

# **EDUCATION ASSESSMENT AND ACCOUNTABILITY REVIEW SUBCOMMITTEE**

## **Minutes**

**September 17, 2019**

### **Call to Order and Roll Call**

The meeting of the Education Assessment and Accountability Review Subcommittee was held on Tuesday, September 17, 2019, at 1:15 p.m., in Room 129 of the Capitol Annex. Representative Brandon Reed, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Brandon Reed, Co-Chair; Senators Alice Forgy Kerr, and Mike Wilson; Representatives Tina Bojanowski, and Regina Huff.

Guests:

LRC Staff: Joshua Collins, Jo Carole Ellis, Yvette Perry, Lauren Busch, and Maurya Allen.

### **Office of Education Accountability Report: Revenues and Expenditures for Career and Technical Education in Kentucky**

Dr. Bart Liguori, Research Division Manager, Office of Education Accountability, and Chris Riley, Research Analyst, Office of Education Accountability were present to share the OEA study regarding state-appropriated revenues and expenditure allocations for the 53 state-operated area technology centers (ATCs) and 42 locally-operated centers (LAVECs) utilized by students across the Commonwealth. Mr. Riley explained that funding has held steady over the last several years, but there are some problems regarding compliance with statute and regulation for career and technical education (CTE). There has been much legislative activity on CTE recently, specifically the creation of a CTE task force which will present to the Interim Joint Committee on Education prior to the next Regular Session of the General Assembly. This report will likely inform legislation and budget allocation for CTE in the upcoming biennium.

According to administrative regulation 705 KAR 3:141, there should be a minimum of five pathways offered at each CTE center and a minimum of 180 students enrolled. Pathways in many career fields are made available to students and include diverse industries such as manufacturing, engineering, and health related sectors. ATCs are located in 52 districts and serve students from 72 districts. There are 42 LAVECs in 32 districts

with three districts feeding into the Fayette County LAVECs. These centers all receive state funds. Additionally, comprehensive high schools offer CTE, but these are not allocated CTE-specific funding from the state, rather they pay for expenses out of school level general fund appropriations. There are eight programs which have applied to be added to the LAVEC funding list, but KDE is not adding additional schools or programs at this time.

Data for the report came from many sources including district-level annual financial reports, state grant allocation data, and OEA surveys sent to superintendents and CTE principals. KDE provided data on ATC expenditures, unduplicated CTE student counts, LAVEC funding allocations by category, and ten years of total CTE funds. Mr. Riley illustrated that the largest portion of funding for CTE comes from the general fund, with other funds coming from restricted funds and federal funds. Holding steady at approximately \$80 million a year, there was a nominal decrease of 4 percent from 2009 to 2018. However, inflation adjusted amounts show that an additional \$18 million would have been required in 2018 to meet the same purchasing power that was available in 2009.

During the 2018 fiscal year, LAVECs were allocated \$11.8 million from the general fund and ATCs received \$24.2 million. Additionally, \$17.4 million were allocated from SEEK funds to ATCs. Other CTE specific funds were allocated to districts housing ATCs (\$4.1 million) and to KCTCS (\$1.4 million). Vocational transportation received \$2.4 million from CTE specific funds. Mr. Riley then presented an OEA recommendation that the School Facilities Construction Commission (SFCC) should work in collaboration with the Kentucky Board of Education (KBE) and KDE to promulgate an administrative regulation that identifies the methodology for equating the average daily attendance of ATCs with the average daily attendance of other local school districts to ensure that these centers receive a proper share of the Kentucky Education Technology System funding.

Per student, LAVECs receive approximately \$397 and ATCs receive approximately \$2,033 after the SEEK and general fund allocations are combined, illustrating a significantly disproportional allocation, even though LAVECs spend as much or more than ATCs per student. There are also unfunded CTE schools and pathways as a result of a deficiency in funding according to KDE. It is estimated that \$1.3 million is needed for the previously referenced eight schools which have applied for LAVEC funding. An additional \$1.4 million is needed for full funding of currently unfunded pathways in existing LAVECs, and \$19.4 million is needed for 78 comprehensive high schools who are not currently receiving state funds for CTE but could qualify for LAVEC funding under current methodology.

Currently, KDE is not compliant with statute regarding funding amounts due to a flaw in the calculation. OEA recommendations stated that KDE should fund new CTE

programs at existing LAVECs in accordance with 705 KAR 2:140, sec. 5(2) or the KBE should amend the regulation to reflect current practices and the General Assembly should revise KRS 157.069 regarding the LAVEC categorical funding formula to reflect the proper methodology of computing category 2 and category 3 LAVEC full-time equivalent (FTE) student counts. There is also a weighted system for calculating LAVEC funding using FTE counts, and this system is within a statutory and regulatory framework. But KDE has acknowledged there is a mistake in the formula, therefore they do not use it. KDE has developed an internal formula but there is a semester "lag" in distribution of funding which is not in compliance with the regulation or statute. The \$17.4 million SEEK funding should also match expenditures, but staff found that the allocations do not match. There is significant variation among the ATCs and some use funds allocated for building maintenance and retirement of debt service, but some use SEEK funds for SBDM and other disallowed instructional expenses. This has resulted in several other recommendations, including that KDE should comply with all provisions of regulations for ATC funding or that KBE should align regulation with current practice, and the General Assembly should include specific language directing KDE to allocate funds to secondary CTE programs at KCTCS if they intend for KDE to continue that allocation.

In 2018, KDE allocated \$24.2 million to ATCs from their general funds, however, these funds are not line-item allocations for ATCs. There is also no statutory or regulatory framework for distribution to ATCs. OEA recommends that KBE promulgate regulations concerning the distribution of funds to ATCs that address both general fund and SEEK allocations. Additionally, accounting errors were discovered during staff review of district level annual financial reports, many of which were program coding errors. This masks the true costs associated with delivering CTE. There were also problems in federal reporting of CTE funding in Kentucky, including underreporting of CTE teacher counts by KDE and districts. Combined, these errors prevent comparison of expenditures across districts. OEA staff recommend that KDE should review the chart of accounts and change how ROTC, SBDM, and board expenditures are captured so that all schools are reporting accurately. KDE should work with district staff to ensure all CTE expenditures are coded correctly on the annual financial reports as are CTE teaching and administrative staff on the staff data reports submitted to both KDE and the US Department of Education.

Mr. Riley then shared a table illustrating the difference between funding for ATCs and LAVECs through comparison of the Southside Fayette County LAVEC and Madison County ATC. The per-pupil allocation is significantly higher for the Fayette County LAVEC, with a large portion coming from local district general funds. The Madison County ATC had a per-pupil allocation of \$1,932 with 95 percent covered by state sources, whereas Fayette County LAVEC had a per-pupil allocation of \$2,847 with only 32 percent coming from state funding sources. There is a significant disparity in expenditures per-FTE and per-pupil.

Staff further compared the ATC with the highest per-FTE allocation program with the lowest per-FTE program. Martin County ATC was allocated more than \$11,000 per-FTE while Meade County ATC was allocated only \$4,100 per-FTE in 2018. Deeper analysis of this difference found that Meade County has six programs housed at their ATC that are funded with district funds and the students in those programs are counted in the total FTE counts. Since CTE specific SEEK funds are allocated according to FTE counts, these inflated totals may result in greater allocation of SEEK funds to the nine districts which have at least one locally operated program housed at an ATC.

As referenced earlier, CTE teachers at ATCs are paid by KDE according to a set salary schedule and work at least 190 days per year. LAVEC teachers are district employees subject to home district salary and ranking schedules. They are required to work at least 185 working days but not more than 187 days according to statute. An analysis of starting salaries found that a majority of ATC teachers earn more than district-paid teachers, however, the same comparison of teachers with 20 or more years of experience found that a majority of district-paid teachers earn more than ATC teachers for all ranks. Staff analysis further discovered that special education teachers were more likely to be employed at a stand-alone LAVEC than at an ATC. Additionally, CTE classrooms cost more because of lower teacher-to-student ratios, higher cost of equipment needed for specialized pathways, and the fluctuating cost of consumables. Many districts also struggle to keep their equipment up to date in comparison to industry standards because of the high cost of specialized equipment.

At the request of staff, KDE provided estimations for new CTE program costs but there was considerable variation in the total estimated cost across programs, from \$100,000 up to \$325,000. Most of the difference in these start-up costs come from the higher cost of equipment for some programs over others. Finally, a majority of ATC facilities were built or last remodeled during the 1960s and 1970s. Some districts have newer facilities, but staff analysis found that 91 districts report a need for either facility upgrades or entirely new buildings. The total unmet need for CTE facilities was more than \$394 million as of February 2019.

In conclusion, Mr. Riley said the total funding for CTE has remained steady but inflation indicates a significant loss of purchasing power. Also, state funding proportionally favors ATCs relative to LAVECs, with districts making up the difference using district-level funding. And there are widespread issues with compliance and transparency for existing CTE funding structures making comparison between districts difficult. Potential legislative action during the upcoming Regular Session could set Kentucky on a different path going forward.

Senator Kerr asked if KDE had a response to the report. Chair Reed said the response had been provided to members electronically and was included in their meeting packets. The response would also be available online with other meeting materials.

Following the presentation and questions, Senator Wilson made a motion to accept the report, seconded by Senator Kerr. The motion passed by voice vote.

**Approval of Minutes**

Senator Kerr made a motion to approve the minutes as written, seconded by Representative Huff. The motion passed by voice vote.

Chair Reed announced that the next meeting of the subcommittee will be on October 17, 2019, at 1 p.m. in Annex Room 129. The topic will be teacher shortages. There being no further business to come before the committee, the meeting adjourned at 1:50 p.m.