates as 24.5 of 98 funded positions; \$3.1 million from the Division of Public Health, which KDHE indicates would eliminate or significantly reduce programs and services; \$720,158 from the Division of Environment, which KDHE explains would result in the elimination of testing for parasites, chlamydia, and gonorrhea and reduce resources in the spill response program, asbestos program, and concentrated animal feeding operations; and \$112.8 million from the Division of Health Care Finance (DHCF), which would impact Medicaid, the Children's Health Insurance Program, medical assistance for optional services and optional populations, school-based services, and DHCF administrative services.

The Kansas Department for Aging and Disability Services (KDADS) indicated an 18.0 percent reduction would be a reduction of \$136.8 million to the agency and would result in a reduction to State-funded programs, including the Senior Care Act, Intellectual/Developmentally Disabled State Aid Services, and mental health grants and services. Further, some programs and services are partially funded by the federal government, with receipt of federal funds contingent on state participation. Consequently, loss of state funds could result in loss of federal funds for Community Developmental Disability

Organizations and the Aging and Disability Resource Center, which screens individuals for three of the Medicaid waivers, as well as Meals on Wheels and other nutrition programs for older adults. KDADS indicated this reduction would also impact KanCare/Medicaid programs and services by reducing provider rates and numbers of individuals served both in long-term care and on the seven Medicaid disability waivers; result in accumulation of a waiting list for all Home and Community Based Services waivers; and potentially impact the number of providers willing to care for KanCare participants. Finally, reductions to the agency would require staff reductions that would impact oversight of the agency's behavioral health and longer term care services.

Reductions would also impact KDADS-administered state hospitals and institutions. The budget for Kansas Neurological Institute would be reduced by \$1.7 million, including loss of 44.0 FTEs, closure of 3 homes, and impact to 23 residents. The budget for Larned State Hospital would be reduced by \$10.4 million, including loss of 111.0 FTEs and 8.0 non-FTEs, closure of 1 unit from the State Security program impacting 20 inmates, closure of 2 units from the psychiatric services program impacting 60 residents, closure of 1 reintegration facility from the Sexual Predator Treatment Program impacting 16 residents, and reduction of contract services currently provided for patient care safety, and treatment. The budget for Osawatomie State Hospital (OSH) would be reduced by \$3.3 million, including loss of 30.0 FTEs and elimination of 13-23 beds depending on whether they are eliminated on the licensed (OSH) or certified side (Adair Acute Care). The budget for Parsons State Hospital would be reduced by \$2.1 million, including a loss of 64.0 FTEs, closure of 4 cottages, consolidation of remaining residents, and the move or transfer of 75 residents against the will of their parents or guardians to other locations.

The Kansas Department for Children and Families (DCF) indicated an 18.0 percent reduction would remove over \$47 million with a larger potential impact to total funding depending on specific programs reduced or eliminated. The agency identified 22 actions that would be required to address this loss of funding, including: closure of 8 DCF service centers; elimination of

Family/Community Services prevention grants in Prevention and Protection Services (PPS), the Economic and Employment Services Food Distribution program, the Head Start Collaboration program, Child Care and Development Fund matching, the Faith-Based Community Initiatives program, the Human Trafficking program, Adult Protective Services grants, the Foster Care Federal Disability Advocacy contract, Foster Care and Family Services grants to 4 tribes, and the Chafee Independent Living program; elimination of SGF in the Family Preservation Program; reinstatement of the 4.0 percent collection fee for Child Support Services; reduction of foster care contracts by 12.0 percent, which could impact services and placement and result in longer stays in foster care; reduction to PPS Family Services prevention assistance not needed to meet federal matching requirements; reduction of funding to other operating expenses, strategic development, vocational rehabilitation and information technology; increase in salary shrinkage; and discontinuation of Adoption Support and Permanent Custodianship programs for future cases.

The Kansas Board of Regents indicated an 18.0 percent reduction would remove over \$136 million from the postsecondary system, which would particularly impact Kansans' access to postsecondary education, Kansas' employers' workforce needs, and the system's ability to compete for students against other states, particularly in the regional market.

December 19

The Committee received information from the Revisor's Office staff on the history of Article 6 of the *Kansas Constitution*, which was adopted in 1966. The 1965 Legislature directed the Kansas Legislative Council (today's Legislative Coordinating Council) to study Article 6. As a result, the Council appointed an 11-member Education Advisory Committee. After receiving the Advisory Committee's report, the Council issued its own report recommending a proposed amendment rewriting Article 6. The Council gave primary credit to the Advisory Committee for the development of the proposed revision to Article 6 and stated it "borrowed extensively from the material in the advisory committee's report in preparing the text of this report." The Council

recommended the following language for Article 6, Section 6, which has been the focus of the *Gannon* litigation: "The legislature may make provision for finance of educational and scientific activity by (1) transfer of funds . . . , (2) creation of special corporate entities . . . , (3) pooling of public and private funds . . . , and (4) any other method not prohibited by the constitution." According to the Council's report to the Legislature, the recommended language was intended to provide "considerable flexibility in taking whatever appropriate action might be necessary in financing educational programs." The constitutional amendment was introduced with different language, the same language that currently exists; however, the legislative record does not provide an explanation for this change.

The Committee also received information from the Revisor's Office staff on previous Kansas legislation addressing school finance litigation, which were categorized as: barring courts from exercising jurisdiction over claims of Article 6 violations; modifying the rules and practices of civil procedure as they apply to claims of Article 6 violations; prohibiting the expenditure of public moneys to finance the litigation of claims of Article 6 violations; amending the phrase "make suitable provision for finance of the educational interests of the state"; granting the constitutional power of appropriation exclusively to the Legislature; or prohibiting the closure of schools as a remedy for violations of Article 6.

Revisor's Office staff also summarized other states' constitutional provisions governing K-12 school finance.

The Attorney General appeared before the Committee to discuss school finance litigation trends in the United States and the *Gannon* litigation. He reiterated the recommended date of March 1 for the Legislature to have completed its substantive response, which the conferee had provided in his testimony to the Committee. He elaborated that such a deadline was prudent as it takes some time for legislation to be enrolled and signed, and once enacted, the Office of the Attorney General must then collect pieces of the record, develop arguments, and consult with legislative counsel by April 30. As an "extreme" example, the Attorney General indicated that in the last round of briefing, attorneys could not get a

copy of an essential legislative document until the day before the brief was due.

On the issue of the Committee's charge to "reduce or eliminate the perpetual cycle of conflict over school finance and end the perennial and recurrent threat of school closures," the Attorney General suggested a broader substantive conversation to address issues such as: who may bring a constitutional challenge to school funding; in what court the challenge should be brought; what duties are included within the term "suitable" (*i.e.*, equity and adequacy exclusively or others); whether equity and adequacy are the appropriate tests; whether there should be constitutional timelines on school finance litigation; the standard of review courts should use in reviewing school funding decisions by the Legislature; remedies the Supreme Court may use if it finds school funding laws are unconstitutional; the consequences for the Legislature if it violates a court order on school funding; how "adequacy" of funding should be determined; and who should be allowed or required to participate in school finance litigation.

CONCLUSIONS AND RECOMMENDATIONS

Following informative hearings and discussion, the Committee declined to make

recommendations; however, it commends to the Legislature the testimony provided to the Committee, the minutes of each meeting, this report, and its appendices. These documents include possible options available. Additionally, Chairperson Finch allowed members to request information to be provided as appendices to this report.

Noting the Committee had not discussed potential cost savings related to merger or consolidation of school districts, Senator Wilborn requested information on that topic be provided (executive summary is Appendix II; full report is available at http://www.ksde.org/Portals/0/School_Finance/budget/Legal_Max/sdbs--Final_Complete_Report.pdf).

Senator McGinn asked for information on expenditures and services provided by other state agencies to K-12 education since 2008 (Appendix III).

Senator Baumgardner asked for LPA's recent performance audit titled "K-12 Education: Evaluating Transportation Services Funding" to be attached to this report (Report Highlights are Appendix IV; full report is available at <http://www.kslpa.org/assets/files/reports/r-17-020.pdf>).

Summary of KLRD Information on Revenue and Budget Adjustment Scenarios

The following table displays cost estimates of various per pupil amounts discussed by the Kansas Supreme Court in its October 2, 2017 decision in the *Gannon* school finance litigation.

	FY 2019 BASE	Current Approved FY 2019 BASE	Difference	Additional Cost to the State
Plaintiff Recommendation	\$ 6,539	\$ 4,128	\$ 2,411	\$ 1,653.9 million
KSBE Recommendation	5,090	4,128	962	659.9 million
Three-Judge Panel Recommendation	5,055	4,128	927	635.9 million

The following table displays across the board State General Fund reduction options.

<u>FY 2019 State General Fund Across the Board Reductions</u>			
Amount of Reduced Spending to Be Achieved	Percent of All Spending Excluding K-12 Education	Percent of All Spending Excluding K-12 Education and Debt Service	Percent of All Spending Excluding K-12 Education, Debt Service, and Human Service Caseloads
\$200 million	6.0%	6.3%	9.2%
\$400 million	12.0%	12.5%	18.3%
\$600 million	18.0%	18.8%	27.5%

The table below displays selected revenue generation options.

<u>Sample Fiscal Notes for Selected Tax Law Changes (\$ in millions)</u>				
	Sales/Use Tax Increase from 6.5% to 6.6 %, effective July 1, 2018	USD General Fund Levy from 20 to 21 mills, effective tax year 2018	USD General Fund Levy Repeal \$20,000 Homestead Exemption	Individual Income Tax Increase of 0.1% in all brackets, effective tax year 2018
FY 2019	46.674	32.540	44.097	85.143
FY 2020	51.885	34.797	45.629	66.686
FY 2021	52.871	36.125	45.787	67.820
FY 2022	53.876	37.405	45.946	68.973
FY 2023	54.889	38.684	46.104	70.145
5-yr total	260.205	179.551	227.563	358.767

Appendix II

A Comprehensive Study on the Organization of Kansas School Districts

**Prepared for
The Kansas State Board of Education**

in response to
RFP Number 00241

by

Augenblick & Myers, Inc.

Dr. John Augenblick, John Myers, and Justin Silverstein

January 10, 2001

EXECUTIVE SUMMARY

In October 1999, Augenblick & Myers, Inc. (A&M), a Denver-based consulting firm that works with state policy makers on education finance and governance issues, was selected by the Kansas State Board of Education to conduct a study of school district organization. The study was mandated by the Kansas Legislature in Section 10, 1999 Senate Bill 171.

A&M created an advisory panel for the study, consisting of Dr. Richard King of the University of Northern Colorado, Dr. Chris Pipho, formerly with the Education Commission of the States, Dr. Paul Nachtigal, former director of the Rural Challenge, and Mr. Terry Whitney, formerly with the National Conference of State Legislatures. We then undertook five key tasks.

1. We completed a review of the literature related to school district reorganization.
2. We developed two approaches to selecting “target” districts that might benefit from reorganization.
3. We conducted on-site visits and interviews with representatives of 64 school districts located throughout the state.
4. We developed three alternative ways to reorganize school districts.
5. We identified areas where statutory changes would be needed to implement our recommendations.

School districts are important governmental entities in this country. At the discretion of the states, most of them have been delegated the authority to levy taxes, incur bonded indebtedness, hire key employees, and set curriculum. Kansas, like the other states, determines how many school districts shall exist and where their boundaries shall be. Over time, the number of school districts has decreased dramatically from over 120,000 nationally, to fewer than 15,000, and from over 9,000 in Kansas, to 304. The importance of their boundaries has also diminished somewhat, particularly in states such as Kansas that have modified their school finance procedures so that the wealth of each district is far less critical in determining that district’s total revenue and property tax rates. This is also true in states that have promoted open enrollment (so that pupils can enroll in schools in districts other than the one in which they reside). Kansas currently has 1.00% of the nation’s pupils, 1.62% of the nation’s schools, and 2.10% of the nation’s school districts.

While the states have delegated certain powers to school districts, they maintain both a constitutional responsibility to provide adequate and equitable education services and an interest in assuring that pupils achieve certain education objectives. A state’s economic and democratic future hinges on whether such objectives are met. Because

the state pays for a significant portion of educational services, it also has an interest in assuring that the cost of providing these services is reasonable. These days, a state's interest in elementary and secondary education primarily reflects its interest in pupil performance and per pupil spending. Little else justifies changing school district boundaries.

The literature about school district reorganization is rather thin, consisting mostly of economic studies of school and school district optimum size, and the arguments that are made for and against changing the numbers of school districts in a state. While the literature is less than definitive about school and school district size, there has long been the view that schools, particularly high schools, need to be large enough to provide an adequate array of academic services and extra-curricular activities. More recently, there are those who advise that schools be small enough to assure a safe, nurturing environment and that school districts are not so large that they become unmanageable. While technology facilitates the provision of broader opportunities in small, isolated schools, there is little evidence that it can fully substitute for the hands-on presence of well-trained adults. And while evidence exists that some graduates of small high schools go on to become very successful, that evidence tends to focus on very few people, much the same way large schools publicize a small number of pupils who become Merit Scholars.

A&M used two basic approaches to identify "target" school districts that might benefit from reorganization. The first approach focuses on districts with relatively low levels of pupil performance and relatively high levels of per pupil spending. We used a statistical technique, regression analysis, to predict both expected levels of pupil performance (based on combining 1998 composite reading, math, and writing scores for Kansas statewide achievement tests) and expected levels of per pupil spending (for instruction, administration, and plant maintenance and operation). Some people suggested that the use of the tests was inappropriate. Because our purpose was to focus only on some districts, the tests provide the only basis for evaluating the relative performance of school districts, and the information is already being used to hold districts accountable, we feel that it is appropriate to use them as the basis of identifying those school districts where state action might be required. While there are many other kinds of information that individual districts use to evaluate their own performance, none provide comparable information for all districts. We used per pupil spending as the basis for evaluating relative spending levels. Some people suggested that, since the state controls the level of spending of school districts, and no district exceeds the level specified by the state, it is logically impossible to identify high spending districts. Our feeling is that, given the variation in spending that exists, some districts may be spending more than necessary relative to the spending of other districts. The state's formula for distributing state aid may also permit higher spending than is necessary.

Using regression analysis allows us to see how pupil performance and per pupil spending are influenced by the proportion of pupils eligible for free and reduced price lunches and the wealth or enrollment level of a school district. The regression equations accounted for 73 percent of the variation in per pupil performance and 80

percent of the variation in per pupil spending. Given that those levels are high but not perfect, we established confidence intervals around predicted levels of performance and spending to be sure that appropriate districts were identified as being low in performance or high in spending. Based on our analysis, we identified 28 districts that had a combination of low pupil performance and high per pupil spending. They are listed below in three categories.

Districts that have low pupil performance and high per pupil spending based on regression results: Moscow Public Schools (209), West Solomon Valley Public Schools (213), Elkhart (218), Washington Schools (222), Hanston (228), Nes Tre La Go (301), Belle Plaine (357), Chase-Raymond (401), Hillcrest Rural Schools (455), and Udall (463).

Districts with higher than expected per pupil spending and lower than average pupil performance for two years: Fowler (225), Triplains (275), Elk Valley (283), Cedar Vale (285), Herndon (317), Eastern Heights (324), Wathena (406), and Chetopa (505).

Districts with lower than expected pupil performance in 1998, lower than average performance in 1997, and per pupil spending above the predicted level excluding the use of the confidence interval: Turner-Kansas City (202), Bonner Springs (204), Mankato (278), Pleasanton (344), Oxford (358), Caldwell (360), Marysville (364), Madison-Virgil (386), Neodesha (461), and South Haven (509).

The second approach to identify districts that might benefit from reorganization focuses on districts that are either too small or too large, given what researchers and practitioners believe, to offer an appropriate curriculum, extra-curricular opportunities, and a safe, nurturing environment. This approach assumes that a high school should serve between 100 and 900 pupils and that a district should have an enrollment of at least 260 pupils per high school but no more than 2,925 pupils per high school in order to be at those levels. Looking at the total enrollment of school districts and the number of high schools they operate, we found 50 districts that are too small and 24 districts that are too large based on these guidelines. We also identified two districts as being so large that they might need to be reorganized by breaking them into smaller, more manageable districts. These 76 districts have been grouped into four categories and listed below.

Districts that are too small with only one high school: Cheylin (103), White Rock (104), Moscow Public Schools (209), Northern Valley (212), West Solomon Valley Schools (213), Rolla (217), Ashland (220), North Central (221), Fowler (225), Hanston (228), West Smith County (238), Weskan (242), Palco (269), Triplains (275), Jewell (279), West Graham-Morland (280), Elk Valley (283), Cedar Vale (286), Grinnell Public Schools (291), Wheatland (292), Prairie Heights (295), Sylvan Grove (299), Nes Tre La Go (301), Smoky Hill (302), Bazine (304), Brewster (314), Golden Plains (316), Herndon (317), Eastern

Heights (324), Logan (326), Burrton (369), Montezuma (371), Hamilton (390), Paradise (399), Chase-Raymond (401), Mullinville (424), Midway Schools (433), Hillcrest Public Schools (455), Healy Public Schools (468), Dexter (471), Haviland (474), Copeland (476), Pawnee Heights (496), Lewis (502), and Attica (511).

Districts that are too small with more than one high school: Barnes (223), Leroy-Gridley (245), Southern Cloud (334), Rural Vista (481), and Axtell (488).

Districts that are too large relative to the number of high schools they operate: Turner-Kansas City (202), Blue Valley (229), Olathe (233), Emporia (253), Derby (260), Haysville (261), Goddard (265), Maize (266), Salina (305), Hutchinson Public Schools (308), Seaman (345), Newton (373), Manhattan (383), Great Bend (428), Auburn Washburn (437), Dodge City (443), Leavenworth (453), Garden City (457), Geary County Schools (475), Liberal (480), Hays (489), Lawrence (497), and Kansas City (500).

Districts that are too large: Wichita (259) and Shawnee Mission Public Schools (512).

Some of the most important activities we undertook in this study were the on-site visits to a large number of school districts where we interviewed many district representatives. We did this not only because it was required by contract, but also to better understand the dynamics within the districts we identified as targets and in their neighboring districts, which might also be involved in reorganization. We used several criteria to select districts for on-site visits or interviews. First, every one of the 28 districts we identified using the first approach described above was placed on the list. Second, we selected some neighboring districts of those 28 target districts. Third, we obtained additional information about 90 school districts, including the age of their buildings and enrollment projections, and selected some districts based on those factors. Finally, we selected some districts based on being too large, using the second approach to identify target districts described above. In all, we had contact with 64 districts.

We learned a number of things from our on-site visits and interviews: (1) there is substantial resistance to consolidation because of historical, cultural and financial reasons; (2) there is support for state reorganization in extreme cases, where there are declining enrollments and high spending; (3) district officials justified and defended low student performance and high spending; and (4) technology, distance learning, building projects and innovative superintendents were considered essential for surviving consolidation.

Once the on-site visits and interviews were completed, we began to develop reorganization scenarios, ultimately creating three alternative approaches: (1) an approach based on pupil performance and per pupil spending; (2) an approach based on enrollment levels relative to number of high schools; and (3) an approach that took

into consideration both of the first two approaches and resolved differences between them based on a variety of practical considerations, including distance between schools, school capacity (which we obtained through a survey carried out by the Department of Education), and the information we obtained through the on-site visits and interviews.

Tables in the report show the characteristics of target school districts and their neighboring districts, as well as the mergers of districts associated with the three alternative approaches to reorganization. The figures below summarize the results of each approach for the entire state.

- (1) For the approach based on pupil performance and per pupil spending, we identified 28 target districts. We examined all neighbors of those districts for possible reorganization with target districts based on their pupil performance, their per pupil spending, and their distance from the target districts. We were unable to reorganize eight of the target districts using those criteria. We found 20 neighboring districts that could be merged with the 20 remaining target districts to create 20 new districts. The result is 284 districts statewide.
- (2) For the approach based on school district size, we identified 76 target districts. We examined all neighbor districts for the 74 districts that we felt had high schools that were either too small or too large based on enrollment relative to number of high schools, excess capacity of schools, and distance between schools. We were able to reconfigure 45 of the 50 districts with high schools that are too small by merging them with 29 neighbor districts and creating 34 new districts. We were able to reconfigure six of the 24 districts with high schools that are too large by merging them with seven neighbor districts and creating five new districts. In total, 51 target districts are merged with 36 neighbor districts to create 39 new districts and a total of 256 districts in the state. Some other approach would need to be taken to address the issue in 20 of the 26 districts with large high schools and in the two large districts.
- (3) For the combined approach, we were able to reconfigure 56 target districts with 36 neighboring districts to create 43 new districts and a total of 255 districts statewide. As with the second approach, we were unable to resolve concerns in 21 districts by reorganization, which would require other approaches to be taken.

In order to facilitate reorganizing school districts in Kansas, a number of changes need to be made to the state's statutes. A&M recommends that the legislature delegate to the State Board of Education the power to change school district boundaries more easily than is currently allowed. The State Board should consider boundary changes by using three processes to assess alternative: (1) Emergency dissolution, (2) Required boundary change planning, and (3) Review of boundary options. The emergency

dissolution is required for those districts that are less than 80 students in 2000, or less than 100 students in 2001 and have declining enrollment. Those districts are required to have a public hearing and report the results to the State Board. The State Board shall take action to accept the district report or implement one of their own. The required boundary change planning is for all of the other districts identified as part of the 28 original targets on Map 1 in this report. Districts would have three years to work on improvements or recommendations, then if they are still targets would follow the emergency dissolution process. The review of boundary options would be for all of the other districts identified as targets in this report. They would follow the same process as the required boundary change planning districts without the final requirement of dissolution.

Appendix III

Wrap Around Services
By Program for FY 2008 - FY 2017
Includes Services Provided to Children of School Age (Grades K-12)

Agency	Program	Program Description	FY08		FY09		FY10		FY11		FY12		FY13		FY14		FY15		FY16		FY17	
			AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF
Department for Children and Families	Communities in Schools	Grant to provides case management services to at-risk students focusing on improving academics, behavior, attendance and graduation rates.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,671,424	-	1,789,625	-	1,500,000	-
Department for Children and Families	Jobs for America's Graduates	Assists students at risk of failing in school, provides an avenue for achieving academically, and assists students in ultimately earning credentials that make it possible to exit school and enter post-secondary education and/or the workforce.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,100,000	-	3,750,000	-	3,800,000	-
Department for Children and Families	Kansas Reading Roadmap (Hysell-Wagner, Kidzlit, et al)	Works with low income schools in rural and urban communities to increase reading proficiency among at-risk children.	-	-	-	-	-	-	-	-	-	-	-	-	5,201,613	-	10,318,497	-	9,424,343	-	10,259,081	-
Department for Children and Families	Project Impact	Grant that targets at-risk youth ages 14-17 who live in high-risk counties. Recruitment and retention programs develop students' interests in various fields of study.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	187,299	-	108,085	-	424,905	-
Department for Children and Families	Epic Skillz	Grant to build employment skills for college and career readiness, targeting middle schools in Hutchinson.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	228,670	-	41,063	-	186,528	-
Department for Children and Families	Smartmoves/KS Alliance of Boys and Girls Clubs	Provides comprehensive abstinence-based teen pregnancy prevention and education program to at-risk youth in seven cities and three tribal nations.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Department for Children and Families	Urban Scholastic Center	Serves urban/inner-city children and youth to offer a wide array of services to benefit students grade K-12, including literacy, after school and evening educational programs.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,849	-
Department of Education	Autism Diagnosis	Train and provide Autism Diagnostic Teams to offer early childhood screenings and/or assist schools and families in developing individual treatment plans and streamlined service delivery.	-	-	-	-	798,000	-	1,023,464	-	751,643	-	683,661	-	215,000	-	215,000	-	215,000	-	215,000	-
Kansas Department for Aging and Disability Services	Serious Emotional Disturbance (SED) waiver*	Medicaid Home and Community Based Services waiver providing services to children who experience serious emotional disturbance and who are at risk of inpatient psychiatric treatment.	1,954,654	-	2,503,743	-	2,486,613	-	2,807,294	-	2,794,198	-	3,015,736	-	2,267,479	-	2,329,782	-	2,316,873	-	2,281,044	-
Kansas Department of Health and Environment - Public Health	DentaQuest - Dental	DentaQuest Foundation grant to provide school-based dental services.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,000	-	30,000	-	50,000	-
Kansas Department of Health and Environment - Public Health	Medicaid Matching	Medicaid funds to provide school-based dental services.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,000	-	30,000	-	50,000	-
Kansas Department of Health and Environment - Public Health	School Screening Program	Delta Dental Foundation grant providing dental screenings for children. Beginning in FY 2015 this program provides dental screening supplies to volunteer screeners.	34,000	-	34,000	-	34,000	-	34,000	-	34,000	-	34,000	-	34,000	-	34,000	-	70,000	-	-	-
Kansas Department of Health and Environment - Public Health	School Screenings	Federal Health Resources and Services Administration (HRSA) grant providing school-based dental sealants.	80,000	-	80,000	-	80,000	-	80,000	-	150,000	-	80,000	-	-	-	-	-	-	-	-	-
Kansas Department of Health and Environment - Public Health	CDC Grant - Dental (School Sealants)	Funding through the federal Centers for Disease and Prevention (CDC) to provide sealants to children.	-	-	-	-	-	-	-	-	-	-	60,000	-	60,000	-	60,000	-	60,000	-	60,000	-
Kansas Department of Health and Environment - Public Health	Healthy Kansas Schools Grant Program	CDC grant to support school wellness coalitions and coordinators to implement and promote school wellness policies and practices in nutrition and physical activity. Also provides professional development and assistance to school nurses on the daily management of students with chronic diseases.	-	-	-	-	-	-	-	-	-	-	-	-	120,000	-	120,000	-	120,000	-	120,000	-
Kansas Department of Health and Environment - Public Health	Committee for Children's Second Step Program	CDC grant for implementation of social-emotional curriculum for selected schools.	10,000	-	10,000	-	10,000	-	16,000	-	16,000	-	16,000	-	22,000	-	22,000	-	22,000	-	32,000	-

Agency	Program	Program Description	FY08		FY09		FY10		FY11		FY12		FY13		FY14		FY15		FY16		FY17	
			AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF	AF	SGF
Kansas Department of Health and Environment - Public Health	Committee for Children's Second Step Program	CDC funding for literature units to support social-emotional curriculum for selected schools.	25,000	-	25,000	-	25,000	-	40,000	-	40,000	-	40,000	-	55,000	-	55,000	-	55,000	-	80,000	-
Kansas Department of Health and Environment - Public Health	Committee for Children's Second Step Program	Social-emotional curriculum materials and evaluations for selected schools.	35,000	-	35,000	-	35,000	-	56,000	-	56,000	-	56,000	-	77,000	-	77,000	-	77,000	-	112,000	-
Kansas Health Policy Authority	School Based Services	These totals include all school based services. Prior to FY 2012 these services were not reported by type of service in the Medical Assistance Report.	14,605,084	5,731,712	27,050,175	9,239,563	25,877,964	7,970,030	19,531,897	6,371,810	-	-	-	-	-	-	-	-	-	-	-	-
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Targeted Case Management	-	-	-	-	-	-	-	-	412,107	10,157	351,874	8,728	389,746	9,805	481,362	755	426,313	46	477,052	1,196
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Rehabilitation	-	-	-	-	-	-	-	-	3,686,439	1,588,487	3,470,471	1,508,268	3,778,828	1,642,189	4,043,646	1,752,656	3,850,865	1,683,370	3,802,454	1,673,080
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Personal Care	-	-	-	-	-	-	-	-	(582)	(402)	(2,091)	(903)	-	-	-	-	-	-	-	-
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Physical Therapy	-	-	-	-	-	-	-	-	124,005	53,434	126,684	55,049	129,638	56,332	143,947	62,372	124,804	54,794	125,755	55,332
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Occupational Therapy	-	-	-	-	-	-	-	-	91,990	39,638	87,912	38,177	95,685	41,555	122,961	53,275	105,778	46,390	93,705	41,230
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Speech/Language Services	-	-	-	-	-	-	-	-	12,589,946	5,425,008	12,689,763	5,515,912	14,321,483	6,224,592	15,194,771	6,587,485	14,129,843	6,214,022	14,923,579	6,566,375
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Audiology Services	-	-	-	-	-	-	-	-	55,453	23,895	47,617	20,676	75,423	32,767	83,751	36,272	77,308	33,888	82,919	36,484
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Mental Health Services	-	-	-	-	-	-	-	-	950,144	407,598	891,864	384,812	1,163,083	498,562	1,214,773	515,900	1,156,933	485,997	999,111	439,609
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Other Practitioner Services	-	-	-	-	-	-	-	-	2,021,434	871,036	2,322,866	1,009,482	2,050,158	891,075	1,853,468	803,228	1,858,510	804,709	1,663,948	732,137
Kansas Department of Health and Environment - Health Care Finance	School Based Services	Other Services (cost settlements for local education agencies)	-	-	-	-	-	-	-	-	609,538	7,805	15,083,906	4,923	15,383,034	6,678	16,009,291	10,594	15,593,007	217,825	17,086,198	501,147

Notes for Department for Children and Families:

Expenditures for Programs such as Early Head Start and Early Steps to School Success are not included as these are for children under age 5.
Transfers to KSDE for Parents as Teachers and Kansas Preschool Programs are not included as these are for children under the age of 5.
Prevention programs such as Family Preservation, Healthy Families, etc. are not included.
Child care subsidy payments are not included regardless of the age of the child.

Notes for Department of Education:

Autism Diagnosis program also provides services to younger children, expenditures include entire program.

Notes for Kansas Department for Aging and Disability Services

Serious Emotional Disturbance (SED) HCBS waiver expenditures are for each federal fiscal year (FFY). SGF share noted to correspond to FMAP percentage, but not provided by agency.

Notes for Kansas Department of Health and Environment - Public Health:

The total number of schools receiving CDC grants for the Committee for Children's Second Step Program are as follows: five schools FY 2008 - FY 2010, eight schools FY 2011 - FY 2013, eleven schools FY 2014 - FY 2016, and sixteen schools FY 2017 - FY 2019.
The agency notes that totals provided are approximate and may not be the exact amounts funded.

Notes for Kansas Health Policy Authority and Kansas Department of Health and Environment - Health Care Finance:

SGF amount listed includes all state funds (SGF and fee funds).



Legislative Post Audit Performance Audit Report Highlights

K-12 Education: Evaluating Transportation Services Funding

December 2017 • R-17-020

QUESTION 1: Has Transportation Funding Been Allocated to School Districts in Accordance with the Statutory Formula in Recent Years?

Background Information

State law only requires districts to transport students who must travel at least 2.5 miles and do not live in the same town as their school. On the other hand, the state provides transportation funding for all in-districts students who live at least 2.5 miles from their school.

State transportation funding is based on a statutory formula which allocates funding based on districts' estimated, not actual, transportation costs. The state will provide an estimated \$98 million in transportation funding to school districts in the 2017-18 school year through this formula.

- KSDE has correctly executed the numerous calculations in the transportation funding formula for the past five years. These include allocating expenditures between groups of students by distance, plotting per-student expenditures on a chart, determining a curve of best fit, and calculating the transportation FTE for each district. (p.11)
- However, KSDE has continued to implement a funding minimum to the formula which is not authorized in statute. (p.11)
 - A minimum funding amount was removed from statute in 1973 but KSDE has continued to implement it for the most densely populated districts.
 - Over the past five years, KSDE's minimum funding level has provided a total of \$45 million more in transportation funding than allowed by law.
 - State law does not include a minimum funding level for transportation, and it does not give KSDE the authority to create one.
 - KSDE officials told us they continued adding a minimum funding level because some legislators had requested it in previous years.
 - Although there is no provision for a minimum funding level in state law, our findings in Question 2 of this audit suggest a minimum might be appropriate.
- KSDE's methods for counting students do not always align with statute, but the effect on funding is likely minimal. (p.14)
 - State law requires students for whom "transportation was made available" be counted for funding purposes, even if the student did not actually ride the bus.
 - The way KSDE counts students for funding purpose is not consistent with that statutory definition.
 - KSDE counts all students who live at least 2.5 miles from school for funding purposes, but does not make sure transportation services were made available to these students.
 - For students who live less than 2.5 miles from school, KSDE mostly counts students who were actually transported rather than only counting students for whom transportation was made available.
 - KSDE reduces the count of students who only ride the bus one way.
 - However, the difference between the statutory definition and KSDE's method for counting students likely has a minimal effect on funding.

QUESTION 2: How Does the Funding School Districts Receive for Funded Transportation Services Compare to Their Actual Costs?

- The state provides transportation funding to districts based on costs estimated through a formula rather than the districts' actual costs.
- We selected a sample of 16 districts across the state and compared their costs for providing required transportation to the amount of funding they received. (p. 17)
- Overall, our sample districts received less funding than it cost them to transport students, but the results vary by district. (p.17)
 - *We estimated the districts in our sample spent about \$20 million to provide "funded" transportation services, and received about \$16 million in state transportation funding.*
 - *The difference between state transportation funding and the estimated cost of funded services varied significantly across our 16 districts.*
 - *Two large districts in our sample account for most of the difference between funding and costs.*
 - *The mixed results for our sample are not surprising, given that the transportation formula funds districts based on estimated costs rather than actual costs.*
- The funding formula uses student density to estimate transportation costs, but a variety of other factors can also influence costs. (p.20)
 - *The funding formula uses student density to help predict a district's costs because density is strongly related to transportation costs.*
 - *However, the geography of a district and where students live can lead to significant cost differences between districts of similar student densities.*
 - *District policies related to which students the district will transport or how students are assigned to school can also influence costs.*
 - *Last, factors related to bus driver pay and the fuel efficiency of a district's bus fleet can also influence a district's per-student transportation costs.*
- Based on our sample, the current funding formula appears to understate the comparative cost of transporting students who live at least 2.5 miles from school. (p.22)
 - *Under the current funding formula, students who live at least 2.5 miles from school are weighted 2.8 times more heavily than other students when allocating costs.*
 - *For nearly all the districts in our sample, we estimated the comparative cost ratio to transport funded students was significantly greater than the 2.8 ratio currently in statute.*
 - *That is because the vast majority of their total transportation costs were related to transporting students who live at least 2.5 miles from school.*
 - *We estimated a comparative cost ratio of 5.0 might better reflect how districts' costs are allocated between students who live at least 2.5 miles from school and other students.*
 - *We estimate that increasing the comparative cost ratio to 5.0 would increase statewide transportation funding by about \$4 million over 2016-17 transportation funding.*

QUESTION 3: What Types of Transportation Requirements and Funding Mechanisms Do Other Similar States Use to Provide and Fund K-12 Transportation?

- A 2006 Washington audit identified four primary mechanisms for state funding of transportation services. (p.27)
 - *Predictive or efficiency driven formula funding provides funding at a predicted cost level that assumes similar costs for similar districts. Kansas uses this type of formula.*
 - *Block-grant funding provides funding as part of a per-student grant given to school districts.*
 - *Approved-cost funding provides reimbursement for specific costs incurred by transportation programs.*
 - *Per-unit-allocation funding provides a fixed amount for funding based on a specified unit such as miles driven or students transported.*
- Kansas and the five states we reviewed varied as to which students must be transported. (p.28)
 - *Five of the six states we evaluated, including Kansas, require school districts to provide transportation services, but varied in terms of which students must be transported, ranging from all students to no students*
 - *All six states allow districts to use similar methods to provide transportation services. These include having an in-house bus fleet, contracting for busing, or paying for mileage in lieu of busing.*
- Only three states, including Kansas, provide dedicated transportation funding. (p.29)
 - *Kansas, Missouri, and Oklahoma provide dedicated transportation funding, though Kansas provides funding for a narrower group of students that the other states do.*
 - *Three of the states we reviewed did not provide any specific funding for transportation, although two did consider transportation within their general state aid.*

SUMMARY OF RECOMMENDATIONS

We recommended the Kansas Department of Education remove the minimum funding level from its transportation funding allocation beginning with the 2018-19 school year. We also recommended the department develop a process to ensure their counts are consistent with statutory requirements (p.32).

We recommended the Legislature consider reviewing whether a minimum funding level is appropriate for large, densely populated districts. We also recommended the Legislature consider reviewing the comparative cost ratio to determine if a ratio that better reflects districts' actual costs is more appropriate. (p.32).

AGENCY RESPONSE

The department generally concurred with the audit's findings and recommendations. (p.33)

Although we did not request a formal response from the 16 districts we reviewed part of this audit, three districts provided us with informal feedback. All three districts (Wichita, Shawnee Mission, and Dodge City) expressed concerns regarding our recommendations that KSDE discontinue the funding minimum and that KSDE make other changes to align how the department counts students with statute. The districts noted that changes to how the department allocates funding or how it counts students would likely lead to funding reductions that could be detrimental to students. (p. 33)

HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

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