UPDATING THE RESULTS OF THE A&M SCHOOL FINANCE ADEQUACY STUDY FOR KANSAS TO 2004-05

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In May 2002 Augenblick, Palaich and Associates, Inc. (APA, formerly Augenblick & Myers, known as A&M) issued its report to the Kansas Legislature that both described the procedures that had been used to estimate the cost of a suitable education in Kansas (in general, we refer to the cost of a suitable education as the cost of "adequacy") and recommended changes in the structure of the state's school finance system. One purpose of the study was to determine the funding levels needed to assure that all school districts in Kansas would have sufficient operating funds, excluding transportation and food services, to be able to meet the requirements and expectations used by the state of Kansas to directly and indirectly hold school districts accountable.

APA used two approaches to estimate costs: (1) the professional judgment (PJ) approach and (2) the successful school district (SSD) approach. Under the PJ approach, panels of educators were given a set of standards then asked to identify the resources schools and school districts, of various sizes and with different concentrations of students with special needs, would need to have in order to meet the standards. Under the SSD approach, APA identified a set of school districts that were doing reasonably well and estimated the cost of serving students with no special needs based on the basic expenditures (excluding spending for students with special needs) of successful districts. The May 2002 report identified several elements that would be necessary to determine the cost of a suitable education in several hypothetical school districts, including: (1) a base cost figure; (2) an adjustment to the base cost figure relative to the enrollment level of a school district; and (3) adjustments to the base cost figure associated with the proportion of students in special education programs, students eligible for free lunch, and bilingual students.

The report determined two base cost figures – one using the PJ approach and one using the SSD approach. The difference in the figures (the PJ figure was about 25 percent higher than the SSD figure) was consistent with the fact that, on average, the successful districts performed about 25 percent lower than the actual level of performance expected in the future (the work was done just as the No Child Left Behind Act, which included performance expectations in 2013-14, was being enacted). As a result, APA's school finance recommendations suggested using the lower base cost figure as the basis for calculating state aid while allowing districts to continue using a local optional budget (LOB) of up to 25 percent of the base to obtain revenue up to the

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PJ level (which would include additional state aid depending on both the wealth and tax effort of school districts).

The purpose of this document is to update the levels of the base cost and add-on weights that would need to be used for the 2004-05 school year. The figures were updated from those used in preparing the May 2002 report based on an inflation rate of 5.7 percent over 4 years. In the May 2002 report, the adjustment factors were treated as if they were student "weights," which are expressed in figures relative to the base cost amount; for example, a weight of .40 means that the added cost of providing a particular service is an additional 40 percent of the base cost figure for each student with that particular need – if the base cost were $5,000 in a particular school district, the added cost would be $2,000 for each student with that need. In Kansas, and in many other states, approaches other than student weights are used to deal with some special needs – typically, these other approaches are based on the reported spending of districts or on reimbursement procedures that are not based on costs at all. Since there is a relationship between district size and some of the adjustment factors, it is necessary to create formulas to determine the actual adjustment for districts of different size. The following formulas can be used to determine the value of the base cost figure or a particular adjustment in relation to district size:

1. Base Cost

Less than 430 students	={[⟨(430 - Enroll.)/10⟩ X .01] X 4,700} + $6,045
430-1,300 students	={[⟨(1,300 - Enroll.)/80⟩ X .01] X 4,700} + $5,535
1,300-11,200 students	={[⟨(11,200 - Enroll.)/560⟩ X .01] X 4,700} + $4,700
Over 11,200 students	=$4,700

2. Special Education

All districts	= .90 + (enroll. X .00002)

3. At-Risk

200 students or less	= .20
Over 200	= .60 - [(1,000/enroll.) X .08]

4. Bilingual

Less than 500 students	= .15 for districts with less than 500 students

500 to 1,000 students	= .15 + [.0014 X (enroll. - 500]
Over 1,000 students	= .85 + [.000004 X (enroll. - 1,000)]

Table 1 shows the appropriate base cost and adjustments for four categories of districts based on the four hypothetical size districts that were used in the PJ approach and reported in the May 2002 report. The table does not include other information, such as student performance or district personal income, which might be of interest to anyone trying to explain the level of spending or how spending is related to factors such as student performance.

Updating the base cost levels and student weights

The figures in table 1 show the updated amounts for the 2004-05 school year. The table includes figures for districts organized by size category (using the same categories that were used in the May 2002 report) and for the state as a whole:

Section I of table 1 shows the 2003-2004 demographic characteristics of school districts in Kansas grouped by size. There were 82 districts with fewer than 325 students, which enrolled a total of 17,559 students (therefore, that group had 27.3 percent of the state's school districts but only 4.0 percent of the state's students. For the purposes of the professional judgment groups, that group was represented by a school district with 200 students. At the same time, there were 22 districts with more than 3,600 students, which enrolled a total of 232,224 students; the large districts group had 7.3 percent of the state's school districts and 52.7 percent of the state's students. The large districts group was represented by a district with 11,200 students. For the state as a whole, there were 300 school districts and 440,634 students.

Section II of table 1 shows the base cost levels and student weights for 2004-2005 that would apply to districts with the characteristics of the hypothetical districts representing each size group. The base cost level is highest in the very small districts and drops to its lowest point in the large districts. The weight for special education rises slightly with district size. The weight for at-risk students rises more steeply as districts grow in size from very small to large. The weight for bilingual students is very low in very small and small districts and rises to a much higher level in moderate and large districts.

TABLE 1

ESTIMATING THE COST OF ADEQUACY FOR KANSAS SCHOOL DISTRICTS in 2004-05

Using a Base Cost of $4,806

Groups of School Districts are Based on the Prototype Districts Used in A&M Adequacy Study

	Prototype District Size Group				
	Very Small	Small	Moder.	Large	**Total**
I. District Characteristics					
Range in Size of District (Students)	≤324	325-555	556-3,600	≥3,600	
Number of Districts	82	70	126	22	**300**
Number of Students	17,559	29,940	160,912	232,224	**440,634**
PJ District Size	200	430	1,300	11,200	
II. Base Cost Figures/Add-On Weights for Prototype Districts of Size Indicated in I.					
Base Cost	$7,928	$6,187	$5,659	$4,806	
Special Education	.90	.91	.93	1.12	
At-Risk	.20	.41	.54	.59	
Bilingual	.15	.15	.85	.8	

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