

MINUTES

SCHOOL-BASED BUDGET WORKING GROUP

December 9, 2003
Room 123-S—Statehouse

Members Present

Senator Bill Bunten, Chair
Representative Carol Edward Beggs
Representative Marti Crow
John R. Atchley
Paul Fink
Mike Jones
Kevin Murphy
Max Prosser

Members Absent

Senator Derek Schmidt
Senator Chris Steineger
Representative Tim Owen

Staff

Carolyn Rampey, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Art Griggs, Office of the Revisor of Statutes
Theresa Kiernan, Office of the Revisor of Statutes

State Department of Education Staff

Dale Dennis, Deputy Commissioner

Conferees

Diane Gjerstad, USD 259 (Wichita)
Jim Edwards, Governmental Relations Specialist, Kansas Association of School Boards
Jim Menze, United School Administrators
Beth Reuse, Superintendent, USD 380 (Vermillion); speaking for United School Administrators
John Severin, Superintendent, USD 415 (Hiawatha)
John Stanton, Management Advisory Computer Systems, Southeast Kansas Education Service Center #609 (Greenbush)

Roger Haack, Data Team Systems (Lawrence)
Gary Sanders, Business Development Division, IBM

Summary of Prior Activities

Dale Dennis handed out a copy of a building-based format and coding system which reflected Working Group decisions to date ([Attachment 1](#)). Mr. Dennis suggested that, within the category "operations and maintenance," another line item be added for "repairs." The Working Group agreed to the addition. Mr. Dennis also clarified that, with regard to "operations and maintenance," any expenditure for operations and maintenance which is made from one of the funds already agreed to as part of the building-based budget will be coded as a building expenditure. Any expenditure for operations and maintenance which is made from a district-level fund will be coded as a district expenditure.

Discussion Regarding Special Education

Mr. Murphy raised the issue of special education, which at previous meetings, was handled by showing expenditures at the district level or as a separate budget for a special education cooperative or interlocal. Mr. Murphy's concern is that building-based budgeting will be incomplete if such a major expenditure is omitted. (Mr. Jones estimated that 17 percent of the students in USD 501 (Topeka) are special education and that special education expenditures comprise one-third of the district's budget.)

Senator Bunten reminded the Group that the decision not to show special education as a building expense was because the majority of school districts purchase services from a cooperative or interlocal, a fact which makes it extremely difficult to track special education expenditures on a building basis.

Mr. Murphy made a motion, seconded by Mr. Atchley, that special education be budgeted as a building expense. The motion failed.

Upon a motion by Mr. Prosser, seconded by Mr. Fink, the Group voted to accept the clarification regarding coding expenditures for operations and maintenance ([Attachment 2](#)).

Public Hearing on Issues Relating to the Building-Based Budget Format

Diane Gjerstad, USD 259 (Wichita), discussed the proposed format from the perspective of the largest school district in the state and in the Midwest ([Attachment 3](#)). She pointed out both the magnitude of the proposed project for a district with 49,000 students and more than 100 buildings and the fact that site-based budgets prepared in accordance with the current budgeting time line would only be estimates and, in her opinion, of little value. Regarding the latter point, she said the official enrollment count is made on September 20 and the district often has unexpected fluctuations in enrollment from building to building that would throw off any building-based expenditure estimates made before that date. Further, it is the practice of the district to move teachers among buildings in response to staffing needs.

Regarding the format itself, Ms. Gjerstad showed the Group a document of more than 1,000 pages which she said represented the size of the budget the Wichita district would prepare if the format were adopted. (The proposed format is 11 single pages, multiplied by the number of buildings in the district, which is more than 100 in the case of Wichita.) Senator Bunten pointed out that there is some discretion at the building level as to how much detailed information needs to be shown and that the budget would not be as voluminous as Ms. Gjerstad suggests.

Ms. Gjerstad told the Group that the discretion schools have to spend money at the building level is confined mainly to such things as supplies and support staff and that major expenditures, primarily for regular staff salaries and benefits, are negotiated at the district level. Ms. Gjerstad explained that, under the current process, principals, site council members, parents, and community representatives are involved in setting priorities for each building. She said the main preoccupation in the last few years has been how to absorb and manage budget cuts in view of rising inflationary costs and no state funding increases.

According to Ms. Gjerstad, the Wichita school district currently spends about \$80,000 in overtime pay for staff to meet the August 25 budget preparation deadline. She said that cost would increase sharply if the proposed building format were required. In addition, the district's computer system could not handle the increased workload. In light of these difficulties, she questioned whether adoption of a building-based format would be worth the additional time, effort, and money. She also pointed out that the school funding system is based on schools and districts responding to an amount of money that the Legislature has determined for them. She said the formula determines how much money the districts can spend and then the districts determine how to allocate it.

Ms. Gjerstad concluded by saying that the Wichita district has made an effort in recent years to prepare a budget that is simple and understandable for board members and the public. She said the district's "budget-at-a-glance" is an exemplary document that satisfies the public's need for information.

Jim Edwards, Kansas Association of School Boards, told the Group that public schools already have more reporting requirements than any other public entity (Attachment 4). He reviewed major components of the proposed format and said the information already is available, but is used for management purposes, not for public information unless requested. He said members of the public who are interested in such detail could request it, but questioned whether the public would find the information helpful. He said most districts already have some sort of building-based budgeting or tracking system, which has been developed to meet the needs of local boards and communities.

Jim Menze, United School Administrators, introduced Beth Reust, Superintendent of USD 380 (Vermillion), who spoke for the Association (Attachment 5). Ms. Reust told the Group she opposed building-based budgeting for two reasons. First, in her district, there are four attendance centers housed in two buildings. She said teachers move from one attendance center to another within and between buildings and it would be difficult to determine expenditures on a building basis. She said the buildings also are served by different phone companies with noticeably different price structures. She said comparisons between the buildings would be misleading because the cost of phone service from different providers is not something the building principals can control.

Second, Ms. Reust said almost no interest has been shown by the public in budget matters in a number of years, in spite of the district's efforts to publicize board meetings and budget materials. She questioned why anyone thinks it is necessary to provide even more budget detail when there seems to be no interest for it.

Following her prepared presentation, Ms. Reust added a concern that budgeting for the buildings separately could interject an element of "politics" or competition between buildings that she would like to avoid. She also responded to points made by Group members that districts do not submit "budgets" to the state for funding but merely react to an amount that is allocated by the Legislature. She said it would do little good for districts to prepare building-based budgets based on estimated expenditures when the Legislature predictably will appropriate a lower amount. She also pointed out that building principals do not have the expertise to develop budgets. For example, she said that it is the job of district-level staff to calculate the unit costs of items and to determine the best buy for such things as textbooks.

Mr. Menze submitted written testimony from Steve Williams, Director of Business Affairs, USD 266 (Maize), in which he contends that requiring more budget detail will make it harder for the public to understand school district budgets, not easier (Attachment 6).

John Severin, Superintendent of USD 415 (Hiawatha), told members that building-based budgeting could lock in expenditures and limit districts' flexibility to move money where it is needed. He identified the following concerns with the proposal (Attachment 7):

- Purchases made at the district level, such as for supplies, would have to be accounted for at the building level, causing an increase in staff time and money.
- Expenditures for building maintenance are made both at the building and district level, resulting in an incomplete and inaccurate picture of the cost to operate an individual building.
- Decisions regarding salaries are not final when the budget is prepared and it would be difficult to break the information down at the proposed level of detail.
- Sponsoring districts in a special education cooperative would be responsible for preparing a budget for special education that takes into account expenditures by participating districts, at an increase in staff time and resources.
- Coding changes would have to be programmed into existing computer systems and staff would have to go back through vouchers from prior years to recreate historical information required by the proposed format.
- Differences in staff salaries due to experience and education would limit comparability between and among buildings.
- Cuts in staffing in recent years due to reduced funding makes this an inopportune time to add an additional reporting requirement to schools.
- Few people seem interested in school district budgeting, even though districts have increased the amount of information they report and have made efforts to make the information more user friendly.

Computerization of Building-Based Budgets

John Staton, Management Advisory Computer Systems (Greenbush), told the Group that Greenbush provides computer services to 90 small school districts (Attachment 8). Mr. Staton

emphasized that a major problem with any proposal in terms of cost, implementation, and maintenance, would be due to coding. For example, coding errors would limit the ability to make comparisons among districts. He also said the major problem would not necessarily be the expense of a system, but in understanding what the definitions of various coded items mean. He suggested that budget documents should include a list of definitions of coded items that can easily be understood by lay persons who are interested in the document. He said that the definition of what each item includes could vary among districts.

In discussing the cost to school districts to implement building-based budgeting, Mr. Staton gave a range of options, depending upon the extent of the proposal. Assuming that the only requirement would be the additional coding under consideration by the Group, Mr. Staton said the formatting could be accomplished with some modification by computer systems presently in use by school districts. He said the computer cost of the modification would be minimal. However, the greater, ongoing cost would be the addition of at least one position in each district to handle the additional coding that would result. Mr. Staton estimated that ongoing additional costs for personnel would be \$4.2 million.

If a more extensive full fund accounting package were considered, Mr. Staton said his system would not be able to handle the formatting. He told the Group that several years ago he inquired into the cost of such a full fund accounting package for the Greenbush Interlocal and was informed that installation costs would exceed \$225,000, with an annual fee of \$30,000 for basic support. Mr. Staton said the price quoted him was for a "single installation," but he was not sure whether that meant that each school district would be charged that amount or whether there might be a combined fee or discount for multiple installations.

Roger Haack, Data Team Systems, Inc., explained that his company provides fund accounting, payroll, human resources, fixed asset, and other services to two-thirds of the school districts and half of the educational cooperatives (Attachment 9). He told the Group that two types of costs must be considered: one is the increased personnel cost to ensure initial compliance with a new requirement and the ongoing need to maintain the new coding system. Mr. Haack said he had no expertise to estimate the personnel costs, except to say that the greater the level of detail required, the greater the human cost to code, analyze, and report the data. The other cost is the mechanical or computer expense to convert to a new system. Mr. Haack said that for a new client to his company, the cost would be absorbed into the cost of initial implementation of whatever system is selected. For an existing client, Mr. Haack said the cost would depend on the specifications desired.

Mr. Haack concluded his presentation by saying that, while there would be some additional costs to districts from his company, the cost would be minor compared to the ongoing cost of labor.

Chairman Bunten responded to the presentations by Mr. Staton and Mr. Haack by noting that, since the site-based format under consideration by the Group is based on the budget format and coding system required by the State Department of Education for use at the district level, the coding changes necessary to implement building-based budgeting would require only the addition of a number for each individual school. The coding, with this exception, would be unchanged from what presently is in use.

Regarding additional personnel, Chairman Bunten noted that all districts presently have staff assigned to code invoices, and the addition of a number indicating the school or program to which the expense is to be charged should not require additional staff.

Gary Sanders, Business Development Division of IBM, discussed the prospect of centralizing or consolidating school district budgeting at the state level. He said it would be a huge undertaking, but would have the advantage of economy of scale. He said that, with regard to the technology, the capacity exists to undertake such a project. He said the main goal would be to link reports at the various levels—individual school, individual district, and state—so that data would transfer from one level to the next.

Mr. Sanders told the Group that all components of such an integrated system would have implementation and ongoing costs, but he was unable to make an estimate of what those costs would be without additional study. When asked whether a system centralized at the state level would replace computers and staff at the district level, Mr. Sanders said that it is not uncommon for IBM to utilize existing staff and equipment when it undertakes a project—either using the personnel and equipment at the outlying site or moving it to the central location.

Final Meeting

Senator Bunten told the Group that one additional meeting remains, which will be announced at a later date. He said it is his hope that the proposed building-based budget format can be used to format expenditures of one or more schools in an actual school district.

The meeting was adjourned.

Prepared by Carolyn Rampey

Approved by Committee on:

January 14, 2004

(date)