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To: Rep. Jason Goetz and the House Committee on K-12 Education Budget
From: Frank Harwood, Deputy Commissioner of Fiscal and Administrative Services
Date: January 29, 2025
Re: KSDE Budget for FY 2025 and FY 2026: Agency Operating Budget

Chair Goetz and members of the House Committee on K-12 Education Budget:

Thank you for this opportunity to present testimony on the budget of the Kansas State Department of Education. KSDE is under the authority of the State Board of Education, which is composed of ten elected members and has general supervision of public schools and all other educational interests of the state, except those delegated by law to the Kansas Board of Regents. Our testimony addresses today addresses the State Board's enhancement requests for agency operations and other recommendations from the 2024 Special Committee on Legislative Budget.

Enhancement Requests for Agency Operations

In addition to approving recommendations for state aid to school districts, the State Board of Education also approves recommendations for the operating budget of KSDE. For FY 2026, the State Board requested \$796,500, including an increase of \$892,420 from the SGF and a decrease of \$95,920 from special revenue funds, for agency operations.

The enhancement requests for agency operations are summarized in the table below. Each enhancement is then discussed in greater detail.

	FY 2026
	Enhancement
<u>Agency Operations</u>	<u>Request</u>
1. Implement 2024 House Sub. for SB 387	\$626,500
2. State Board of Education Compensation	170,000
3. E-Rate Transfer from KBOR (SGF)	95,920
3. E-Rate Transfer from KBOR (SRF)	(95,920)
Total-Agency Operations (All Funds)	\$796,500
Total-Agency Operations (SGF)	\$892,420

Agency Operations Enhancement Request #1: Implementation of 2024 House Sub. for SB 387. To effectively implement the provisions of 2024 House Sub. for SB 387, the State Board of Education approved an enhancement request of \$626,500 and 6.0 FTE positions for KSDE's operating budget. These positions were included in the fiscal notes for the various bills that were incorporated into SB 387 or were discussed during the conference committee on SB 387. Without these positions, KSDE will not be able to

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effectively implement the legislation, which included significant changes to state at-risk education program requirements, reporting, and accountability. Ensuring accountability requires additional staff positions to implement the new accountability provisions. The enhancement request includes the following positions.

<u>Application Developer #1</u>	<u>FY 2026 Expenditures</u>		<u>Application Developer #2</u>	<u>FY 2026 Expenditures</u>
Salaries and Wages	\$100,000		Salaries and Wages	\$100,000
Contractual Services	1,000		Contractual Services	1,000
Commodities	500		Commodities	500
Capital Outlay	3,500		Capital Outlay	3,500
TOTAL	\$105,000		TOTAL	\$105,000
Total FTE	1.0		Total FTE	1.0
<u>Auditor #1</u>	<u>FY 2026 Expenditures</u>		<u>Auditor #2</u>	<u>FY 2026 Expenditures</u>
Salaries and Wages	\$78,000		Salaries and Wages	\$78,000
Contractual Services	8,500		Contractual Services	8,500
Commodities	1,500		Commodities	1,500
Capital Outlay	28,000		Capital Outlay	28,000
TOTAL	\$116,000		TOTAL	\$116,000
Total FTE	1.0		Total FTE	1.0
<u>Education Program Consultant</u>	<u>FY 2026 Expenditures</u>		<u>Coordinator</u>	<u>FY 2026 Expenditures</u>
Salaries and Wages	\$88,000		Salaries and Wages	\$87,000
Contractual Services	5,000		Contractual Services	1,000
Commodities	1,000		Commodities	500
Capital Outlay	2,000		Capital Outlay	—
TOTAL	\$96,000		TOTAL	\$88,500
Total FTE	1.0		Total FTE	1.0

Since 2021, the Legislature has significantly increased KSDE's reporting requirements and administrative responsibilities, including accountability work, but has not appropriated additional SGF moneys to support these expanded responsibilities. The following bills became law and included a fiscal note that was not funded.

- 2021 House Sub. for HB 2066 included a fiscal note of \$66,000 and 1.0 FTE to implement provisions related to occupational licensing for military service members and military spouses. This fiscal note was not funded, and the additional costs had to be absorbed within KSDE's existing resources.
- 2022 Senate Sub. for HB 2567 included a fiscal note of \$455,000 and 5.0 FTE to implement provisions related to accountability and longitudinal achievement reports in the Every Child Can Read Act. This fiscal note was not funded, and the additional costs had to be absorbed within KSDE's existing resources.
- 2023 HB 2080 included a fiscal note of \$9.1 million to develop parallel state assessments for virtual students and to increase test security for virtual state assessments. This fiscal note was not

funded. As a result, KSDE could not develop parallel assessments and had to absorb the costs for increased test security within existing resources.

- 2024 House Sub. for SB 387 included a fiscal note of \$252,314 and 3.0 FTE for the original at-risk accountability program, along with a fiscal note of \$149,432 and 2.0 FTE for the original change to the calculation of special education excess costs. As the legislation changed over the course of the 2024 session, KSDE staff communicated the changing fiscal notes for the various pieces of legislation that were eventually incorporated into SB 387. However, the Legislature did not appropriate any funding for implementation of SB 387.

In addition to these unfunded fiscal notes, KSDE's overhead costs have increased without a corresponding increase in the agency's SGF appropriation for agency operations. The Monumental Building Surcharge, for example, increased by 10 percent from FY 2024 to FY 2025, with another 36.4 percent increase planned for FY 2026. The MBS must be paid from State funds and the FY 2026 increase will cost KSDE an additional \$90,000 SGF. Similarly, SGF expenditures for office rent in Landon State Office Building will increase by approximately \$100,000 from FY 2024 to FY 2026. As a result of these overhead increases and the unfunded fiscal notes, KSDE is unable to absorb the costs of implementing SB 387 without additional SGF funding.

KSDE also notes that several of the agency's SGF appropriations that are used for state operations expenditures are appropriated for specific expenditures, such as the contract with the ACT to make the ACT, Pre-ACT, and WorkKeys assessments available to Kansas students at no charge. Additionally, KSDE's federal grants cannot be used to support new state-level initiatives; they can only be used to support federal programs. For example, state special education law includes gifted students, but federal law does not. As a result, all KSDE programming for gifted students must be funded out of the SGF and cannot be funded out of KSDE's federal grant for administering special education programs.

KSDE wants to effectively implement the provisions of House Sub. for SB 387. Improving the academic outcomes for at-risk students is an important goal for the agency and the State Board of Education. However, KSDE does not have the financial resources to effectively implement SB 387 without additional funding and positions. KSDE and the State Board of Education respectfully request this additional funding.

Agency Operations Enhancement Request #2: State Board of Education Compensation. Since the early 1970s, salaries for the State Board of Education members have been tied to the salaries of Kansas legislators. The statutes setting State Board member compensation reference the statutes that previously set legislative salaries. The creation of the Legislative Compensation Commission, however, broke that tie because 2023 SB 229 created a brand-new section of law setting compensation for legislators; the previous statutes setting legislative compensation that the State Board statutes reference were not changed. As a result, legislators will get a pay increase beginning with the start of the 2025 legislative session, but members of the State Board of Education will not receive an increase. SB 229 also included increases to the salaries of statewide elected officials. Therefore, members of the State Board of Education were the only elected officials of the State government who did not receive a pay increase as a result of SB 229.

Therefore, the State Board requested \$170,000, all from the State General Fund, to increase the compensation of members of the State Board of Education by retying State Board salaries to legislative salaries. The State Board did not request to be paid the same annual salary (\$43,000 per year) as legislators. Acknowledging the differing responsibilities and time commitments of the bodies, the State

Board made their request based on the new daily rate for legislators while the Legislature is in session (\$286.67), as determined by the Legislative Compensation Commission.

Much as the 2023 Legislature wanted to ensure the opportunity to serve in the Legislature is not limited to only those with certain financial means, the members of the State Board request the increase in compensation to make it possible for more Kansans to serve on the elected State Board of Education.

Agency Operations Enhancement Request #3: Replace E-Rate Transfer from Kansas Board of Regents (KBOR). Since FY 2014, the Legislature has authorized an annual transfer from the Kansas Board of Regents' federal USAC E-Rate Program Fund to KSDE. These transfers have funded KSDE's administrative work with school districts that participate in the E-Rate program. The annual transfers received by KSDE are shown in the table below.

<u>Fiscal Year</u>	<u>Transfer</u>	<u>Fiscal Year</u>	<u>Transfer</u>
FY 2014	\$85,811	FY 2020	\$97,250
FY 2015	\$85,811	FY 2021	\$85,000
FY 2016	\$85,811	FY 2022	\$70,000
FY 2017	\$85,811	FY 2023	\$70,000
FY 2018	\$89,323	FY 2024	\$70,000
FY 2019	\$89,323	FY 2025	\$70,000
Total Transferred: \$984,140			

KBOR received federal revenues into the USAC E-Rate Program Fund from FY 2005 through FY 2014 for costs associated with the Kan-Ed Network. The Kan-Ed Network was decommissioned by the Legislature as of July 1, 2013. KBOR has indicated to KSDE that no federal funds have been received since FY 2014 and the fund has an outstanding liability of approximately \$450,000 to settle an audit finding. As a result, KBOR has requested no additional transfers be made from the fund, since, according to KBOR, there will no longer be funds available to transfer.

For that reason, the State Board of Education approved an enhancement request of \$95,920 from the SGF to replace the funding received from KBOR. This request also includes decreased expenditures of \$95,920 from KSDE's E-Rate fund (2157-2157). Therefore, the total request would simply shift expenditures from special revenue funds to the SGF. If the enhancement request is adopted, there would be a balance of approximately \$40,000 in fund 2157-2157 at the end of FY 2025.

KSDE is required to provide verification for school districts to be eligible to participate in the E-Rate program, even without funding to provide the 10 percent State match. Additionally, KSDE must provide training and technical assistance to school districts participating in the program. KSDE does this through direct work by agency staff and through a contract to maintain an E-Rate hotline. However, KSDE cannot recoup these administration costs from the E-Rate program because federal funding goes directly to the school district; it does not flow through KSDE.

If KSDE does not receive the transfer from KBOR or does not receive additional SGF moneys to replace the transfer, then KSDE will have to decrease or eliminate funding for other agency initiatives funded by the SGF, such as school district accreditation, school improvement, or some early childhood initiatives. Due to the increases in overhead costs and unfunded fiscal notes, KSDE cannot absorb the loss of the transfer from KBOR within existing resources.

Other Agency Recommendations of the Special Committee on Legislative Budget

The 2024 Special Committee on Legislative Budget deleted several items from KSDE's budget. KSDE respectfully requests these items be included in our budget.

Transfer Balance in School District Capital Improvements Fund back to the State General Fund. On June 19, 2023, KSDE received a check of \$328 from USD 289 (Wellsville) to refund a small overpayment for Capital Improvement State Aid in FY 2023. This check was received after the final FY 2023 payment for Capital Improvement State Aid was processed in June. Therefore, KSDE ended FY 2023 with a \$328 balance in fund 2880-2880. Since Capital Improvement State Aid reverted to a demand transfer in FY 2024, this balance was not spent and KSDE still has a balance of \$328. **KSDE requests language be included in the budget bill authorizing the transfer of this cash balance back to the State General Fund in FY 2025.** We do not request that it be transferred to fund 1000-0870; there is currently sufficient moneys in that fund to make all anticipated payments in FY 2025.

Authority to Transfer Funds Between SGF Accounts. Since FY 2019, the Legislature has annually authorized the Director of the Budget to transfer funds between KSDE's State General Fund appropriations. KSDE requests continuing legislative authority permitting the Director of the Budget to make such transfers during FY 2026. KSDE has only used this process to carry out legislative intent and transferred funds between state aid appropriations when one appropriation has a surplus and another is short of funds. In lieu of this provision, KSDE would need to request the Governor to issue an executive directive. Since KSDE may not know until late May or early June if it may be necessary to transfer funds between SGF accounts, an executive directive may not be completed in time. The current provision expedites the process and allows for more efficient distribution of state aid. **KSDE requests this language be included in the budget bill for FY 2026.**

Distribution of State Aid from the State Safety Fund. KSA 8-272 requires the distribution of state aid from the State Safety Fund (which is for driver education programs) to be made by November 1 of each fiscal year. For FY 2017, the Legislature approved a transfer of \$1.6 million from the State Safety Fund to the State General Fund, which was \$500,000 more than the previous year. The additional amount transferred considerably reduced the amount of funds available to distribute as state aid on November 1. As a result, the Legislature approved language in appropriation bills allowing KSDE to make the state aid distribution from the State Safety Fund whenever funds were available for FY 2018 through FY 2025. It was not until FY 2025 that the cash flow in the State Safety Fund returned to the point where state aid could be distributed on November 1 without having to decrease the amount of state aid distributed. However, KSDE is requesting that this proviso language (allowing the distribution of state aid funds whenever funds are available) be included in the FY 2026 budget. This request is being made in the event of an unanticipated shortfall in revenue that could cause the amount of state aid to be reduced. **KSDE requests this language be included in the budget bill for FY 2026.**

USD Checkoff Fund. KSA 79-3221n provides the opportunity for individual Kansas taxpayers to donate all or a portion of their income tax refund to a school district of their choosing. Taxpayers may also donate funds in addition to their income tax liability. The program requires taxpayers to enter the number of unified school district they wish to donate to. Sometimes the number entered does not apply to a current school district or the school district number is left blank. Previously, this resulted in growing cash balance in the fund that could not be distributed to school districts. Over the last several years, the Legislature has provided authority to distribute these funds to all Kansas school districts. **KSDE requests the language be included in the budget bill for FY 2026.**

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