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**House Education Committee**  
**Testimony on H.B. 2661 – Unencumbered Ending Balances**  
**Wednesday, February 13, 2013**

**Dr. Brenda S. Dietrich**  
**Superintendent, USD 437 Auburn-Washburn**  
**on behalf of United School Administrators of Kansas**

Good afternoon,

Thank you for the opportunity to appear in support of H.B. 2261. As I understand the bill, this would eliminate the cap on the contingency fund, would make permanent the ability to transfer unexpended balances and would require that 65 percent of transfers be spent on instruction.

I thought it might be helpful to also use this opportunity to speak with you about unencumbered cash balances and instructional costs.

The issue of 65% of the transfers being spent on instruction sounds reasonable, and we could support that, conceptually, but the definition of “instruction” has been the challenging piece that creates the greatest concern for those of us in the field.

The definition that has been used most recently is **very narrow**. It is based on money spent on activities that occur directly between students and teachers. If you have been in a school lately, you know that there are more people in the classroom than just the teacher who impact on student achievement. We have teacher’s aides, paraprofessionals, speech therapists, social workers, ELL teachers, librarians (who in my district are teaching librarians with a full curriculum to teach each year), counselors, interventionists who are specially trained in teaching lower achieving students in math and reading, school psychologists, physical therapists, occupational therapists, and nurses...just to name a few! You cannot educate the diverse student populations we have without the supports these staff members provide to the students and teachers in the classroom each and every day. The **Governor’s Task Force on School**

**Efficiency** discussed broadening this definition, as well, and there has been a bill introduced to look at the 65 percent requirement and a more realistic definition.

The other part of HB 2661 I would like to visit with you about today concerns the **funds that we tend to have cash balances in at the end of the fiscal year** that are critically important to our students, and how we have managed those unencumbered funds.

### Contingency Reserve

Auburn-Washburn is a growing district and usually has an increase of 50 -100 students each year. Our General Fund Budget is \$33,504,400 and our **contingency reserve stands at \$2.1 million. We have budgeted to expend \$700,000 of that contingency reserve this school year**, which we will transfer out of the contingency reserve at the last Board meeting in June.

On July 1, 2013, we anticipate having **\$1.4 million left** in our reserve, as it is highly unlikely we will transfer any funds into CR in June of 2013. We expect no new money next year, so the **\$1.4 million that is left is all we have** to negotiate raises with our employees and fund any increases in those areas that continue to plague us each year – increases in health insurance, fuel, utilities, and teaching supplies. The **\$1.4 million in contingency reserve is 4.1% of our general fund**. Just as a point of reference, **one month's payroll in Auburn-Washburn is \$3.1 million**. We do not have enough money in our contingency reserve fund to cover a month of payroll. We are not hoarding any funding, we are simply trying to be good stewards of our taxpayer dollars and have some ability to respond to emergencies, or cash flow issues that have occurred in the past with late state-aid payments.

We have **used contingency reserve funds to fill the gap left by reductions in BSAPP since 2009**. We depend on the ability to spend out of that fund to provide the flexibility to withstand further budget reductions and keep our mill levy relatively stable. Our Board of Education has done a fabulous job of listening to our taxpayers, the majority of whom do not want to see marked raises in their property taxes.

**From 2003 to 2012, our mill levy has ranged from 51.956 to 54, with only slight variations each year**. It actually decreased from the previous year's levy in 2003, 2004, and 2007.

### At-Risk Funds

**We began this school year with \$97,000 in unexpended at-risk funds.** We received \$2.4 million and, through some excellent planning, we were able to reserve \$97,000 for this year so we could **fund additional staff and supplies.** Auburn-Washburn has used at-risk funds to provide math and reading specialists (now called “interventionists”) in our buildings, where none existed prior to 2009. We are extremely grateful for this funding and evaluate our successes and/or failures each year in order to use these funds well. Our Board has allowed us to slowly add social workers with our at-risk dollars to help us with the **changing demographics of our district.** Example: We have had **3 families living at the Topeka Rescue Mission this year** and many more families in serious economic circumstances who need to be connected to resources within the community to just have their basic needs met. Our social workers are able to be that liaison and provide that service.

### Special Education Reserve

We typically try to keep **\$3 million in our special education reserve** and there is a very good reason for that. Special education is a federally mandated program that is highly regulated and very costly. As with many districts, we have students who come through our doors that have special education needs that would drain our resources if we did not have a special education reserve. It is impossible to anticipate what these very needy students might require.

Last year we enrolled 28 special needs students after December 1 who **required extensive interventions, including personal nursing services, therapy equipment, space reconfigurations, and, in some instances, residential treatment.** We have had students **arrive during the school year who are on ventilators and need specialized medical services while at school.** Districts need to be agile enough to respond to these situations during the school year. It is not reasonable to expect a district to be able to respond to these types of unknown situations without a sufficient reserve specifically allocated to special education.

In the 2010-2011 school year we had a student who was sent to an intensive residential hospital-like treatment center in Wichita as part of her IEP. That treatment center costs \$250,000 per year. Our special education reserve mitigated the impact of that placement.

The **Menninger Hospital complex** is in our district. When they closed the facility in the spring of 2001, we were providing educational services to 20 emotionally disturbed students at

Southard School on the Menninger Campus. Between March and August of 2001, we had to find functional space for these students and staff. We purchased 2 large modular units very quickly, reconfigured the interior space, furnished the modulators with modified instructional equipment, moved staff from the Menninger Campus to the high school, connected the plumbing, electricity, cameras, computers, and were ready by the time school started in August. We relied on our special education reserve funds to accomplish this huge relocation effort.

**School districts depend on the safety net of our Special Education Reserve fund to be able to meet those special circumstances that challenge us each year and to take good care of the unique needs of our special education students.**

### **Textbook Fund**

**Auburn-Washburn has \$2.3 million in our textbook fund for our next adoption,** which is K-12 math. We have been building that fund for the past 6 years because we knew we had a large adoption scheduled for this spring. The last large K-12 adoption was language arts in 2004, which cost us \$1.2 million. We had 5,300 students then and we have 6,000 students now, so we anticipated a cost of about \$1.8 million for math.

The **majority of those funds have come from our textbook rental fee** that parents pay at enrollment. Those dollars are not derived from state aid.

### **The Rest of the Story**

We have looked internally at what may seem like exorbitant balances in some building level activity funds. I totally understand, on the surface, how it might appear that local Boards of Education are holding too much cash in reserve because I have had similar concerns about our high school activity fund. We frequently get requests to purchase equipment or materials and supplies beyond what was allocated to them in their building budgets. The last time that occurred and we looked at their account balance, they had several hundred thousand dollars. So, as you can imagine, we had a little visit about how **they might want to use THEIR funds** for these requests! However, I ended up having a Paul Harvey moment. **There was more to the story.**

It is not unusual for their accounts to bulge at different times of the year. For instance, the band takes a trip every other year and the band students have to raise the money to go on the trip. It is not unusual to have \$200,000 in the account as part of their fund-raising efforts. There

are 220 students in band and they each need to raise \$1,100. The fees collected for yearbook purchases and ad sales are also in that account, which can add another \$260,000. Those activity accounts really were not hoarding an extraordinary amount of unencumbered cash, considering the circumstances; it just looked that way to the uninformed – and that would be ME!

**The 286 school districts in Kansas all have different needs for the various funds listed in H.B. 2261 and those local Boards of Education have made decisions about particular fund balances that made sense for their school communities.** Our Board members are good stewards of their taxpayer dollars. They are concerned about the fiscal health of their districts and, after significant state budget cuts in BSAPP, and no new money this year or last, are probably very reluctant to **deficit spend**; which is what my Business Manager calls spending out of our contingency reserve.

If the issue of what districts do, or do not do, with unencumbered cash balances on June 30<sup>th</sup> is a critical issue for our taxpayers and the Legislature, perhaps a **“rest of the story” analysis could be conducted to find out exactly how those funds plan on being used by districts and why the balances are being carried over at year-end.** Auburn-Washburn’s “why” might be very different than Wichita or Garden City or Ellsworth or Plainville. I encourage you to visit with your local school districts and ask for some of those details.

Thank you for allowing me to share my thoughts with you on H.B. 2261 and I would be happy to answer any questions you might have.