

February 10, 2015

The Honorable Amanda Grosserode, Chairperson
House Committee on Education Budget
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Grosserode:

SUBJECT: Fiscal Note for HB 2203 by House Committee on Education Budget

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2203 is respectfully submitted to your committee.

HB 2203 would allow the boards of two or more school districts to make and enter into agreements providing for the consolidation of administrative services. The agreements would be subject to the following: (1) the agreement may be for any term not exceeding five years; (2) the agreement shall be subject to change or termination by the Legislature; and (3) the agreement may be changed or terminated by mutual agreement of the participating boards of education.

Agreements would specify: (1) the education service center to be utilized, whether existing or newly created, for consolidating administrative services; (2) the administrative services being consolidated; (3) the duration of the agreement; and (4) the manner and method of performance of the responsibilities, duties, and functions required of the participating boards of education. Prior to entering into any agreement, each board of education would be required to adopt a resolution declaring that the agreement should be made and would be in the best interests of the educational system of the school district.

In addition, on July 1, 2015, and each July 1 thereafter, the Kansas Department of Education would be required to determine the median amount of expenditure for each administrative function category in the Kansas Accounting Handbook for Unified School Districts. The Department would classify expenditures in each district by enrollment—less than 499; at least 500, but less than 999; at least 1,000, but less than 1,999; at least 2,000, but less than 4,999; at least 5,000, but less than 14,999; and 15,000 or more. Districts in each enrollment classification would be ranked according to the amount the district reports as expenditures under administrative functions. Rankings would be provided for each administrative function. The Department would determine the median amount of expenditures for each function within the enrollment classification. These rankings and median amounts will be provided to each district in each enrollment classification.

Beginning with the 2015-16 school year, each board of education, at least once every five years, would be required to conduct a study of those administrative expenditures for which the district is ranked above the median for its enrollment classification on the potential financial and operational benefits of consolidating expenditures through agreements with education service centers. Each study would include an analysis of the financial and operational benefits and disadvantages in any existing agreement and an analysis of consolidating those administrative services that are not currently subject to an agreement. Upon conclusion of the study, the board of education would submit a report to the State Board of Education that includes: (1) a description of existing agreements; (2) a description of agreements that the district intends to enter into and the financial and operational benefits of such agreements; and (3) a description of those administrative services that the school district does not intend to make subject to an agreement, including the reasons for not consolidating such services.

The State Board of Education would be required to submit a report to the Governor and the Legislature on all agreements with education service centers on or before January 15, 2017, and each January 15 thereafter. The report would include: (1) the number of agreements entered into by school districts; (2) the number of agreements that school districts intend to enter into; and (3) a compilation of the reasons provided as to why districts do not intend to consolidate certain administrative services. The Board would be required to publish and maintain a list of existing education service centers, provide the list to all school districts, and publish the list on the agency website. The Board would be required to adopt rules and regulations to carry out the provisions of this bill.

According to the Kansas Department of Education, enactment of HB 2203 would require additional FY 2016 expenditures totaling \$62,000, all from the State General Fund, and 1.00 FTE Account II position. This estimate would include \$60,000 for salaries and wages, and \$2,000 for other operating expenditures, including office equipment and communications expenses. This position would coordinate and gather information that the Department would be required to report annually.

In addition, enactment of HB 2203 could result in potential savings for school districts that choose to consolidate certain administrative functions, as outlined in the bill. These efficiencies could, in turn, reduce state aid payments made to districts by the state. However, the amount of potential savings cannot be estimated. Any fiscal effect associated with HB 2203 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget