

2018-19 Budget Profile



McPherson USD 418



School Finance
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MEMO

McPherson USD 418
Office of the Superintendent



August 2018

McPherson USD 418 is privileged to present this budget document. The publication provides information regarding the financial status of the district. The document contains detailed information regarding the proposed 2018-19 budget. Also included is historical information regarding school finance in McPherson.

Preparation of this document requires the assistance of USD 418 staff members. Their work with the financial management is highly valued. They play an important role in helping provide the highest quality of education to our students and our community.

Questions regarding this document or other questions regarding financial matters may be directed to Board Members, the Superintendent of Schools, or the Executive Director of Finance and Human Resources.

On behalf of the students and staff of USD 418, please accept our gratitude for the monetary support that you, our taxpayers and patrons, provide. Your support of our schools make McPherson USD 418 a great place for students!

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gordon Mohn".

Gordon Mohn
Superintendent

**2018-19 Budget
General Information
USD #: 418**

Introduction

McPherson USD 418 continues to be recognized as one of the leading school districts in Kansas and was recognized in 2013-14 as one of the first two innovative school districts in Kansas. The administrative, teaching, and classified employees of the district have many years of experience and dedication to the district. The school district together with the McPherson County Special Education Cooperative employs approximately 265 certified staff and administrators, and 380 classified employees. More than fifty percent of the district teachers have earned a master's degree or higher.

The district operates one high school (9-12), an alternative high school, one middle school (6-8), four elementary schools (K-5), early education classrooms (ages 3-4) in each elementary school, and is the sponsoring district for the county special education cooperative. Enrollment in the McPherson schools is approximately 2,400.

The four neighborhood elementary schools have an average regular education class size of 20 students per teacher. Each of the elementary schools provides a comprehensive program, including library services, art, vocal and instrumental music, and special education support services. The curriculum used in all schools is developed by the professional staff and implemented district wide.

The middle school offers a broad program of required academic and exploratory elective courses along with Pre-AP course offerings. The average middle school class size is 22 students. Extra-curricular and athletic activities are also provided for middle school students.

The high school offers a college preparatory program including several AP course offerings as well as vocational education and career planning services. Students entering high school are urged to develop a 5-year plan of academic and career exploration goals. The average class size at the high school is 22 students per classroom.

All of the district schools are fully accredited by the Kansas State Board of Education under the Quality Performance Accreditation system.

All of the district schools benefit from high levels of parent and community involvement. The elementary and middle schools have Parent Teacher Organizations that work closely with school administration and staff throughout the year to provide support financially and voluntarily. The high school has several advisory groups and booster clubs that support the vocational, fine arts, music, and athletic programs. A private foundation was established many years ago that provides enhanced financial support for projects and activities above those possible from the school budget.

The Kansas State Board of Education named USD 418 as one of seven successful Kansas school district applicants for participation in the Kansans Can School Redesign Project. In 2018-19, Eisenhower Elementary School and McPherson Middle School will implement redesigned instructional formats formulated during the 2017-18 school year. The remaining schools in the district will embark on redesign projects during the 2018-19 school year. The district continues its C³ initiative of College, Career, and Citizenship readiness for students and anticipates the Kansans Can Project will enhance that initiative.

McPherson USD 418
History of School Finance

1992-1993 School Year: First year of the revised school finance law that attempted to equalize the cost of educating children in Kansas. A state rate mill rate was established for the general fund.

1992-1994 – 32 mills
1994-1997 – 35 mills
1997-1998 – 27 mills
1998-Present – 20 mills

1992-1993 School Year: State established a supplemental general fund through a local option budget (LOB). This optional budget permitted districts to increase their maximum general fund budget by 25%. See Figure 5 for the history the supplemental fund in USD 418.

1997-1998 School Years: USD 418 passed resolution to take the LOB to 25% in order to access New Facility Weighting funds to support the district building projects.

2000-2001 School Year: Motor vehicle tax was no longer included as revenue to the General Fund.

2001 Calendar Year: NCRA and McPherson County reached a settlement on the assessed valuation of the refinery. The assessed valuation was adjusted from \$20,432,500 to \$10,216,250. This portion of the settlement applied to calendar years 2001 and 2002. **2003-2010 Calendar Years:** The settlement between NCRA and McPherson County increased the assessed valuation of NCRA to \$15,000,000.

2001-2002 School Year: Kansas Legislature passed a law that required special education state aid to be deposited into the district's general fund. This decision boosted the amount of the general fund total which is used in the calculation of the supplemental general fund. During this year this option was available to only single school districts running their own special education services and to sponsoring district special education cooperatives which includes USD 418. The general fund was increased by \$2,347,447 that year and resulted in an increase of \$567,752 to the supplemental general fund.

October 2002: Governor Graves decreased the base budget per pupil amount used to determine State Aid from \$3,890 to \$3,863. This decision resulted in a loss of \$105,000 to the general fund and supplemental general from what was originally budgeted.

2002-2003 School Year: Kansas Legislature required all school districts to deposit special education state aid in their general fund. This action reduced the amount to USD 418 to \$1,251,894. It also reduced the supplemental general fund by \$281,319. Due to the significant drop in budget authority caused by this change the Legislature included a provision to grandfather sponsoring district cooperatives resulting in an additional \$100,520 for one year to the supplemental general fund. While planning for the 2003-2004 School Year, the district was able to take advantage of the grandfather clause and receive an additional \$54,449 by taking the LOB to 25%.

2003-2004 School Year: Governor Sebelius accelerated tax collection from June 2004 to May 2004. Therefore, tax revenues were distributed in June 2004 instead of July 2004. District Judge Terry Bullock ruled in the school finance court case, Montoy, et al v. State of Kansas, et al on

December 2, 2003. The preliminary interim order stated, “The Court hereby concludes, for all reasons stated, but entirely as a matter of fact, that the current school funding scheme stands in blatant violation of Article 6 of the Kansas Constitution and the equal protection clauses of both the Kansas and United States Constitutions...” The State Legislature made no changes in school finance formula during the 2004 Legislative Session.

2004-2005 School Year: The State Supreme Court is scheduled to hear the appeal of the school finance case in August. The proposed budget reflects a continued decline in student enrollment and the loss of “Special Education Grandfather for Sponsoring Districts Only” funds for the Supplemental General Fund. This budget year is the first year that Fund 51, KPERS Special Retirement Contribution Fund, is required to be included in the district budget and the Board of Education began to levy for the special assessments at Eisenhower Elementary School and McPherson High School.

2005-2006 School Year: The Kansas State Legislature was ordered by the Kansas Supreme Court to provide sufficient funding for a suitable education for the children in Kansas. After a special legislative was called by the Governor in June 2005 the Legislature passed a school finance plan that increased the base student aid per pupil \$150 to \$4,257, equalized the local option budget to 27 percent, placed a cap of 8 mills on the capital outlay mill rate and equalize one the same ratios as bond and interest state aid.

2006-2007 School Year: The Supreme Court ruled that the legislature substantially complied with the court’s orders to correct flaws in the school finance act that were in place when two school districts filed suit challenging that act’s adequacy and equity.

The court dismissed the appeal, but left for “another day” whether the current school finance act meets constitutional mandates to provide suitable and equitable funding for public education.

The court concluded that justices are “mindful of the fact that the funding of public education is extraordinarily complex, just as we are mindful of the realities of the legislative process. They concluded that the legislature’s efforts in 2005 and 2006 SB 549 constituted substantial compliance with their prior orders, through which it will have provided by 2008-09 at least 755.6 million additional dollars to the education of our children. This amounted to increasing the BSAPP to \$4316 FTE.

2007-2008 School Year: This is the second year of the Kansas Supreme court order to provide sufficient funding for a suitable education for the children in Kansas. This was reflected by an automatic \$58 increase to the BSAPP for a total BSAPP of \$4,374. Categorical Aid for SpEd increased from \$23,000 to \$26,000. McPherson USD 418 had expected to a decline of about .5 mills but due to a \$10M tax abatement request from one of the local corporations, the collection percentages had to be adjusted to be able to collect the revenue needed to fund the budget. This caused the mill rate to increase by .8 mills.

2008-09 School Year: This is the third year of the Kansas Supreme court order to provide sufficient funding for a suitable education for the children in Kansas. This was reflected by an increase of \$59 increase to the BSAPP for a total of \$4433. McPherson USD 418 had the assessed valuation for personal property drop ten million from a tax appeal of a local corporation and a four million increase in real estate valuation resulting in a net of six million decline in the overall assessed valuation. Consequently, the mill rate for the supplemental general fund increased 2.724 mills. USD 418 also increased the mill rate for Capital Outlay 2 mills. The mill rate in Bond and

Interest decreased. The overall increase in mill rate rose from 49.960 to 52.786 from the previous year.

2009-10 School Year: The BSAPP for 2008-09 school year began at \$4433 per student and was reduced by \$33 per student during the year. The BSAPP allocated for the 2009-10 school year was finalized at \$4280, however on July 2nd, that amount was decreased an additional \$62 per student due declining state revenue. This budget and cuts made at the end of the 2008-09 school year are based on the allotment of \$4280 per student. The district assessed valuation dropped approximately six million dollars. The drop in assessed valuation led to an increase in state aid in the supplemental general fund which helped slightly reduce the overall mill rate for the district.

2010-11 School Year: The BSAPP for 2009-10 school year began at \$4280 per students and was reduced by \$162 per student early in the fiscal year. The BSAPP allocated for 2009-10 was finalized at \$4012. The state will fund the BSAPP for the 2010-11 school year at \$4012 per fte. The state passed a one cent increase in sales tax for additional revenue. The districts assessed valuation rose slightly. The mill rate for the Local Option Budget increased due to less state funding, but the district lowered the cash reserves in bond and interest to offset the increase. The mill levy for the USD 418 will remain the same for the 2010-11 school year.

2011-12 School Year: The BSAPP for 2010-11 school year began at \$4,012 per students and was reduced by \$75 per student during the fiscal year. The BSAPP allocated for 2010-11 was finalized at \$3,937. The state will fund the BSAPP for the 2011-12 school year at \$3,780 per fte., which is an additional reduction of \$157 per fte from the cut in the 2010-11 BSAPP for a total decline of \$232. The districts assessed valuation rose 2.5%. The mill rate for the Local Option Budget decreased slightly even though USD 418 will receive less state funding due to the increase in assessed valuation. The mill levy for the USD 418 will essentially remain the same for the 2011-12 school year with a minimal decrease of 0.019 mills.

2012-13 School Year: The state BSAPP for the 2011-12 school year was \$3,780 per fte., which was a reduction of \$157 per fte from the final 2010-11 allocation. The BSAPP for 2012-13 has been increased by \$58 per fte and will be \$3,838 per fte generating approximately \$125,000 additional general fund dollars for the 2012-13 school year. The districts assessed valuation rose 3.7%. The mill levy for the 2012-13 school year will essentially remain the same with a minimal decrease of 0.023.

2013-14 School Year: The state BSAPP for the 2012-13 school year was \$3,838 per fte., which was an increase of \$53. The BSAPP for 2013-14 will be the same. The districts assessed valuation rose 5.8%. The district passed a 13.25-million-dollars bond issue in the spring of 2013, however, the mill levy for the 2013-14 school year will decrease by 1 mill from 52.302 to 51.302. The previous bond issue has expired allowing the bond and interest mill rate as well as the overall mill rate to decrease.

2014-15 School Year: The state BSAPP for the 2013-14 school year was \$3,838 per fte., which was the same as 2012-13. The BSAPP for 2014-15 will be \$3852, up \$14. The districts assessed valuation rose 3.6%. The district received additional state aid in Supplemental General fund and Capital Outlay from the ruling by the Supreme Court in 2013. The mill levy for the 2014-15 school year will decrease by 0.3 mills from 51.296 to 50.996.

2015-16 School Year: The 2015 Kansas legislature adopted a new block grant system for financing school districts. The system is designed to freeze most facets of school district funding for a two-year period, allowing the legislature two years to reconfigure the system for financing

schools. For the 2015-16 school year, general fund spending in USD 418 will increase slightly (\$146,183) due to additional funding provided by the opening of new classrooms at Washington Elementary and at McPherson High School. These two projects are a result of the bond issue approved by voters in the spring of 2013. The district's Local Option Budget will increase by \$508,444 due to voter approval of a resolution allowing this fund to increase from 30% to 33% of the General Fund. The mill level for 2015-16 will decrease by approximately 0.5 mills from 51.00 to 50.49, resulting in the lowest mill levy since 2007-08.

2016-17 School Year: This was the second year of the block grant funding system that was created by the 2015 Kansas Legislature. The district's General Fund Budget decreased slightly, due to the loss of New Facilities Weighting for Roosevelt and Lincoln Elementary Schools. Funding for the Local Option Budget continued at the same level as 2015-16. For 2016-17, the assessed property value in the district increased by approximately \$10,600,000 or 5.1%. This increase in assessed value allowed the district to reduce the total mill level for the fifth consecutive year. For 2016-17 the total mill levy was down by 1.114 mills, with the total being 49.643 mills.

2017-18 School Year: The block grant system adopted by the 2015 Kansas Legislature concluded with the 2016-17 fiscal year. The Legislature passed Senate Bill 19, The Kansas School Equity and Enhancement Act, which provides for State Foundation Aid to be provided to school districts. The Kansas Supreme Court heard oral arguments on the constitutionality of Senate Bill 19 in July. Funding for the Local Option Budget will increase by \$529,188 or 10.5% from 2016-17. For 2017-18, the assessed property value in the district increased by \$9,431,644 or 4.3%. For 2017-18 the total mill levy increased by 1.931 mills to 51.574 mills. The Kansas Department of Education (KSDE) launched the Kansans Can School Redesign project. School districts were invited to apply to become one of seven districts selected for the project. USD 418 was one of the seven districts selected and will serve as a demonstration site for other districts to study and visit.

2018-19 School Year: Over the past two years, the Kansas Legislature has made efforts to help public education keep pace with inflation. A consultant was hired during the 2017-18 year to conduct a cost study which found that Kansas public schools were 96 percent efficient in use of resources, a significantly better outcome from the study than anticipated. The study demonstrated a clear connection between increased funding and improved student achievement. The House, Senate and Governor approved a bill in the spring of 2018 that increases the BASE state aid for the next five years beginning with 2018-19 at \$4,165 per FTE. For 2018-19, the assessed property value in the district increased by \$4,412,978 or 1.9%. For 2018-19 the total mill levy decreased by 1.364 mills to 50.210 mills. USD 418 concluded educational plans for the middle school and one elementary school under the Kansans Can School Redesign project. Both schools will commence new instructional formats during the 2018-19 school year.

Board Members

Jeff Johnson, President	241-8279	Kim Janzen	480-0049
Brad Berg, Vice President	245-8486	Brian Kynaston	785-787-9316
Alan Burghart	755-4602	Chris Wiens	242-4109
Emily Greer	755-1078		

Key Staff

Superintendent.....	Gordon Mohn
Executive Director of Elementary Education.....	Angie McDonald
Executive Director of Secondary Education.....	Shiloh Vincent
Executive Director of Special Education.....	Melissa Strathman
Executive Director of Finance and Human Resources.....	Kirby Fadenrecht
Director of Facilities.....	Sheldon Anderson
Director of Food Service and Transportation.....	Bill Froese
Director of Education Technology and Information Systems.....	Russ Kahle
Business Office (Accounts Receivable).....	Vicki Trezise
Business Office (Accounts Payable).....	Tracey Wedel
Business Office (Treasurer).....	Jennifer Bertand

The District's Accomplishments and Challenges

Accomplishments:

- McPherson USD 418 was recognized as one of the first two innovative school districts in the state of Kansas in 2014.
- ACT scores continue to be well above state and national averages.
- McPherson USD 418's dropout rate has declined over the past 20 years and now is consistently between 1.5% and 1.9% per year. This is well below the state and national average.
- McPherson High School continues to offer Advanced Placement courses with over 130 students taking one or more exams.
- McPherson Middle School offers a Pre-Advanced Placement curriculum, unique to the Kansas area.
- All schools in McPherson consistently score above state and national averages on standardized tests. Historically, McPherson has ranked as one of the top school districts in scores on the Kansas State Assessments.
- During the 2009-10 school year, McPherson USD 418 began the Citizenship, Career, and College Ready initiative. The initiative is progressive and unique as there is no other

program similar in the state of Kansas. The initiative has been recognized as a model for schools across the country to follow.

- The Kansas State Board of Education named McPherson USD 418 as one of seven successful Kansas school district applicants for participation in the Kansans Can School Redesign Project. Representing the district in this initiative were Eisenhower Elementary School and McPherson Middle School. Planning for the redesign will take place during the 2017-18 school year. Implementation of the redesign will commence with the 2018-19 school year.

Challenges:

McPherson, USD 418 faces several challenges over the next several years (listed below). These challenges primarily pertain to difficulty in keeping pace with the increases in fixed costs and the need to be able to provide competitive salaries for staff.

- **Recruitment and Retention of Staff:** As a result of State funding issues, it is becoming more difficult to maintain competitive salaries for staff. This continues to put a strain on the district's ability to recruit and retain the quality staff this district and community expects for its students.
- **Staff Salaries:** USD 418 salaries fall in the lower quartile when compared to other Kansas schools of similar size.
- **Budget Management:** The district continues to function in difficult economic times. The district will see an increase in the General Fund for 2018-19. However, usable cash reserves declined by nearly \$194,000 for the 2017-18 school year due to increased costs of operation.
- **Health Care Costs** – the cost of health care continues to rise. The district continues to fund health insurance for its employees.

Supplemental Information for the Following Tables

1. Summary of Total Expenditures by Function (All Funds)

The budget is designed to best meet the needs of the various responsibilities of a school district. Every effort has been made to utilize resources to the optimum for the benefit of the students and patrons of McPherson USD 418. The goal is to support instruction at the highest level possible and that is demonstrated by an increase in expenditures for instruction.

2. Summary of General Fund Expenditures by Function

Emphasis has been placed on instruction. Student & Instruction support continues to be an area of great emphasis of the General Fund budget. Salary increases are reflected in the budget as hiring and retaining the highest quality of people within the organization is a district goal.

3. Summary of Supplemental General Fund Expenditures by Function

Some instructional materials come from this fund as well as support for At-Risk, Bilingual, Vocational, and Special Education Programs.

4. Summary of General and Supplemental General Fund Expenditures by Function

The emphasis of the combined General and Supplemental General Funds expenditures is on instruction.

5. Summary of Special Education Fund by Function

All funds transferred to the Special Education Cooperative pass through to the Special Education Fund.

6. Instruction Expenditures (1000)

This area continues to be an emphasis of the district and placing more budget authority for instruction will continue to be a goal. This fund has seen an increase over the past few years including this year.

7. Student Support Expenditures (2100)

This fund includes library and nursing expenses.

8. Instructional Support Expenditures (2200)

This fund includes counseling and testing expenses.

9. General Administration Expenditures (2300)

The fund emphasizes Board of Education expenses, Superintendent's office and business office expenses.

10. School Administration Expenditures (2400)

This fund includes all building administrative expenses.

11. Operations and Maintenance Expenditures (2600)

Operations and maintenance expenses in line 2600 continue to be budgeted from the Supplemental General and Capital Outlay Funds.

12. Transportation Expenditures (2700)

Transportation Expenditures in line 2700 are budgeted in the general fund.

13. Capital Improvements (4000)

The district shifted focus from large capital outlay projects to maintenance of existing facilities. The district utilizes capital outlay for maintenance and custodial salaries for upkeep of existing buildings. Long-term leases are used to fund significant or unplanned improvement projects as a means for managing cash flow.

14. Debt Services (5100)

USD 418 passed a 13.25-million-dollar bond issue in the spring of 2013 increasing the district's overall debt. However, the bond and interest mill levy was reduced by retiring former bond issues through the 2013 refinancing.

15. Reserve Funds Unencumbered Cash Balance

The district's overall cash balances declined in 2017-18 as the district planned to spend them down to meet the increasing cost of operations.

16. Other Information – Enrollment Information

Enrollment in the district has been steady over the past several years, with the exception of a decline during the 2013-14 school year.

17. Miscellaneous Information Mill Rates by Fund

The overall mill rate decreased by 1.364 mills for 2018-19. The assessed valuation increased approximately by approximately 1.9%.