

MINUTES

K-12 STUDENT PERFORMANCE AND EFFICIENCY COMMISSION

January 6, 2015
Room 112-N—Statehouse

Members Present

Sam Williams, Chairperson
Jim Hinson, Vice-chairperson
Dennis Depew
Janis Lee
Bev Mortimer
Mike O'Neal
Ken Thiessen
Dave Trabert
John Vratil

Ex Officio

Scott Frank, Post Auditor, Legislative Division of Post Audit
Raney Gilliland, Director, Kansas Legislative Research Department
Brad Neuenswander, Interim Commissioner of Education
Gordon Self, Revisor of Statutes
Shawn Sullivan, Director of the Budget

Staff Present

Sharon Wenger, Kansas Legislative Research Department
Lauren Douglass, Kansas Legislative Research Department
Edward Penner, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Jason Long, Kansas Office of Revisor of Statutes
Jill Wolters, Kansas Office of Revisor of Statutes
Nick Myers, Kansas Office of Revisor of Statutes
Debbie Bartuccio, Kansas Legislative Committee Assistant

Tuesday, January 6
Morning Session

Welcome

Chairperson Williams called the meeting to order and welcomed everyone to the meeting. He stated the plan was to review the Commission's report and legislation that it had agreed to recommend. The Chairperson indicated Jason Long, Office of Revisor of Statutes, would review the changes made to the draft legislation pursuant to the Commission's agreement at the previous meeting, followed with discussion of the changes.

Chairperson Williams expressed his appreciation to the staff for their work on preparation of the minutes. *Commissioner Trabert moved, seconded by Commissioner Hinson, to approve the minutes for the December 15, 2014, meeting. The motion passed.*

Review Bill Drafts and Recommendations

Chairperson Williams requested Mr. Long review each bill in its revised format, followed by discussion and voting by the Commission members.

Mr. Long began with 15rs0060, an act concerning creating the Kansas education standards study commission ([Attachment 1](#)). The commission would study and make recommendations to the Legislature for the adoption of measurable standards to achieve the educational goals based on the *Rose* standards and KSA 72-1127(c). The revisor indicated there were two changes from the previous version of the bill.

- The first change was in subsection (b)(1), which states the commission shall consist of nine voting members who shall be representative of business and industry, school districts, and postsecondary educational institutions. Mr. Long said there was discussion at the last meeting of having school districts represented on the commission, so the wording related to school districts had been added to the bill.
- The second change was to add *ex officio* members to the commission, much like there are *ex officio* members on this Commission. Mr. Long indicated the *ex officio* members in the proposed legislation are the same *ex officio* members that belong to this Commission, with the addition of the President of the State Board of Regents.

He said the remainder of the proposed legislation is the same as it was at the last meeting. There were no questions for Mr. Long.

Commissioner O'Neal commented that given this proposal would include a legislative commission and staff are always available from the Kansas Legislative Research Department (KLRD), the Office of Revisor of Statutes, and the Legislative Division of Post Audit (LPA), he inquired as to the rationale for including their leadership as *ex officio* members. He wondered if attending the meetings would be the best utilization of their time in light of also having staff members present at the meetings. Chairperson Williams commented that Mr. Long had done a wonderful job and questioned whether attending the commission meeting would be the best use of Mr. Self's (the Revisor of Statutes) time. Mr. Self responded both he and Mr. Gilliland (the Director of Legislative Research) would be available, as needed, to attend commission meetings. Chairperson Williams said he sensed the consensus of the members was to remove the Directors of KLRD and Revisor's Office from the list of *ex officio* members. The Commission members agreed.

Chairperson Williams stated, in light of what has occurred in the last week, this was probably a timely avenue for establishing the *Rose* standards and said he would entertain a motion to include this in the Commission's report. *Commissioner Trabert so moved, seconded by Commissioner O'Neal. The motion passed.*

Chairperson Williams next directed Mr. Long to address 15rs0074, an act relating to negotiable terms and conditions in the Professional Negotiations Act ([Attachment 2](#)). He

referred to previous discussion concerning what would be mandatorily negotiable and what would not be required to be negotiated. He directed members to the changes on pages 4 and 5, to the section under (B), which stated "(i) Salaries and wages, including pay for duties under supplemental contracts, and hours and amounts of work." He stated this would be a mandatorily negotiable item under this new proposed legislation. He next referred to "(ii) such other matters as the parties mutually agree upon as properly related to professional service including, but not limited to:" and stated the items listed following the colon would be items that under current law, fall under salaries and wages. Now, under this proposal, these items would fall under a separate category of "as mutually agreed upon by the parties." The parties would have to mutually agree the terms and condition would be subject to the negotiations in order for it to be put on the table and negotiated between the parties under this proposed legislation. Finally, the revisor referred to paragraph (4) on page 6, concerning matters that relate to the duration of the school term and indicated this would not be a negotiable item. Mr. Long said, under current law, this is not a negotiable item so there is no change to current law. In conclusion, the proposed changes take a list of those items currently negotiable as long as either party puts it on the table and puts them into a separate, or middle ground, category, in that they have to be mutually agreed upon in order to be a negotiable item by both parties.

Commissioner Lee said, in essence, if either party said no to anything under number (ii), it would not be negotiable. Mr. Long confirmed this to be correct. He stated they are negotiable as long as the parties agree to it. As distinguished from the duration of the school term, which is not negotiable, regardless of what the parties want to do, this is something that the parties would do of their own volition jointly.

Commissioner Trabert then asked if it would be correct to say wages and hours of work would be considered mandatory subjects of bargaining, and everything else in that paragraph would be permissible subjects of bargaining. Mr. Long responded affirmatively with the understanding that permissible requires mutual agreement by the parties. Mr. Trabert then asked if it would come to an impasse and go to mediation, would there be a difference in how those subjects would be treated, from a mediation standpoint, in trying to resolve the impasse. Mr. Long indicated he did not know that there would be a significant difference if the parties have agreed it is a negotiable term and have entered into negotiations. It would be subject to the impasse resolution procedures.

Commissioner Mortimer asked if this would make the current negotiated agreement null and void and whether there be a requirement to start over. For example, if these items are made permissible and are already in a negotiated agreement, how would this work. Mr. Long responded there was no language in this proposal nullifying any existing agreement, so when that agreement was up for renegotiation, these terms would apply to the new negotiation between the parties moving forward.

Commissioner Thiessen asked Mr. Long if he could provide any information, under this proposal, whether these are permissible items and that if they cannot come to an acceptable contract from both points of view and then go to an impasse with the potential for a unilateral contract, how are the items in the old contract treated. Currently, when going into a unilateral contract, one reverts back to the previous contract. If there are items in the previous contract that are now not part of the mandatory items and not part of the items mutually agreed upon, how does that factor into moving forward? Mr. Long replied the impasse resolution is multi-faceted: there is mediation; there is an independent Board; and then, ultimately, if no resolution can be reached among the parties, the statute provides that the Board act in the best interests of the school and of the professional employees. There is no statutory requirement that they go

back to the old contract and follow it. There is not strict guidance in the statute directing the Board to take specific actions.

Commissioner Vratil agreed with Mr. Long that the statute does not provide the answer to the question. Commissioner Vratil said it depends upon the language that is in the contract the parties have negotiated. For example, there could be language indicating that any provisions in an existing contract would continue in the next succeeding contract year, unless the parties agree otherwise, or there could be language that says everything in the existing contract is null and void, wipe the slate clean and start over. It all depends on the language in the contract.

There were no other questions for Mr. Long.

Chairperson Williams stated the Commission's position has been to use this only if negotiations were not proceeding at a good pace. He stated each Commission member had received an e-mail from the Director of the Kansas Association of Superintendents, providing an update on the status of the negotiations. There is a meeting scheduled for January 15, 2015, for that group to again discuss this issue. He asked the Commission members if their position remained that they did not want to interfere with those negotiations and, therefore, would not propose a change in the Professional Negotiations Act. Depending on the outcome of this question, the Commission would then address any proposed changes to the bill.

Chairperson Williams stated he would entertain a motion. *Commissioner Trabert moved, seconded by Commissioner O'Neal, that subject to a vote on the changes the Commission just heard from Mr. Long, the Commission would recommend this legislation to the Legislature.* Commissioner Vratil stated he believed the motion was contradictory to what the Chairperson said the Commission was going to do. He thought the Chairperson had said the first order of business was to decide if the Commission wanted to take any action in this area, and then take further action as needed. Chairperson Williams asked what Commissioner Trabert would need to change in his verbiage. To clarify, Commissioner Trabert then recommended the Commission add to the report a recommendation that the Professional Negotiations Act be modified. Chairperson Williams ruled what Commissioner Trabert suggested was out of order because he believed the question was whether or not the Commission wants to continue with this issue. The Chairperson stated the Commission's position had been to allow the process to proceed. The question he is asking is whether to continue to let the process proceed without taking any action. *Commissioner Lee moved, seconded by Commissioner Mortimer, to allow the process to proceed and to not introduce any changes. The motion passed.*

Chairperson Williams stated there was no need for further discussion. He indicated there would be a minority report produced for the Commission, which would be discussed later in the meeting.

Chairperson Williams next directed Mr. Long to review 15rs0085, an act concerning the creation of the efficient operation of schools task force, which was to create best practice guidelines in efficiency for school districts to utilize, including audits, which would be done in conjunction with the school district annual financial audits to see if the school districts were in compliance with the best practice guidelines. The legislation also called for an audit of the Kansas Department of Education (KSDE) ([Attachment 3](#)).

Mr. Long stated there were two changes from the previous version of the proposed legislation. He referred members to page 2, subsection (e), which would require the task force, instead of sunseting after its initial recommendations are made, to reconvene on August 1,

2018, to review and update those best practice guidelines and submit a follow-up report to the Department of Education, the Governor, and the Legislature by December 31 of that year. The proposal also calls for the task force to do this every three years. Mr. Long then reviewed the change on page 3, which is a new section, requiring the KSDE audit. Initially, the audit was only to look at the regulatory requirements the Department places on local school districts. In addition to that, there would also be an audit on the financial operations of the KSDE.

Commissioner Vratil questioned if the bill provided any state aid to cover the expenses the local districts are going to incur for the compliance audit. Mr. Long responded there was no additional state aid included for payment of the compliance audit.

Commissioner Lee asked Mr. Long if he was aware of any other outside commissions that have proposed the chairperson of a House or Senate committee form a commission. She said in the 22 years she had served in the Senate, she could not recall there ever being an outside commission that told the chairperson of a committee that they must form a Commission to do something. Mr. Long responded he would have to do some research, but nothing comes to mind that is similar to what is being proposed here.

Commissioner Mortimer stated new section 2 causes some concern. If a task force is talking about how to get more resources directly to the classroom, she said she could see districts having to set up compliance committees, which would pull resources away from the classroom. There are some things already in place, such as site councils and a school improvement team, which she could see on a different level, with those people examining best practice. Commissioner Mortimer stated she has concerns about adding more required compliance and regulatory issues to their plate, pulling away from resources that we really are trying to get to the classroom. She inquired as to how in-depth the compliance audit would be and what it would take for a district to complete it. Chairperson Williams referred to prior testimony from Mark Dick, which indicated the cost of the compliance audit would not be a substantial expense. Mr. Frank confirmed this also was his recollection of the testimony and stated what would drive the expense would be the number of standards the group adopted that had to be audited against. If there were nine or ten standards, it should not be a lot of money, based on his experience with other audits. Commissioner Mortimer stated it answered her question, but on the local end, when a financial audit is done, it takes hours of preparation to bring in the boxes of information needed for the audit. What entity is being charged for the audit is one thing, but the time involved by school district employees to prepare for that audit is the part where she has concerns.

Commissioner Vratil commented he did not think it could even be “guesstimated” what the cost would be, because we do not know what standards would be the subject of the compliance audit. The cost could vary greatly depending upon the number of standards the Legislature ultimately imposes.

Commissioner Hinson asked, if the recommendations were adopted, would a cost benefit analysis address the question being asked concerning the additional costs? Mr. Long responded if a cost benefit analysis was done on the cost of performing the compliance audits compared to what savings the school districts would have, it would certainly give the Legislature more information as to whether we should proceed with annual compliance audits at the school district level.

In follow-up, Commissioner Vratil said it occurred to him the cost benefit analysis would not apply unless the Legislature adopts legislation requiring it.

Commissioner Hinson stated, to assure it happening, we would need to add language to this legislation saying a cost benefit analysis would have to occur before any of these standards would be required of school districts. Mr. Long responded it was correct that if the cost benefit analysis was to occur before the compliance audit requirement went into effect, it would need to be written into the legislative language. Commissioner Vratil stated even that would not necessarily be true, because the Legislature is going to undoubtedly amend what the Commission proposes during the Legislative process. A cost benefit analysis may be in the legislation that this Commission recommends, but there is no certainly it will be in that legislation when the Governor signs it.

There were no other questions for Mr. Long.

Commissioner Vratil said his basic concern was that the Commission is dealing with another unfunded mandate. As a Commission, we have said we do not favor unfunded mandates, and then we consider legislation that proposes an unfunded mandate. He said he thought it was very hypocritical, and he could not support it, unless we at least recommend the Legislature appropriate money to fund the cost of the compliance audits.

Commissioner Trabert reminded the Commission that the reason this is proposed is that we heard months of testimony indicating that schools are operating inefficiently, often by choice. The Commission has heard LPA reports indicating that schools are operating inefficiently. That has been the audit results for years. Having been on the receiving and giving end of compliance audits, in the time he was an auditor and accountant, he said there is no additional cost imposed on the organization to comply with something. Any of the organizations he has been involved with have not put committees together to ensure compliance. Employees are expected to comply. To go back to the example from LPA on food service, the standard is to get to a certain cost per meal. That is an instruction given to employees and they are expected to follow it. There is no need to create another internal committee to look at something to see if it has been done. That would be an excess cost that an organization would choose to implement. The reason we want this goes back to wanting to get more money into the classroom. We are not doing it now for a variety of reasons. Commissioner Trabert further stated if you have not been involved with compliance audits or having to follow regulations, then he could understand why some folks would be concerned. But, having been involved with that process on both ends, he said he has not found that to be the case.

Commissioner Lee commented we are all entitled to our own opinions, and stated her disagreement with Commissioner Trabert's remarks in terms of hearing months of testimony about inefficiencies, especially intentional inefficiencies. She said she was very pleased with what she heard from many of the school districts. From those she is associated with and has experience with, she knows they work very hard on efficiencies and to get the money into the classrooms.

Commissioner Trabert said he would like to clarify his comments for Commissioner Lee and stated the Commission did hear testimony from districts who have indicated they are trying to save money and are making good strides. But, he said we also heard some districts were asking for help in getting better pricing. They know they are operating inefficiently and sometimes they said for reasons of local control, they were choosing not to operate efficiently and gave outsourcing the payroll as an example. So, he indicated, that was the basis for his opinion.

Commissioner Lee responded she did not need clarification. She heard the same testimony as Commissioner Trabert.

Commissioner Hinson requested input from Brad Neuenswander concerning the audits the KSDE conducts, as well as the annual audits that are required of each school district by an independent auditor. Mr. Neuenswander stated the schools are audited twice per year. The KSDE conducts an extensive audit on the school budgets. He said he agreed with Commissioner Mortimer that the staff have to plan a month or so well in advance to be able to provide the auditors with all the information needed to make sure that their total weighted FTE is accurate. The KSDE staff audits how much state and federal aid the school districts receive. Commissioner Hinson then said his understanding was that KSDE and the State Board have the authority to change the auditing requirements for those annual audits. Mr. Neuenswander responded affirmatively.

Commissioner Hinson asked, in relation to the independent audits that are conducted, if Mr. Neuenswander had any insight into this legislation from KSDE's perspective. Mr. Neuenswander replied he thought it would require more staff time but he could not reply concerning the costs. The way it is written, the audit would be performed by the local CPA firm and not by KSDE staff. He said it would add additional time to staff, as he knows what they already go through for the local CPA audit, and it is extensive. Commissioner Hinson pointed out a couple of thoughts. He said he thought the Commission needs to be sure it understands it has heard both the State Board and KSDE have the authority to change the auditing requirements they conduct on the school districts at any time and it is a mechanism already in place. In relation to the independent auditing and compliance audits, being discussed, he said he was not opposed to additional auditing requirements. He said he was good with having other people come in and examine what is being done and make recommendations. However, there is a concern as to the cost and so his question for discussion, if this legislation is moved forward, would be to add paragraph saying any additional cost encumbered by school districts would be funded by the Legislature. He then asked if this would be appropriate.

Chairperson Williams commented he thought this would be something Commissioner Vratil would support. Commissioner Vratil agreed and said the only way he could support this legislation would be if the expenses of the compliance audit are paid by state aid. Commissioner Vratil continued he did not know how to ensure this and said he did not think it could be ensured. If the Commission is going to move this legislation, it needs to make a very strong statement of its belief that the state ought to pay and that the local school district should not be burdened by another unfunded mandate. Chairperson Williams said this is right at the heart of what the Commission has been asked to do. He said, to him, it was intuitively obvious that the Commission would not have someone do something that was not going to be a benefit. We are all reasonable people here and from being an auditor in the past, he said he understands the procedure and confusing a financial audit with a compliance audit is a problem. A financial audit is a very different thing from a compliance audit. A compliance audit is a list that literally can be a page with fifteen items that can be checked as to whether they are being done. The Chairperson indicated it takes very little time so he recommended the Commission not confuse the two types of audits. To sit here and say that we, as a Commission, would not be in favor of establishing, or at least reviewing, standards for excellence, did not make any sense to him. It is right to the crux of why the Commission was called to do this and to put so much time into it.

Commissioner Lee says this does not say anything about standards for excellence. It talks about efficiency. Chairperson Williams responded that in money matters, excellence counts too. Commissioner Lee said she understood that, but standards of excellence may not be "efficient," and we have not a clue, in fact, of what this Commission is going to come up with in terms of the list of efficiencies. Chairperson Williams indicated that was okay with him, based on his understanding of compliance audits. Commissioner Lee responded her experience has been with the Legislature. Chairperson Williams said he has faith in the system.

Commissioner Thiessen said for him it comes back to the cost benefit analysis, as that is a key piece of the recommendations from the Commission. If there has been a cost benefit analysis and there are benefits to doing this, then he would be willing to pay for it. He said there needs to be the cost benefit analysis so we do not go down this path of an unfunded mandate unless there are real benefits from a financial standpoint for doing it.

Chairperson Williams asked Mr. Long how this might be worded. Mr. Long responded first there would need to be provisions requiring a cost benefit analysis be done on the benefits of conducting annual compliance audits against these best practice standards. To Commissioner Thiessen's point, if you wanted to make the actual requirement of doing a compliance audit conditioned on that analysis and the outcome of that analysis, new section 2 would have to become conditional and not go into affect unless the cost benefit analysis showed a benefit doing those compliance audits. Those are the changes that would be needed to implement Commissioner Thiessen's suggestion. Or, Chairperson Williams said, we could simply say any additional costs associated with this would be funded, without getting into the cost benefit analysis. Mr. Long said there could be a provision that any additional cost to the school district to perform the compliance audit would be paid for from state aid. Chairperson Williams indicated, as a business person, he knew the return on this would be such that he would pay for it, because he knew he would get much more out of it.

Commissioner Vratil said he respected Chairperson Williams' statement and did not necessarily disagree with it, but it caused him to suggest that if the benefits of this compliance audit are so obvious that every school district will see that it is going to be beneficial and will gladly bear the cost, why do we not make it voluntary instead of mandatory. Chairperson Williams' response was that we have a voluntary system in place and the participation has been at a level that he believed needed to be accelerated. There is a need to get money back into the classroom and we need to accelerate that process. Commissioner Vratil said the reason LPA is required by statute to do only three compliance audits per year is because that is all the Legislature wanted to pay for. Chairperson Williams said he was not aware of that. He then posed the question of whether the Commission was in favor of adding a clause that says any additional costs associated with this would be funded. Commissioner Trabert responded he did not have a problem with that as long as the Commission also added a provision that says that districts will then comply with the findings of that compliance audit. There should not be an option to ignore it. If they are not in compliance, they will become compliant, or there will be a penalty for not doing so. He said the whole reason we are considering this is because we know we are not operating as efficiently as we can. We have spent the last 20 minutes or so trying to figure out ways to avoid finding out how we can get more money to the classroom, which to your comment, seems counter to the whole purpose of this Commission. He indicated he did not have a problem putting in the provision, but he would recommend there also be a provision that says districts must be in compliance with any variances found in the audits.

Mr. Neuenswander indicated he wanted to clarify one thing. He said there is one required audit from the KSDE, but the Department also performs many compliance audits for federal programs. Some of the audits are very extensive, but others could be a checklist. He said when we do compliance audits, we have staff that are hired to perform them. It is not mandatory for the districts to apply for the compliance audits.

Responding to Commissioner Trabert's last condition, Chairperson Williams stated he was falling into the camp of that was the Legislature's responsibility. They should be the ones adding a penalty clause. The Commission could suggest there should be. He asked Commissioner Trabert if that made sense and he responded affirmatively. Chairperson Williams

then inquired if it would be the will of the group to say that additional costs associated with this need to be funded by the Legislature.

Commissioner Mortimer indicated having the cost funded helped alleviate one of her concerns. However, she stated she was hesitant to approve an annual audit for all districts in Kansas, required every year, when we do not know what the compliance standards are. She mentioned it had been said that a compliance audit should not take much time and she asked for an example of a compliance issue. Chairperson Williams responded an example might be if it were established as a standard that food services be outsourced. The question would be whether or not the district's food service was outsourced, and there would be a box to be checked yes or no. Commissioner Mortimer replied for an auditor, it might be a simple check mark, but for the school district, it means there needs to be a lot of work done to show local costs and to provide all the information as to why the food service is not being outsourced. Chairperson Williams said that might be the outcome of the audit but would not be part of the audit. The audit is to answer the question, yes or no, concerning the standard that has been established. If there are consequences for noncompliance, then that is when a cost benefit analysis is done as to why the district is not complying with the standard.

Commissioner Mortimer commented there has been a lot of talk about outsourcing and it seems that the scales have been tipped that outsourcing is the right thing to do for one or two reasons, either to save money or because locally the expertise does not exist. Chairperson Williams replied he had only used food service as an example of a possible standard and he was not necessarily saying he was in favor of it. The standards are unknown at this time. Commissioner Mortimer suggested the Commission move on at this point.

Commissioner Thiessen said he was looking back at the draft report where it summarizes proposed legislation and there was language at the end explaining the legislation would "repeal the law establishing a school district audit team within the Division of Post Audit requiring them to conduct three school district efficiency audits each fiscal year." He said he did not see that in the bill and did not recall the Commission having any conversation about it. Mr. Long responded repealers are handled through a repealers section and referred the Commission to page 3 of the bill under section 5, which contained a list of statutes that are hereby repealed. He said other than the first one, which is a technical cleanup, the other three (46-1130, 46-1132 and 46-1132) all are statutes currently requiring compliance audits of school districts. Because this auditing procedure would replace the LPA audits, those statutes would be repealed.

Commissioner Thiessen asked Chairperson Williams if he had missed something and that this had been part of the conversations that, because of this compliance audit, we would no longer do the audits performed by LPA. Chairperson Williams requested Mr. Long to respond. Mr. Long indicated this was in the first proposed legislation and the repeal was because the direction was that this new auditing mechanism would replace the existing auditing team in statute, thereby necessitating the repeal. Otherwise, you would have two different auditing procedures going on for compliance audits and so the direction was to repeal existing law and replace it with this new procedure. Commissioner Lee questioned if this would do away with the audits currently performed by LPA, and the answer indicated this to be so. She commented she was not aware that this was ever brought into the discussion.

Commissioner Hinson said, aside from the discussion as to whether the LPA audits are conducted, when he thinks of a compliance audit checklist, he thinks of items such as: the district annually reviews bus routes for efficiency and a checkbox to indicate whether it has been done. The auditor is not going to look at whether it was done appropriately and what the results

were. He said another example might be: the district annually reviews staffing ratios for efficiency. Every school district should be doing that now and it would just be an item on a checklist. He stated he could not sit there, as someone who manages a budget of \$500,000, and argue against compliance audit requirements. That would be inappropriate. He indicated he did believe that looking at the auditing and compliance requirements for school districts needs to be addressed. However, he said he would be in favor of this legislation moving forward if we add a paragraph that additional costs encumbered by school districts are born by the state. *To this, Chairperson Williams asked for a show of hands for all those in favor of Commissioner Hinson's motion. The motion was seconded by Commissioner Depew. The motion passed.*

Chairperson Williams apologized for making the process so difficult on this topic. It was then determined the motion had been approved to make the amendment to the legislation. Chairperson Williams then requested a motion to approve the legislation with the amendment. Commissioner Hinson then asked a question concerning the logic behind removing the LPA process now in place. Chairperson Williams responded it was to eliminate redundancy as one process was being replaced with another process. *Commissioner Trabert moved, seconded by Commissioner Hinson, to approve the legislation, as amended. The motion passed.* Commissioner Lee requested her vote in opposition to be recorded.

Chairperson Williams stated there was no other legislation to discuss and focused attention to the Commission's report ([Attachment 4](#)). He requested Sharon Wenger, KLRD, explain any changes that had been made to the report since it was last distributed. She stated Chairperson Williams had directed the addition of the last bullet point under Conclusions and Recommendations. This bullet point concerned unencumbered ending balances. In addition, the comments under the heading Proposed Legislation were changed to conform with how Mr. Long had amended the proposed draft legislation. Commissioner Lee then commented that item two on this report would then be changed, based on the results of today's meeting and Ms. Wenger responded affirmatively. She stated the only other change was at the very end of the report to include what was discussed at the December 15, 2014, meeting.

Chairperson Williams asked if there needed to be any further discussion of the report. Commissioner Lee inquired if the third item listed under the December 15 meeting was legislation that was to have been proposed. In answer, the report indicated it was determined not to propose the legislation.

As a point of clarification, Commissioner Hinson referred to the last bullet point on the second page prior to Proposed Legislation, concerning unencumbered balances, and said he thought this could be confusing and gave the example of text book balances. Fees are collected for text books, and major text book adoptions are done every several years. So, for a period of three years, he may have a large fund balance in his text book fund, but it is because he is building the balance for an expenditure that has been budgeted down the road. It needs to be understood that there are certain funds that are not being expended on an annual basis and that care is taken in establishing a reasonable amount of carry forward balance. It is not one percentage across all funds as there will be a variance.

Commissioner Vratil stated is exactly why at the December 15 meeting, he suggested the word excessive be added as it would cover the situation that Commissioner Hinson is talking about. If the school district is building up a fund to make a purchase years down the road, that obviously would not be excessive. He said he thought it was important to include some additional language in the report emphasizing that fact, because it is very easy to read over the word excessive very quickly and give it no great credence. It deserves some emphasis.

Chairperson Williams asked Ms. Wenger if this could be accomplished and she said an example could be added for clarification purposes.

Commissioner Thiessen asked if, instead of the word excessive, if good business practice could be used. As another example, within the Wichita district, due to their size, the district has the ability to self-fund their health plan. A special reserve account has been established to self-fund the health plan, workman's comp, property, disability, and others, which is very efficient compared to purchasing from the outside. At the same time, there is a huge amount of money in that account in order to be able to self-insure. Part of his concern had to do with the word excessive. If every account has the opportunity to have an explanation for a good business practice, he said he would be supportive of it. His concern is that if the word excessive is there and there is no opportunity to explain, it 's then one size fits all and it does not fit for districts being able to manage as efficiently as they should, whether it 's a long term purchase or a new roof. Chairperson Williams said he thought what he was hearing from the Commission was that we want to make sure we do not penalize districts for making good decisions in accumulating funds to take care of needs they know they are going to have, not that they may have. He indicated the word "excessive" was negative to him, and he would hope it could be put in a positive light. As we look at funds, we do not want to penalize a district that has a good business reason for accumulating that unencumbered balance. The Chairperson then directed this be incorporated into the revisions made to the report.

Chairperson Williams asked if there were any other thoughts from the Commission members. Commissioner Vratil suggested, in consideration of the Chairperson's comments, the sentence might be changed to read: "The Commission recommends the Legislature address the issue of good business practices supporting unencumbered ending balances in school districts, including establishing a reasonable amount of carry forward balances." He asked if that was language the group could agree on. Chairperson Williams indicated he was okay with the suggested wording. There was consensus among the group.

The Chairperson asked if the Commission would entertain a motion to approve the report with the changes that have been discussed. *Commissioner Hinson so moved, seconded by Commissioner Thiessen. The motion passed.*

Chairperson Williams expressed his appreciation for everyone's hard work. He apologized for anything he might have done that made it a personal thing for anyone. He indicated a lot of serious conversation had taken place. He stated there would be a minority report included with the Commission's report. Ms. Wenger stated her past experience has been for the individual writing the report to submit it for attachment to the majority report. The final report must be submitted by January 9, and all Commission members will receive a copy of the entire document.

Chairperson Williams adjourned the meeting at 10:15 a.m.

Prepared by Debbie Bartuccio
Edited by Sharon Wenger

Approved by the Commission on:

January 23, 2015
(Date)