

KASB Summary of Post Audit Cost Study

The long-awaited study of education costs conducted by the Legislative Division of Post Audit says the state would have to add \$399.3 million to insure that all districts meet the outcomes required by the Kansas State Board of Education for 2006-07. The Kansas Supreme Court ruled this summer that the Legislature could conduct a new cost study, but said to be valid, it must include the costs of performance outcomes as well as other statutory and regulatory requirements.

The LDPA also set out three different levels for the “input-based” approach that looks only at the cost of educational programs and services required by the Legislature. With a class size of 25, the state would have to add \$316.2 million; with a class size of 18 in grades K-3 and 23 in grades 4 and above, the state would have to add \$519 million; and for a class size of 20, \$623 million.

Essentially, the study finds that Kansas continues to significantly underfund programs for special needs students. Under the outcomes approach, the state should add approximately \$250 million for students based on poverty, and \$75 million for special education.

The study also proposed adding \$41 million for a regional cost adjustment. Unlike the “cost of living weighting” passed last year but rejected by the Court, this would make an adjustment to every district based primarily on teacher salaries. Generally, larger districts and those closer to urban areas would receive a positive adjustment, while smaller, rural districts would tend to have a negative adjustment.

The study calls for a higher base budget per pupil under each scenario. But it significantly reduces the amount of low enrollment weighting and correlation weighting. Despite the additional funds, some districts would lose total funding under the proposed changes. It would take \$9.4 million to “hold harmless” all districts under the outcomes-based approach, and \$35.1 million to keep any district from losing total funding under the class size 25 model.

Furthermore, it appears that while all districts would receive an increase in funding for special programs such as at-risk, many could receive less funding for general operating costs through the base budget and enrollment weightings.

The report, which is posted on the Kansas Division of Legislative Post Audit and the KASB Web site, contains a district-by-district summary of the cost study results, beginning on page 196. For each district, it shows the amount of funding the district receives under the current formula, then compares it with the three input-based models and the outcomes-based approach.

For example, every district receives an increase in funding from the base budget per pupil, which is \$4,257 under current law. It would rise to \$4,659 for 2006-07 under the outcomes approach, and would vary between \$4,375 for the 25 student class size and \$4,943 for the 20 student class size. But every district loses money in enrollment

weightings. Every district would receive a significant increase in at-risk funding as the weighting factor rises from 0.193 to 0.484. Four districts would receive an additional “Urban Poverty” weight. However, the study would reduce funding for bilingual, vocational and transportation weighting.

Although the study recognizes considerable additional costs for special needs students, it tends to “force efficiencies” in calculating the base budget and enrollment weightings, as described by Post Audit Director Barb Hinton. This happens in several ways.

First, the inputs-study builds eight “model districts” with enrollments of 100, 200, 300, 400, 600, 1100, 2000 and 15,000. The study attempts to calculate the MINIMUM staffing required to operate a district at each of those enrollment levels, with no programs other than those required by state law. It then calculates teaching staff based on the three different class size ratios.

Second, for non-teaching staff and non-salary costs, the study uses current expenditures at the 33rd percentile level, which means that two-thirds of comparison districts are currently spending more than this level.

As a result, each of the eight model districts would have fewer staff than the actual median for districts of similar size used for comparison. For example, with a class size of 25, the 100 student model district would require 14.8 instructional administrative and support positions, or 5.3 position fewer than the actual median of comparison districts, which is 20.1. At the other extreme, the 15,000 student model district would require 1,025.4 positions, or 313.8 fewer than the actual median of 1,339.2.

The cumulative effect of these changes seems to be that many districts would either have to reduce staff and operating expenditures, perhaps by closing buildings (where possible), or attempt to shift those costs to the local option budget (if possible).

Summary and analysis

It is striking that this report, using two different approaches, comes up with remarkably similar results. The outcomes study would add nearly \$400 million; halfway between the highest class size (25) inputs model (\$316 million) and the medium class size inputs model (\$519 million).

The results seem to vindicate at least part of the much-maligned Augenblick and Myers study. The Kansas Supreme Court has held that the state would remain \$580 million short of the A&M study for 2005-07. The new outcomes study suggests \$400 million. At least part of the difference could be explained by the fact that many districts are already achieving the student outcomes levels required by the State Board. In other words, the study suggests that some districts are spending “more than they need” because their results are higher than currently required.

This study recognizes that funding for special needs students remains hundreds of millions too low. It reports a “lower cost” than A&M only by “forcing efficiencies” that many school leaders – and parents – will likely find unacceptable.

If the Legislature – or, ultimately, the Supreme Court – accepts this report as the MINIMUM funding required for a constitutionally suitable education, it could reduce funding in many districts for programs and staff for “regular” education as it increases funding for special programs.

This seems to vindicate KASB’s position: substantial funding needs to be added to help at-risk students achieve outcomes, but funding for other students should not be reduced.