

School Funding Study of Suspect Value

(Full Report)

by Kenneth Daniel

In 2001 the Colorado firm Augenblick & Myers, Inc. was hired by the Kansas legislature to study “the adequacy of school funding in Kansas”. In May 2002 their report, “Calculation of the Cost of a Suitable Education in Kansas in 2000-2001 Using Two Different Analytical Approaches”, was published.

Judge Terry Bullock focused on the study in the Montoy vs. State of Kansas et al lawsuit, citing it as uncontroverted evidence that Kansas was under-funding education by more than a billion dollars per year.

ABOUT AUGENBLICK & MYERS

Dr. John Augenblick’s firm has been hired by at least 30 states[1] to evaluate their school finance systems. Augenblick was a grade school teacher for three years, then obtained a Ph.D. in Education, and eventually became Director of Education Finance for the Education Commission of the States (ECS). In 1983, he started his own consulting firm.

Invariably, the firm’s “studies” recommend huge increases in spending--\$1.3 billion for Maryland, \$1.1 billion for Ohio, \$750 million for Nebraska, and \$913 million for Missouri, to cite a few.

This is the second time that the firm has been involved in an education funding crisis in Kansas. A&M was previously involved in the massive changes that took place in the early 1990s. Augenblick claims to have “helped create” the present school finance system in Kansas[2]—the very system which Judge Bullock has ruled in violation of both the Kansas and U.S. constitutions.

THE 2002 A&M REPORT

The purpose of the 2002 A&M study[3], published in May 2002, was ostensibly to determine the funding level necessary for Kansas school districts to meet the objectives of a “suitable” education[4]

One should not assume this report is a scholarly or even serious attempt at legitimate research or analysis. The report is riddled with mistakes, contradictions, leaps of logic, and unsupported claims and conclusions.

The seed that grew this latest report was 2001 legislation requiring the Legislative Coordinating Council (LCC) to provide for a professional evaluation of the cost of a “suitable” education. The legislation defined “suitable” as those courses that are statutorily required, plus those additional courses required for a State Scholarship, plus the courses required by the State Board of Regents to meet admissions requirements. In addition, the law required analysis of funding needed in schools of various sizes and locations, for special education, for

at-risk students, for students with limited English proficiency, and for students impacted by other special circumstances.

The LCC delegated the oversight of the study to the Legislative Educational Planning Committee (LEPC), which, with the encouragement of the State Board of Education, expanded the definition of “suitable education” to include student and staff safety, early childhood programs, extended learning time, alternative schools, technical education, technology training, library media services, foreign language, fine arts, nursing and counseling services, activities programs, student transportation, and a qualified teacher in each classroom[5].

“BASE COSTS”

Since 1992-93, Kansas has used “Base State Aid Per Pupil” (BSAPP) as a starting factor in computing state aid. That year was a transition year, however, and BSAPP of \$3,600 per pupil was not fully implemented until the following year. By 2000-01, BSAPP had risen to \$3,820. It is BSAPP that school spending proponents cite as failing to keep pace with inflation. This is very misleading, however, because BSAPP is only one of many factors used to compute state aid. When all factors are included, total per pupil state aid increased by 2.26 times the rate of inflation during the 1993-94 through 2000-01 period[6].

The A&M study uses the terminology “foundation costs” and “base costs” interchangeably to refer to the concept of a basic level of costs per pupil. Costs and funding are separate issues, however. In its costs analyses, the report does not segregate the state, federal, and local funding sources to pay those costs. It does refer to funding sources frequently, which creates considerable confusion for the reader. In the following discussion, only the costs identified in the A&M study are considered. All references to revenues or sources of revenues are ignored[7].

A&M used two cost analysis approaches, each based upon the 2000-2001 school year.

The first method was the “professional judgment approach”, in which 59 educators and pro-education activists generated a wish list of items they wished to have included, including most or all of those added by the LEPC, then estimated how much money was needed to pay for them. These experts estimated “base costs[8]” per pupil in four imaginary districts—200 students, 430 students, 1300 students, and 11,200 students. The respective base costs they determined were \$8,581, \$7,361, \$6,683 and \$5,811[9]. No weighted average for all districts was calculated, but had it been, it would have been about \$6,150.

The second method was the “successful school district approach”, which analyzed the actual spending of 85 Kansas school districts deemed to be “successful”. It was found that the base cost per pupil in the 85 districts varied between \$3,112 and \$5,321[10]. The weighted average base cost in those 85 districts was \$4,547. This was about 6% higher on average than the other 219 districts in the state[11].

Both of the above already include the extra costs associated with district size. It was determined that there are no extra costs associated with vocational education, therefore that is covered in the basic costs. Neither includes the extra costs of “at risk” students, special education, bilingual education, transportation, capital outlay, or food service. The

“professional judgment” approach does include most or all of the LEPC add-on items[12] except transportation. It also includes additional “wish list” items added by the expert panels.

At this point one should know all that is needed about base costs. The “professional judgment approach” yields base costs that are 56% to 87% higher than the actual costs for successful districts. The weighted average for successful districts, including vocational education and district size factors, was \$4,547 in 2000-2001.

If the \$4,547 were a direct increase from \$3,820 in BSAPP, it would cost \$325 million. Subtract \$301 million in low enrollment and correlation weighting and \$25 million for vocational weighting, and the new base cost is the same, within a million or two, of the old base cost plus the two weighting factors.

Based on the average \$4,547, total statewide funding for base costs would need to be \$2.032 billion[13]. This level would include a \$182 per pupil average increase for the remaining 219 school districts other than the 85 successful ones. The cost of that increase would have been about \$56 million[14].

But A&M did not use the figure of \$4,547. Instead, they raised it to \$4,650, not for any reason concerning costs, but for the irrelevant fact that \$4,650 plus a 25% local option budget equals \$5,811[15], the wishful “professional judgment” figure. This unjustified change added \$46 million to statewide base costs[16].

But A&M did not use the \$4,650 as a statewide average. Instead, without any explanation whatever, they used it for the minimum base cost any district would have. A few of the largest districts would have a base cost of \$4,650, but all others would have higher base costs. A 100-student district would get \$7,458. This change added another \$300 million to statewide base costs.

Instead of the \$2.032 billion needed to fund base costs, the two changes raised the statewide base costs to about \$2.38 billion.

LOW ENROLLMENT AND VOCATIONAL WEIGHTING

A&M eliminated the separate “low enrollment and correlation weighting” category by including adjustments for school district size in base costs. This change inflates the costs of all the remaining weighting factors because they are applied to a much larger base cost. In other words, a 40% increase in base costs will result in a 40% increase in the costs of weighting factors, even if the factors themselves remain unchanged.

A&M also eliminated “vocational weighting” entirely[17]. In testimony to the Senate Education Committee, Carolyn Rampey of the Kansas Legislative Research Department testified that A&M had found vocational weighting to be unjustified. It was no more costly than many other courses that received no special funding[18].

AT-RISK WEIGHTING

In 1992-93, when “at-risk” weighting began, the weighting factor was .05. In other words, a district received an extra amount equal to 5% of Base State Aid Per Pupil for each student deemed “at-risk”. By 2000-2001, the weighting factor had been increased to .09[19]. According to the Kansas State Department of Education (KSDE), the cost of “at-risk” weighting in 2000-2001 was \$37.7 million[20].

The only determinant as to whether a child is “at-risk” is whether the child qualifies for free or reduced-price lunches. A&M cited no empirical study or authority as to what this weighting factor should be, nor did they establish a correlation between qualifying for reduced-price lunches and costs of the education of these students.

In September 1996, 12.15% of Kansas students were classified “at-risk”[21]. In September 2003, this had risen to 29.3%.

A&M, using only the wish lists of the “professional judgment approach” panelists as a basis, increased the at-risk weighting factor to .20 for a 100-student district up to .60 for a 30,000-student district[22]. This was done in spite of the fact that no other state has adopted variable weighting based on district size[23], and in spite of studies which show it costs small districts more for at-risk students than large districts[24].

According to KSDE[25], the cost of this change was \$270.3 million, bringing the total cost of at-risk weighting to \$308 million, or \$3,120 for each of the 98,705 at-risk students.

SPECIAL EDUCATION WEIGHTING

There is no per-pupil special education weighting in Kansas. There are no per-pupil cost statistics. Districts are currently paid based on how much they spend for special education, regardless of how many special education students they have.

It is difficult to determine how many special education students there are, although the Kansas Legislative Research Department estimated “more than 76,000” for 2000- 2001 in one report[26]. This was more than 17% of all Kansas students.

A&M recommended changing to per-pupil weighting for special education. Using the wish lists of the “professional judgment approach” panelists, they computed special education per-pupil weighting factors of .86 for very small school districts and 2.08 for large districts[27].

A&M then cited a recent national study that had determined that .90 was appropriate for school districts of all sizes. No other states use variable weights based on district size[28].

In spite of these facts, A&M concluded that Kansas should have variable weights of .90 for very small districts rising to 1.50 for the largest[29]. Again, there is no justification for the counter-intuitive heavy weighting for large districts.

KSDE determined that this would cost an extra \$102.9 million[30] over what the state had actually paid for special education in 2000-2001, which was \$233.4 million. If the 76,000 student figure is correct, the total would be \$4,425 per special education student.

When Governor Kathleen Sebelius recently introduced her tax increases for education, she called for per-pupil weighting for special education. There was a great outcry from some school districts against this idea. The Governor quickly scrapped the idea.

BILINGUAL EDUCATION WEIGHTING

Bilingual Education currently carries a .20 weighting factor. There were 5,768 such students in 1996-97, 9,752 in 2000-01, and 12,150 this year.

According to the Kansas State Department of Education (KSDE), the cost of bilingual weighting in 2000-2001 was \$7.45 million.

A&M, using the wish lists of the “professional judgment approach” panelists as a basis, determined the weights should be .15 for a 100-student district up to .97 for a 30,000-student district[31]. Again, Kansas would be the only state with variable weighting according to district size[32]. Again, there is no justification for the counter-intuitive heavy weighting for large districts.

According to KSDE[33], the cost of this change would have been an additional \$33.5 million, bringing the total cost of bilingual weighting to \$41 million, or \$4,196 for each of the 9,752 bilingual education students.

A&M did not analyze or even mention the fact that most bilingual students are also at-risk students.

TRANSPORTATION WEIGHTING

Transportation weighting is converted into a “number of FTE students” figure, but it is based on a set of complicated computations. A basic factor is that students must live more than 2.5 miles road distance from their school to be counted in the formula. Since 1996 the weighting has stayed around 19,000. It was 18,661 in 2000-2001, which cost \$71.3 million.

A&M, without supporting references, said that the 2.5 mile standard in Kansas is the highest in the country[34], and recommended the distance factor be lowered from 2.5 miles to 1.25 miles.

According to KSDE[35], the cost of this change would have been an additional \$20 million, bringing the total cost of transportation weighting to \$91 million.

NEW FACILITIES WEIGHTING

A&M declared, “New facilities have special costs associated with their initial operation, which justify the extra compensation[36].” There was no analysis of these extra

costs, no information about whether other states use this factor, and there were no references.

This is another counter-intuitive argument. Common sense dictates that once the expenses of moving in are paid, new facilities cost much less to operate because everything is new and maintenance and repairs are low.

Currently a weighting factor of .25 is used for each student in a new facility for a period of two years. A&M concluded that it was appropriate to extend the period to three years but lower the factor to .10 over that period[37].

In 2000-2001, new facilities weighting cost \$7.25 million. KSDE ignored the study and calculated the cost would increase by \$2.16 million with no change in weighting method, simply from the higher "base costs".[38]

BASE STATE AID PER PUPIL

On its own, Base State Aid Per Pupil tells little about education funding in Kansas. There have been dozens of changes in the education funding formula since 1992-93. To get a realistic view of what has happened, one must look at the full picture.

Earlier it was shown that when all factors are included, total per pupil state aid increased by 2.26 times the rate of inflation during the period 1993-94 through 2000-01.

Analyzing total spending instead of just state aid, in 1989-90 per pupil total expenditures were \$4,960. In 2002-03, they were \$8,894, an increase of 79.3% in 13 years. From June 1990 to June 2003, the consumer price index increased 41.4%[39]. Therefore, total per pupil expenditures increased at 1.91 times the rate of inflation, even when the earlier state revenue crisis period is included.

In 1996-97, with weighting factors added, each student was counted as 1.22 students. By 2003-04, this had grown to 1.29. This writer was unable to find earlier statistics, but a review of the weighting factor changes prior to 1996-97 would indicate that the growth in the number of times a pupil was counted was even higher during the 1993-97 period.

ANALYSIS

The "successful school district approach" yielded the information that it cost \$4,547 per pupil to be "successful" before any weighting is added. On average the rest of the districts in the state were spending 6% less. To bring their level of spending up to that of the successful districts, \$56 million in additional spending would be needed.

The study concluded there is no need for vocational education weighting. Interestingly, seventy percent of the "professional judgment approach" panelists felt that the current .50 weighting for vocational education is too low.

The study yielded no meaningful information about low enrollment weighting. It is possible that the data gathered in the successful school district approach could have been

used to provide some analysis on this subject, but it was not done.

Based on apparently faulty information, the study concluded that no funding was needed for salary increases for teachers.

The study recommended the use of per-pupil weighting for special education. Recent work by the National Center for Special Education Finance indicates that a weight of .90 is appropriate. Variable weights by school district size are not used by other states.

At-risk weighting in other states is typically lower than .50, but the study does not cite any numbers from other states. Variable weights by school district size are not used by other states.

The study did not cite any examples of bilingual weighting from other states. Variable weights by school district size are not used by other states.

According to A&M, the 2.5 mile standard used in transportation weighting in Kansas is the highest of any state A&M had studied. Other states use a standard of 2.0 or less, with 1.0 to 1.5 being the norm. A&M did not say whether other states used a factor for population density in their weighting formulas.

The study provided no evidence, period, that weighting for new schools is justified.

CONCLUSIONS

The key A&M conclusion was that no significant changes are needed in the approach Kansas uses to distribute state aid to school districts[40]. A&M then proceeded to recommend an astonishingly complex and expensive group of changes.

The “professional judgment approach” is deeply flawed. It confirms that educators and education activists think a great deal of additional money is needed for virtually every component of school spending. This esoteric exercise yielded little or no usable information. This method showed that successful schools need 56% to 87% more money to accomplish exactly the same results that they are already achieving.

It is disturbing that this study, a very shoddy piece of work at best, is a key element in a lawsuit with a possible billion-dollar judgment. If its recommendations were adopted, it is highly unlikely that the inequities that so disturbed Judge Bullock would be fixed.

Kansas legislators and legislative leaders are justified in waiting until the final results of the lawsuit are known. If they don't, it may be found that attempts to guess what the courts might do have only made matters worse.

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DOCUMENTATION

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Word Count: 3030

[1] "MREA Update", Montana Rural Education Association, February 2002
<http://www.mrea-mt.org/O202.htm>

[2] Ibid.

[3] "Calculation of the Cost of a Suitable Education in Kansas in 2000-2001 Using Two Different Analytical Approaches" by Augenblick & Myers, Inc., May 2002.

[4] Op. Cit., page ES-1.

[5] "The Augenblick and Myers Study of the Cost of a Suitable Education and HB 465", Kansas Legislative Research Department, March 2, 2004, page 1.

[6] 1992-92 was a transition year and is therefore not included in the 2.26 figure. Including it would show an increase of more than triple the rate of inflation, but that would not be a valid comparison.

[7] A basic technique used in most business budgeting is to first identify the costs, then analyze the revenues needed to support the costs. Frequent references to revenues in the A&M study make it almost impossible to follow the cost issues and computations.

[8] According to page ES-2 of the A&M report, "The foundation level, or base cost...should reflect the amount of money that should be spend on a student with no special needs, attending school in a district with no special circumstances, if that student is to meet state standards." According to page IV-1, "The primary purpose of the professional judgment is to estimate the cost of providing those services believed to be necessary to assure that the average student, attending school in an average district, can meet whatever objectives the state has established."

[9] A&M report, Table IV-10.

[10] Op. Cit., page VI-2.

[11] Op. Cit., page ES-3.

[12] The Legislative Educational Planning Committee add-ons were student and staff safety, early childhood programs, extended learning time, alternative schools, technical education, technology training, library media services, foreign language, fine arts, nursing and counseling services, activities programs, student transportation, and a qualified teacher in each classroom.

[13] A&M report, page VII-2: 446,970 students @ \$4527 equals \$2,032,373.

[14] Assumes the average size of the 85 successful districts and the average size of the 219 unsuccessful districts are close to the same.

[15] A&M report, page VII-11, quote: "We decided that it would be appropriate for Kansas to use the higher figure as the limit on the second tier (local option budget) while setting the base level at \$4,650."

[16] 446,970 times (\$4650 - \$4547).

[17] A&M report, page ES-4.

[18] Testimony of Carolyn Rampey, Principal Analyst of the Kansas Legislative Research Department, March 2, 2004, in the Senate Education Committee.

[19] It was raised to .10 in 2001-2002 and has remained there since.

[20] 98,705 Full-Time Equivalent Pupils x .10 weighting factor x \$3820 Base State Aid Per Pupil equals \$37,705.310.

[21] The 1992-93 statistics were not found.

[22] A&M report, page VII-11.

[23] Op. Cit., page VII-9: "It is worth noting that, as far as we know, no other state has adjusted pupil weights in light of school district size."

[24] Testimony of Carolyn Rampey, Principal Analyst of the Kansas Legislative Research Department, March 2, 2004, in the Senate Education Committee.

[25] Memo to State Board of Education, July 8, 2002, Dale Dennis, Deputy Commissioner of Education.

[26] Kansas Legislative Research Division, October 14, 2002 report on Special Education.

[27] A&M report, page VII-8.

[28] A&M report, page VII-9.

[29] Op. Cit., page VII-11.

[30] Memo to State Board of Education, July 8, 2002, Dale Dennis, Deputy Commissioner of Education.

[31] A&M report, page VII-11.

[32] Op. Cit., page VII-9: "It is worth noting that, as far as we know, no other state has adjusted pupil weights in light of school district size."

[33] Memo to State Board of Education, July 8, 2002, Dale Dennis, Deputy Commissioner of

Education.

[34] A&M report, Appendix F.

[35] Memo to State Board of Education, July 8, 2002, Dale Dennis, Deputy Commissioner of Education.

[36] A&M report, page VII-16

[37] Ibid.

[38] Memo to State Board of Education, July 8, 2002, Dale Dennis, Deputy Commissioner of Education.

[39] CPI-U, U.S. Department of Labor: 129.9 in June 1990, 183.7 in June 2003.

[40] A&M study, page VII-6.