

**UPDATING THE RESULTS OF THE A&M SCHOOL FINANCE
ADEQUACY STUDY FOR KANSAS TO 2010-11**

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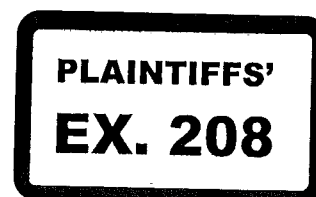
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In May 2002 Augenblick, Palaich and Associates, Inc. (APA, formerly Augenblick & Myers, known as A&M) issued its report to the Kansas Legislature that both described the procedures that had been used to estimate the cost of a suitable education in 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 that the state of Kansas used 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 and 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 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 to those that could have been used in the 2010-11 school year. It is important to note that APA believes that the results of a costing out (adequacy study) should be revisited every three to five years and not simply adjusted in perpetuity. Given the fact that no such updated study has been done recently, we have



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agreed to look at the 2010-11 costs that can be derived from the 2002 study simply by adjusting these results by inflation. The base cost derived from the 2002 study was \$4,550. This figure was derived from the using the SSD approach. APA looked at the Consumer Price Index(CPI) information for the Kansas City, MO-KS metro area produced by the United State Bureau of Labor and Statistics. Using 2000 CPI information as the base year to represent the 2000-01 school year and 2010 CPI information, the latest year available, to represent the 2010-11 school year, inflation between the two school years is 23.4%. This means the 2000-01 base cost of \$4,550 would be \$5,615 when adjusted for inflation. This new base figure can be used with the adjustments generated in the original report (they are described below) to show the adequacy figures based on district size:

1. Base Cost

Less than 430 students	= (((430-Enroll.)/10) X .01) x 5,615) + \$7,221
430-1,300 students	= (((1,300-Enroll.)/80) X .01) x 5,615) + \$6,612
1,300-11,200 students	= (((11,200-Enroll.)/600) X .01) x 5,615) + \$5,615
Over 11,200 students	= \$5,615

2. Special Education

All districts	= .90 + (Enroll. X .00002)
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3. At-Risk

200 students or less	= .20
Over 200	= .60 – ((1,000/Enroll.) X .08)

4. Bilingual

Less than 500 students	= .15
500 to 1,000 students	= .15 + (.0014 X (Enroll. – 500))
Over 1,000 students	= .85 + (.000004 X (Enroll. – 1,000))

The following table shows the base figures and adjustments for different district sizes for the 2010-11 school year. It is important to remember that the adjustment weights would be applied to each districts individual base cost figure.

<u>Enrollment</u>	<u>Base Cost</u>	<u>Educ.</u>	<u>At-Risk</u>	<u>Biling.</u>
50	\$9,355	.90	.20	.15
100	\$9,074	.90	.20	.15
200	\$8,512	.90	.20	.15
300	\$7,951	.91	.33	.91
400	\$7,389	.91	.40	.15
500	\$7,174	.91	.44	.15
750	\$6,998	.92	.49	.50
1,000	\$6,823	.92	.52	.85
2,000	\$6,476	.94	.56	.85
4,000	\$6,289	.98	.58	.86
6,000	\$6,102	1.02	.59	.87
10,000	\$5,727	1.10	.59	.89
15,000	\$5,615	1.20	.59	.91
25,000	\$5,615	1.40	.60	.95
45,000	\$5,615	1.80	.60	1.03