SB

193

# SENATE COMMITTEE REPORT
## First Committee of Referral

DATE: 5/2/97

FURTHER: Finance

**Date of 5-Day Notice:** 5/2/97
(in accordance with Uniform Rule 23)
(24-hr rule in effect)

DATE TURNED IN TO OFFICE: 5/7/97

Health, Education and Social Services Committee considered SENATE BILL NO. 193

"An Act relating to a limitation on administrative expenditures of school districts; and providing for an effective date."

and recommends:

[ ] be **replaced** with _____ CS _____(_____)

[ ] adopt **previous** _____ CS _____(_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to the _____ Committee

**Senate Bill:**
[ ] same title
[ ] new title

**House Bill:**
[ ] same title
[ ] technical title
[ ] new: SCR#_____

| *SIGNING DO PASS* | *DP* | *OTHER RECOMMENDATIONS* | *NR* | *DNP* | *AM* |
|---|---|---|---|---|---|
| Loren D Lemon | ✓ | | | | |
| | ✓ | | | | |
| Lyda Green | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| *CHAIR:* | ✓ | *CHAIR:* | | | |

**NEW FISCAL NOTE(S):**

| Department | Date | Zero | Fiscal |
|---|---|---|---|
| DOE | 5/7/97 | | $93.1 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**PREVIOUS FISCAL NOTE(S):***

| Department | Date | Zero | Fiscal |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

[ ] **APPROPRIATION -- no fiscal note**

***include fiscal notes accompanying Governor's bill**

# FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 193

Revision Date:
Dept. Affected: EDUCATION
Title: An act relating to a limitation on administrative expenditures of school districts
BRU: School Finance
Component: District Support Services
Sponsor: Senator Torgerson
Requester: Senate Health, Education & Social Services
COMPONENT SERIAL NO. 155

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY98 | FY99 | FY00 | FY01 | FY02 | FY03 |
|---|---|---|---|---|---|---|
| PERSONAL SERVICES | 54.1 | 54.1 | 54.1 | 54.1 | 54.1 | 54.1 |
| TRAVEL | | | | | | |
| CONTRACTUAL | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 |
| SUPPLIES | | | | | | |
| EQUIPMENT | 4.0 | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 93.1 | 89.1 | 89.1 | 89.1 | 89.1 | 89.1 |
| CAPITAL EXPENDITURES | | | | | | |
| CHANGES IN REVENUES | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---|---|---|---|---|---|---|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 93.1 | 89.1 | 89.1 | 89.1 | 89.1 | 89.1 |
| 1005 GF/Program Receipts | | | | | | |
| Other: | | | | | | |
| TOTAL | 93.1 | 89.1 | 89.1 | 89.1 | 89.1 | 89.1 |

Estimate of current year (FY97) cost: $

POSITIONS:

| | | | | | | |
|---|---|---|---|---|---|---|
| FULL-TIME | 1.0 | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary)
The legislation requires that a school district may not spend more than $950 per ADM multiplied by the area cost differential for school and district administration. The department must determine the districts that do not meet the requirements and the commissioner shall withhold state aid unless a waiver has been granted by the State Board of Education. The legislation also requires that the waiver requests be submitted to Legislative Budget & Audit for their review prior to submission to the SBOE. The department believes that this requirement violates the constitutional separation of powers. Preliminary estimates indicate that 44 districts would not meet these requirements. The Department does not have sufficient staff to work with districts or the waiver process. Costs include a Project Assistant , Range 16A; contractual for legal services, phone, fax, printing, mailing: and equipment.

Prepared by: Eddy Jeans, School Finance Manager
Phone: 465-8650
Division: Education Support Services
Date: 5/3/97

Approved by Commissioner: Shirley J. Holloway, Ph.D.
Date: 5/3/97
Agency: Department of Education

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# Alaska State Legislature

**Committee Membership**
Senate Finance
Senate Resources
Senate Rules
Legislative Budget & Audit

*Senator John Torgerson*

**District Address:**
145 Main St. Loop; Ste. 226
Kenai, AK 99611
(907) 283-2690
fax 283-9267

**SessionAddress:**
State Capitol: Room 514
Juneau, AK 99801-1182
(907) 465-2828
fax 465-4779


## Sectional Analysis

## SB 193 - School Administrative Expense Cap

**Sec. 1** (a) Adds a new section to AS 14.17, establishing that a district may not budget for or expend more than $950 per ADM multiplied by the area cost differential under statute for the combined school administration and district administration components.

(b) Provides authority to the commissioner to reject a budget which does not comply with (a) and also to withhold payments to the district until the budget is revised to comply with (a), subject to a waiver process set forth in (d);

(c) Directs the commissioner to review annual district audits for compliance and sets forth a process for deducting amounts from state aid if they are not in compliance, subject to the waiver in (d);

(d) Establishes a process by which a district can request a waiver by the board. The process is to submit a written request to the LB&A, who then reviews the request and makes recommendations to the board. The board shall then either grant or deny the waiver.

(e) Requires the commissioner to annually submit a report on actions by the commissioner or the board under this section to the LB&A.

**Sec. 2.** Effective date of the legislation.

SB 193: S(HES): 5/2/97: mj

# ADM Rates - All Districts

| District | ADM | Admn Costs | Admn/ADM | ACD |
|---|---|---|---|---|
| Ketchikan | 2,856 | $1,985,239 | $695 | 1 |
| Anchorage | 46,470 | $33,172,827 | $714 | 1 |
| Fairbanks | 16,132 | $11,848,441 | $734 | 1.04 |
| Mat-Su | 12,352 | $9,382,327 | $760 | 1 |
| Juneau | 5,586 | $4,370,736 | $782 | 1 |
| Sitka | 1,770 | $1,394,230 | $788 | 1 |
| Kenai Peninsula | 10,342 | $8,746,839 | $846 | 1 |
| Petersburg* | 763 | $658,919 | $864 | 1 |
| Valdez* | 877 | $890,343 | $1,015 | 1.11 |
| Craig* | 422 | $443,122 | $1,050 | 1.03 |
| Haines | 445 | $470,125 | $1,057 | 1.05 |
| Wrangell* | 528 | $565,712 | $1,071 | 1 |
| Kodiak | 2,862 | $3,181,616 | $1,112 | 1.09 |
| Copper River | 773 | $901,422 | $1,167 | 1.14 |
| Cordova* | 534 | $639,532 | $1,197 | 1.11 |
| Nome* | 777 | $1,065,648 | $1,372 | 1.34 |
| Yukon Flats | 444 | $620,469 | $1,397 | 1.46 |
| Delta/Greely | 844 | $1,218,318 | $1,444 | 1.16 |
| Dillingham* | 542 | $807,528 | $1,490 | 1.27 |
| Unalaska* | 375 | $562,153 | $1,501 | 1.27 |
| Chatham | 334 | $506,732 | $1,516 | 1.03 |
| Denali | 391 | $620,634 | $1,588 | 1.14 |
| Bristol Bay | 313 | $510,105 | $1,627 | 1.27 |
| Hoonah* | 271 | $461,843 | $1,704 | 1.08 |
| Northwest Arctic | 2,000 | $3,530,168 | $1,765 | 1.45 |
| Alaska Gateway | 573 | $1,014,425 | $1,771 | 1.19 |
| Lower Yukon | 1,736 | $3,114,905 | $1,794 | 1.35 |
| Lower Kuskokwim | 3,372 | $6,284,600 | $1,864 | 1.42 |
| Yakutat | 160 | $302,388 | $1,890 | 1.08 |
| Klawock* | 210 | $397,586 | $1,891 | 1.03 |
| SouthEast Island | 326 | $627,712 | $1,928 | 1.04 |

# ADM Rates - All Districts

| District | ADM | Admn Costs | Admn/ADM | ACD |
|---|---|---|---|---|
| Hydaburg* | 116 | $226,802 | $1,955 | 1.03 |
| Skagway* | 137 | $270,864 | $1,982 | 1.05 |
| Southwest Region | 701 | $1,403,232 | $2,002 | 1.31 |
| St. Mary's* | 130 | $261,600 | $2,012 | 1.3 |
| Nenana* | 173 | $352,405 | $2,032 | 1.2 |
| Annette | 403 | $830,062 | $2,060 | 1.03 |
| Bering Strait | 1,706 | $3,544,339 | $2,078 | 1.39 |
| Kuspuk | 474 | $1,025,076 | $2,164 | 1.33 |
| Kake* | 200 | $436,570 | $2,184 | 1.03 |
| Yukon/Koyukuk | 556 | $1,229,796 | $2,213 | 1.34 |
| Kashunamiut* | 247 | $557,511 | $2,258 | 1.33 |
| Chugach | 157 | $410,661 | $2,616 | 1.14 |
| Galena* | 161 | $435,555 | $2,705 | 1.3 |
| Pribilof | 197 | $542,680 | $2,752 | 1.3 |
| Lake & Peninsula | 524 | $1,507,500 | $2,879 | 1.31 |
| Yupiit | 401 | $1,161,617 | $2,897 | 1.41 |
| Iditarod | 416 | $1,290,678 | $3,104 | 1.33 |
| Aleutians East | 372 | $1,208,505 | $3,249 | 1.32 |
| Tanana* | 93 | $339,355 | $3,649 | 1.3 |
| Pelican* | 32 | $128,097 | $4,035 | 1.08 |
| North Slope | 1,937 | $8,204,600 | $4,236 | 1.45 |
| Aleutian Region | 34 | $221,029 | $6,501 | 1.31 |
| Totals | 124,544 | $125,885,178 | | |

# @950 MAX per ADM

| Districts | ADM | Total Admn Costs | All Adm to ADM | ACD current | NEW Base per ACD | Total to Adjust to base | Total extended cuts |
|---|---|---|---|---|---|---|---|
| Ketchikan | 2,856.25 | $1,985,239 | $695 | 1.00 | | | n/a |
| Anchorage | 46,470.40 | $33,172,827 | $714 | 1.00 | | | n/a |
| Mat-Su | 12,352.13 | $9,382,327 | $760 | 1.00 | | | n/a |
| Juneau | 5,586.45 | $4,370,736 | $782 | 1.00 | | | n/a |
| Sitka | 1,769.60 | $1,394,230 | $788 | 1.00 | | | n/a |
| Kenai Peninsula | 10,341.96 | $8,746,839 | $846 | 1.00 | | | n/a |
| ***Petersburg**** | ***763.05*** | ***$658,919*** | ***$864*** | ***1.00*** | | | ***n/a*** |
| ***Wrangell**** | ***528*** | ***$565,712*** | ***$1,071*** | ***1.00*** | **$950** | ***($121)*** | ***($63,888)*** |
| | | | | | | | |
| ***Craig**** | ***422*** | ***$443,122*** | ***$1,050*** | ***1.03*** | **$979** | ***($71)*** | ***($29,984)*** |
| Chatham | 334.30 | $506,732 | $1,516 | 1.03 | | ($537) | ($179,452) |
| ***Klawock**** | ***210.3*** | ***$397,586*** | ***$1,891*** | ***1.03*** | | ***($912)*** | ***($191,702)*** |
| ***Hydaburg**** | ***116*** | ***$226,802*** | ***$1,955*** | ***1.03*** | | ***($976)*** | ***($113,238)*** |
| Annette | 403.00 | $830,062 | $2,060 | 1.03 | | ($1,081) | ($435,525) |
| ***Kake**** | ***199.9*** | ***$436,570*** | ***$2,184*** | ***1.03*** | | ***($1,205)*** | ***($240,868)*** |
| | | | | | | | |
| Fairbanks | 16,131.70 | $11,848,441 | $734 | 1.04 | **$988** | n/a | n/a |
| SouthEast Island | 325.55 | $627,712 | $1,928 | 1.04 | | ($940) | ($306,069) |
| | | | | | | | |
| Haines | 444.90 | $470,125 | $1,057 | 1.05 | **$998** | ($59) | ($26,115) |
| ***Skagway**** | ***136.66*** | ***$270,864*** | ***$1,982*** | ***1.05*** | | ***($984)*** | ***($134,477)*** |
| | | | | | | | |
| ***Hoonah**** | ***271*** | ***$461,843*** | ***$1,704*** | ***1.08*** | **$1,026** | ***($678)*** | ***($183,797)*** |
| Yakutat | 160.00 | $302,388 | $1,890 | 1.08 | | ($864) | ($138,228) |
| Pelican* | 31.75 | $128,097 | $4,035 | 1.08 | | ($3,009) | ($95,522) |
| | | | | | | | |
| Kodiak | 2,862.01 | $3,181,616 | $1,112 | 1.09 | **$1,036** | ($76) | ($216,574) |
| | | | | | | | |
| | | | | | | | |

# @950 MAX per ADM

| Districts | ADM | Total Admn Costs | All Adm to ADM | ACD current | NEW Base per ACD | Total to Adjust to base | Total extended cuts |
|---|---|---|---|---|---|---|---|
| ***Valdez**** | ***877*** | ***$890,343*** | ***$1,015*** | ***1.11*** | **$1,055** | n/a | n/a |
| ***Cordova**** | ***534.3*** | ***$639,532*** | ***$1,197*** | ***1.11*** | | ***($142)*** | ***($75,846)*** |
| Copper River | 772.60 | $901,422 | $1,167 | 1.14 | **$1,083** | ($84) | ($64,696) |
| Chugach | 157.00 | $410,661 | $2,616 | 1.14 | | ($1,533) | ($240,630) |
| Denali | 390.90 | $620,634 | $1,588 | 1.14 | | ($505) | ($197,289) |
| Delta/Greely | 843.65 | $1,218,318 | $1,444 | 1.16 | **$1,102** | ($342) | ($288,616) |
| Alaska Gateway | 572.65 | $1,014,425 | $1,771 | 1.19 | **$1,131** | ($640) | ($366,758) |
| ***Nenana**** | ***173.45*** | ***$352,405*** | ***$2,032*** | ***1.20*** | **$1,140** | ***($892)*** | ***($154,672)*** |
| ***Dillingham**** | ***542.05*** | ***$807,528*** | ***$1,490*** | ***1.27*** | **$1,207** | ***($283)*** | ***($153,274)*** |
| ***Chalaska**** | ***374.6*** | ***$562,153*** | ***$1,501*** | ***1.27*** | | ***($294)*** | ***($110,011)*** |
| Bristol Bay | 313.45 | $510,105 | $1,627 | 1.27 | | ($420) | ($131,771) |
| ***St. Mary's**** | ***130*** | ***$261,600*** | ***$2,012*** | ***1.30*** | **$1,235** | ***($777)*** | ***($101,050)*** |
| ***Galena**** | ***161*** | ***$435,555*** | ***$2,705*** | ***1.30*** | | ***($1,470)*** | ***($236,720)*** |
| Pribilof | 197.20 | $542,680 | $2,752 | 1.30 | | ($1,517) | ($299,138) |
| Tanana* | 93 | $339,355 | $3,649 | 1.30 | | ($2,414) | ($224,500) |
| Southwest Region | 700.80 | $1,403,232 | $2,002 | 1.31 | **$1,245** | ($757) | ($530,736) |
| Lake & Peninsula | 523.55 | $1,507,500 | $2,879 | 1.31 | | ($1,634) | ($855,680) |
| Aleutian Region | 34.00 | $221,029 | $6,501 | 1.31 | | ($5,256) | ($178,699) |
| Aleutians East | 372.00 | $1,208,505 | $3,249 | 1.32 | **$1,254** | ($1,995) | ($742,017) |

# @950 MAX per ADM

| Districts | ADM | Total Admn Costs | All Adm to ADM | ACD current | NEW Base per ACD | Total to Adjust to base | Total extended cuts |
|---|---|---|---|---|---|---|---|
| Kuspuk | 473.70 | $1,025,076 | $2,164 | 1.33 | **$1,264** | ($900) | ($426,319) |
| Kashunamiut* | 246.95 | $557,511 | $2,258 | 1.33 | | ($994) | ($245,366) |
| Iditarod | 415.86 | $1,290,678 | $3,104 | 1.33 | | ($1,840) | ($765,031) |
| ***Nome**** | ***776.55*** | ***$1,065,648*** | ***$1,372*** | ***1.34*** | **$1,273** | ***($99)*** | ***($77,100)*** |
| Yukon/Koyukuk | 555.60 | $1,229,796 | $2,213 | 1.34 | | ($940) | ($522,517) |
| Lower Yukon | 1,735.95 | $3,114,905 | $1,794 | 1.35 | **$1,283** | ($511) | ($887,681) |
| Bering Strait | 1,706.00 | $3,544,339 | $2,078 | 1.39 | **$1,321** | ***($757)*** | ***($1,290,713)*** |
| Yupiit | 401.00 | $1,161,617 | $2,897 | 1.41 | **$1,340** | ($1,557) | ($624,277) |
| Lower Kuskokwim | 3,371.53 | $6,284,600 | $1,864 | 1.42 | **$1,349** | ($515) | ($1,736,406) |
| Northwest Arctic | 2,000.10 | $3,530,168 | $1,765 | 1.45 | **$1,378** | ($387) | ($774,030) |
| North Slope | 1,936.80 | $8,204,600 | $4,236 | 1.45 | | ($2,858) | ($5,535,690) |
| Yukon Flats | 444.00 | $620,469 | $1,397 | 1.46 | **$1,387** | ($10) | ($4,641) |
| **Totals** | **124,544.15** | **$125,885,178** | | | | | **($20,197,312)** |

**LEGEND:**
REAAs
***City District***
Boroughs

ALASKA DEPARTMENT OF EDUCATION
FY97 FOUNDATION PROGRAM
SB193

| | FY97 ADM | $950 Per ADM | Area Diff. | Maximum Admin. | FY97 Budgeted School Admin. | FY97 Budgeted District Admin. | Total Admin. | % over Allowance | FY97 Foundation Aid | Reduction in State Aid |
|---|---|---|---|---|---|---|---|---|---|---|
| ALASKA GATEWAY | 572.65 | 544,018 | 1.19 | 647,381 | 470,805 | 543,620 | 1,014,425 | 36.18% | 5,414,827 | 1,959,084 |
| ALEUTIAN REGION | 34.00 | 32,300 | 1.31 | 42,313 | 30,829 | 190,200 | 221,029 | 80.86% | 720,201 | 582,355 |
| ALEUTIANS EAST | 372.00 | 353,400 | 1.31 | 462,954 | 380,240 | 828,265 | 1,208,505 | 61.69% | 3,761,704 | 2,320,595 |
| ANCHORAGE | 46,470.40 | 44,146,880 | 1.00 | 44,146,880 | 18,929,109 | 14,243,718 | 33,172,827 | 0.00% | 183,046,419 | 0 |
| ANNETTE ISLANDS | 391.00 | 371,450 | 1.03 | 382,594 | 273,166 | 556,896 | 830,062 | 53.91% | 1,696,475 | 914,570 |
| BERING STRAIT | 1,706.00 | 1,620,700 | 1.39 | 2,252,773 | 1,643,375 | 1,900,964 | 3,544,339 | 36.44% | 15,630,898 | 5,695,899 |
| BRISTOL BAY | 313.45 | 297,778 | 1.27 | 378,178 | 170,117 | 339,988 | 510,105 | 25.86% | 1,843,088 | 476,623 |
| CHATHAM | 334.30 | 317,585 | 1.03 | 327,113 | 189,519 | 317,213 | 506,732 | 35.45% | 3,141,453 | 1,113,645 |
| CHUGACH | 157.00 | 149,150 | 1.14 | 170,031 | 55,000 | 355,661 | 410,661 | 58.60% | 1,820,876 | 1,067,033 |
| COPPER RIVER | 772.60 | 733,970 | 1.14 | 836,726 | 409,290 | 492,132 | 901,422 | 7.18% | 6,135,171 | 440,505 |
| CORDOVA | 534.30 | 507,585 | 1.11 | 563,419 | 298,877 | 340,655 | 639,532 | 11.90% | 2,648,739 | 315,200 |
| CRAIG | 422.00 | 400,900 | 1.03 | 412,927 | 140,858 | 302,264 | 443,122 | 6.81% | 2,273,847 | 154,849 |
| DELTA/GREELY | 843.65 | 801,468 | 1.16 | 929,703 | 576,960 | 641,358 | 1,218,318 | 23.69% | 5,164,694 | 1,223,516 |
| DENALI | 390.90 | 371,355 | 1.23 | 456,767 | 276,864 | 343,770 | 620,634 | 26.40% | 3,076,786 | 812,272 |
| DILLINGHAM | 541.25 | 514,188 | 1.27 | 653,019 | 291,854 | 515,674 | 807,528 | 19.13% | 3,360,559 | 642,875 |
| FAIRBANKS | 16,131.65 | 15,325,068 | 1.04 | 15,938,071 | 6,292,778 | 5,555,663 | 11,848,441 | 0.00% | 66,266,686 | 0 |
| GALENA | 165.00 | 156,750 | 1.30 | 203,775 | 142,306 | 293,249 | 435,555 | 53.21% | 1,559,006 | 829,547 |
| HAINES | 444.90 | 422,655 | 1.05 | 443,788 | 245,167 | 224,958 | 470,125 | 5.60% | 2,356,660 | 131,973 |
| HOONAH | 271.00 | 257,450 | 1.08 | 278,046 | 127,477 | 334,366 | 461,843 | 39.80% | 1,843,962 | 733,897 |
| HYDABURG | 117.00 | 111,150 | 1.03 | 114,485 | 41,024 | 185,778 | 226,802 | 49.52% | 987,649 | 489,084 |
| IDITAROD | 415.86 | 395,067 | 1.33 | 525,439 | 648,304 | 642,374 | 1,290,678 | 59.29% | 5,229,673 | 3,100,673 |
| JUNEAU | 5,586.45 | 5,307,128 | 1.00 | 5,307,128 | 1,956,201 | 2,414,535 | 4,370,736 | 0.00% | 21,472,481 | 0 |
| KAKE | 199.90 | 189,905 | 1.03 | 195,602 | 149,120 | 287,450 | 436,570 | 55.20% | 1,372,984 | 757,887 |
| KASHUNAMIUT | 246.95 | 234,603 | 1.33 | 312,022 | 98,500 | 459,011 | 557,511 | 44.03% | 1,807,644 | 795,906 |
| KENAI | 10,341.96 | 9,824,862 | 1.00 | 9,824,862 | 5,489,608 | 3,257,231 | 8,746,839 | 0.00% | 43,308,644 | 0 |
| KETCHIKAN | 2,856.25 | 2,713,438 | 1.00 | 2,713,438 | 1,145,381 | 839,858 | 1,985,239 | 0.00% | 9,765,241 | 0 |
| KLAWOCK | 210.30 | 199,785 | 1.03 | 205,779 | 120,187 | 277,399 | 397,586 | 48.24% | 1,527,896 | 737,057 |
| KODIAK | 2,862.01 | 2,718,910 | 1.09 | 2,963,612 | 1,742,335 | 1,439,281 | 3,181,616 | 6.85% | 13,324,204 | 912,708 |
| KUSPUK | 473.70 | 450,015 | 1.33 | 598,520 | 389,232 | 635,844 | 1,025,076 | 41.61% | 5,136,846 | 2,137,442 |

ALASKA DEPARTMENT OF EDUCATION
FY97 FOUNDATION PROGRAM
SB193

| | FY97 ADM | $950 Per ADM | Area Diff. | Maximum Admin. | FY97 Budgeted School Admin. | FY97 Budgeted District Admin. | Total Admin. | % over Allowance | FY97 Foundation Aid | Reduction in State Aid |
|---|---|---|---|---|---|---|---|---|---|---|
| LAKE AND PENN. | 523.55 | 497,373 | 1.31 | 651,559 | 677,100 | 830,400 | 1,507,500 | 56.78% | 6,937,552 | 3,939,14 |
| LOWER KUSKOKWII | 3,371.53 | 3,202,954 | 1.42 | 4,548,195 | 3,760,000 | 2,524,600 | 6,284,600 | 27.63% | 36,904,560 | 10,196,73 |
| LOWER YUKON | 1,735.95 | 1,649,153 | 1.35 | 2,226,357 | 1,591,432 | 1,523,473 | 3,114,905 | 28.53% | 13,600,325 | 3,880,17 |
| MAT-SU | 12,352.13 | 11,734,519 | 1.00 | 11,734,519 | 6,504,293 | 2,878,034 | 9,382,327 | 0.00% | 58,193,865 | |
| NENANA | 173.45 | 164,778 | 1.20 | 197,734 | 78,318 | 274,087 | 352,405 | 43.89% | 1,492,067 | 654,86 |
| NOME | 776.55 | 737,723 | 1.34 | 988,549 | 508,761 | 556,887 | 1,065,648 | 7.23% | 5,107,796 | 369,29 |
| NORTH SLOPE | 1,936.80 | 1,839,960 | 1.45 | 2,667,942 | 2,738,400 | 5,466,200 | 8,204,600 | 67.48% | 11,157,270 | 7,528,92 |
| NORTHWEST ARCT | 2,000.10 | 1,900,095 | 1.45 | 2,755,138 | 1,849,606 | 1,680,562 | 3,530,168 | 21.95% | 17,632,060 | 3,870,23 |
| PELICAN | 31.75 | 30,163 | 1.08 | 32,576 | 0 | 128,097 | 128,097 | 74.57% | 555,036 | 413,89 |
| PETERSBURG | 763.05 | 724,898 | 1.00 | 724,898 | 377,817 | 281,102 | 658,919 | 0.00% | 3,250,595 | 0 |
| PRIBILOF | 197.20 | 187,340 | 1.30 | 243,542 | 119,280 | 423,400 | 542,680 | 55.12% | 1,739,504 | 958,81 |
| SITKA | 1,769.60 | 1,681,120 | 1.00 | 1,681,120 | 799,642 | 594,588 | 1,394,230 | 0.00% | 6,640,829 | 0 |
| SKAGWAY | 136.66 | 129,827 | 1.05 | 136,318 | 166,454 | 104,410 | 270,864 | 49.67% | 723,303 | 359,26 |
| SOUTHEAST | 325.55 | 309,273 | 1.04 | 321,644 | 120,287 | 507,425 | 627,712 | 48.76% | 3,590,022 | 1,750,49 |
| SOUTHWEST | 700.80 | 665,760 | 1.31 | 872,146 | 606,733 | 796,499 | 1,403,232 | 37.85% | 5,994,827 | 2,269,04 |
| ST. MARY'S | 130.00 | 123,500 | 1.30 | 160,550 | 65,300 | 196,300 | 261,600 | 38.63% | 1,428,845 | 551,96 |
| TANANA | 102.00 | 96,900 | 1.30 | 125,970 | 94,881 | 244,574 | 339,455 | 62.89% | 1,181,898 | 743,29 |
| UNALASKA | 374.60 | 355,870 | 1.27 | 451,955 | 228,076 | 334,077 | 562,154 | 19.60% | 1,898,564 | 372,11 |
| VALDEZ | 877.00 | 833,150 | 1.11 | 924,797 | 532,644 | 357,699 | 890,343 | 0.00% | 3,342,987 | 0 |
| WRANGELL | 528.00 | 501,600 | 1.00 | 501,600 | 312,599 | 253,113 | 565,712 | 11.33% | 2,473,125 | 280,20 |
| YAKUTAT | 160.00 | 152,000 | 1.08 | 164,160 | 46,834 | 255,554 | 302,388 | 45.71% | 1,234,244 | 564,17 |
| YUKON FLATS | 444.00 | 421,800 | 1.46 | 615,828 | 128,780 | 491,689 | 620,469 | 0.75% | 6,027,523 | 45,20 |
| YUKON/KOYUKUK | 555.60 | 527,820 | 1.34 | 707,279 | 198,858 | 1,030,938 | 1,229,796 | 42.49% | 6,879,611 | 2,923,14 |
| YUPIIT | 401.00 | 380,950 | 1.41 | 537,140 | 428,471 | 733,146 | 1,161,617 | 53.76% | 4,081,286 | 2,194,09 |
| TOTAL | 124,545.30 | $118,318,039 | | $126,258,861 | $64,659,049 | $61,226,229 | $125,885,279 | | $617,763,007 | $72,210,28 |

## cc:Mail for: Sheila Peterson

**Subject:** need help?
**Forwarded:** Senator Gary Wilken 2/3/98 6:26 AM
**To:** Sheila Peterson

John:

G'Mornin!

This was on my e-mail this morning.

With friends like this who needs humor.

Gary

_____ Forward Header _____

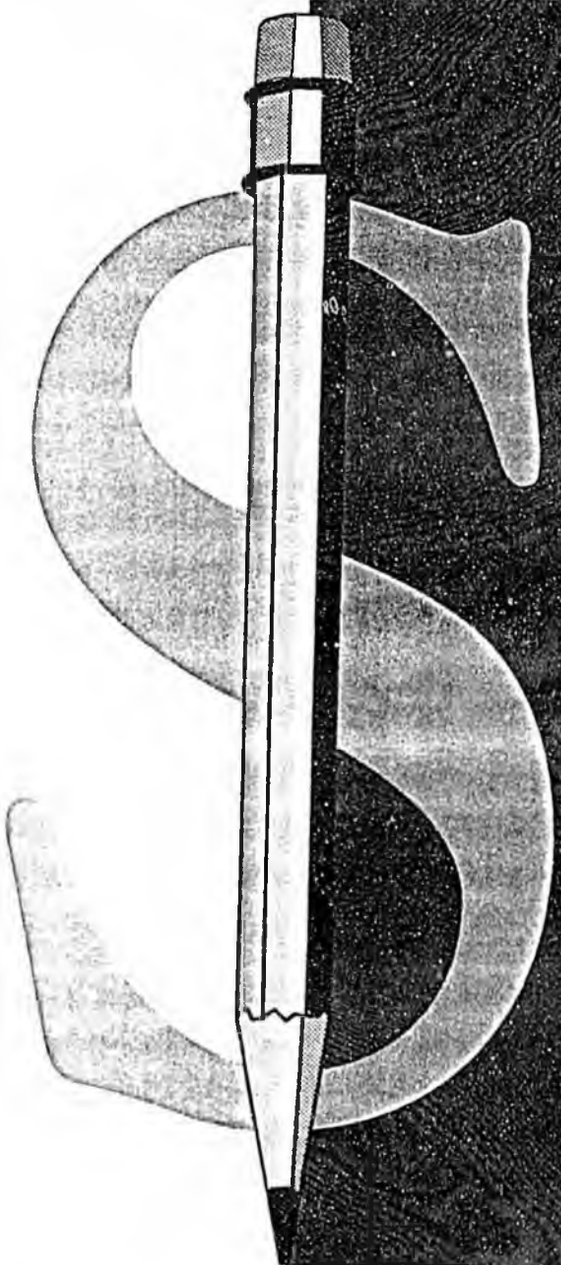
Subject: need help?
Author: kenaipea@alaska.net (Jack Castimore) at CC2MHS1
Date: 8/27/56 1:30 PM

Ref: SB 193 (Torgerson) to limit administrative costs.

Dear Senator Gary Wilken,
I find this very, very humorous. Before the bill (SB193) is out of committee, the Kenai Peninsula Borough School District has reclassified dozens of administrators, and classified these NON-teaching staff as teachers. That is right, last years Director is this years Program Manager or Coordinator, or Specialist and listed by this growing government agency as a teacher, BUT they do NOT have a classroom or teach a single student. They have beat you before your horse is out of the gate. Ha, Ha, Ha! If you would like to talk to someone with an inside track, I suggest you speak with Kenai City Councilman Hal Smalley at 283-7469 or talk to Dean Castimore in Kenai at 283-4609 or 283-1426 and he can provide a great deal of specific inside information. Good Luck ! you will need it when dealing with these government administrators !
From: Jack Castimore, 2775 Watergate Way, Kenai, Ak 99611

NATIONAL CENTER FOR EDUCATION STATISTICS

# DEVELOPMENTS IN SCHOOL FINANCE, 1995



U.S. Department of Education
Office of Educational Research and Improvement • NCES 96-344

# A Study of Administrative Expenditures in Texas Public Schools

*Chrys Dougherty*
*University of Texas at Austin*

This paper reports on the results of a 1992 study of administrative expenditures in Texas public school districts in the 1990–91 school year. A research team at the LBJ School of Public Affairs at the University of Texas at Austin sought answers to the following questions:

1. What definition of "administrative expenditure" makes sense if the goal is to impose state limits on administrative expenditures by local school districts?

2. What is the relevant variable to analyze: the administrative expenditure per student, or the ratio of administrative expenditure to instructional expenditure?

3. What student or school district characteristics are associated with high administrative expenditure?

4. Is there a relationship between administrative expenditure and student learning?

5. What do districts with unusually high or low administrative expenditures do differently?

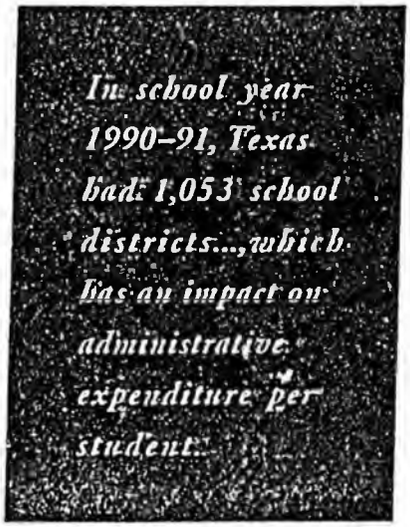
6. What administrative expenditure limits make sense?

We used data from the Texas Education Agency's Public Education Information Management System (PEIMS) to analyze school district expenditures. PEIMS classifies expenditures into 18 functional categories. We classified six of these categories as administrative expenditure: General Administration, School Administration, Instructional Administration, Curriculum and Staff Development, Communication and Dissemination, and Data Processing Services. In school year 1990–91, these combined expenditures represented about 13 percent of public school expenditures in the state of Texas.

Our study was funded by the state legislature through the Educational Economic Policy Center. Overall, the study recommended specific administrative expenditure limits that would redirect an estimated $289 million per year (approximately $80 per-pupil) to the classroom by school year 1996–97.

## An Overview of Administrative Expenditure in Texas School Districts

In school year 1990–91, Texas had 1,053 school districts. Although several of these districts are large (Houston, with almost 200,000 students, is the fifth largest school district in the nation; Dallas, with 138,000 students, is the 10th largest school district), most are very small. The median Texas school district contained 775 students in 1990–91, and there were 393 districts with less than 500 students. The smallest district, Allamoore, had only two students (see Table 1).




This proliferation of small districts has an impact on administrative expenditure per student. Even very small districts are likely to hire a superintendent or principal, or both. Of the 211 districts in Texas that had only one campus in 1990–91, 92 employed both a full-time superintendent and a full-time principal. State funding formulas provide extra money per student for districts that are very small and/or have very low population densities. As a result, the administrative spending per student and the ratio of administrative to instructional spending are higher in small districts, as shown in Figures 1 and 2. Beyond a district size of around 2,000 students, however, these apparent economies of scale vanish. Table 2 compares administrative expenditures for large and small districts in Texas.

## Definition of Administrative Expenditure

Since the policy issue we were concerned with was whether to penalize districts with excessive administrative expenditures, we used a broad definition of these expenditures to discourage creative accounting. We thought it particularly important to include school administration (category 23) in our definition, since measured administrative expenditure could be reduced by paper reassignments of central office personnel to specific campuses. Likewise, omission of instructional administration (category 21) from the state's definition of administrative expenditure might result in a proliferation of curriculum coordinators in school district offices. Table 3 shows the types of expenditures that were classified as administrative and non-administrative expenditures.

We considered several types of administrative expenditure ratios for use in our analysis. In particular, we might have focused on:

- the administrative expenditure per student;
- the ratio of administrative to instructional expenditure;
- the ratio of administrative to total operating expenditure.

Defining instructional expenditure as category 11 in the PEIMS data, we based most of our recommendations on the ratio of administrative to instructional expenditure, for three reasons:

1. Districts could improve their ratio in four ways, all of which are desirable:
   a. reduce administrative expenditure per student;
   b. shift resources from administration to instruction;

Table 1.—A profile of Texas school districts

| Characteristics | School Year 1990–91 | 1991–92 | 1992–93 |
|---|---|---|---|
| Number of districts | 1,053 | 1,050 | 1,048 |
| Number of districts with: | | | |
| Less than 2,000 students | 778 | 766 | 760 |
| Half the students | 46 | 46 | 46 |
| More than 20,000 students | 35 | 37 | 38 |
| Enrollments | | | |
| Smallest district | 2 | 2 | 7 |
| Largest district | 194,208 | 196,512 | 198,013 |
| Total spending per student | | | |
| 95th percentile[1] | $8,136 | $8,330 | $8,522 |
| 75th percentile | 5,203 | 5,605 | 5,893 |
| 50th percentile | 4,454 | 4,724 | 5,084 |
| 25th percentile | 3,978 | 4,247 | 4,547 |
| 5th percentile | 3,542 | 3,774 | 4,051 |
| State average (Texas) | 4,200 | 4,452 | 4,774 |
| U.S. average[2] | 4,890 | 5,103 | 5,334 |

[1] Represents spending in the 95th percentile district, not spending on the 95th percentile student. The latter number would be substantially lower, since many of the highest-spending districts are very small.

[2] Texas and U.S. average spending per student are not adjusted for differences in the cost of living between Texas and the United States as a whole.

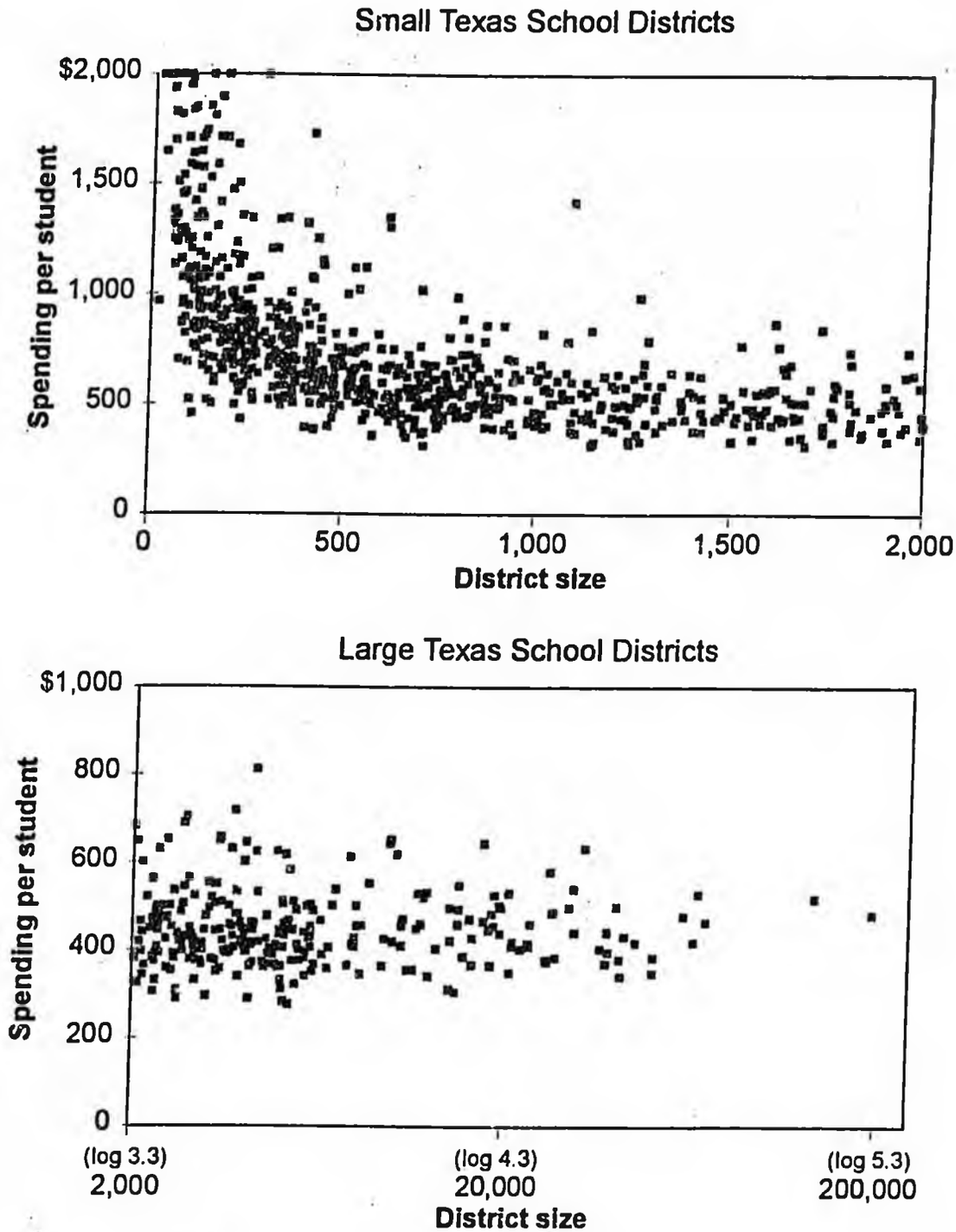
SOURCE: Texas Education Agency, *Snapshot 91'*, *Snapshot 92'*, and *Snapshot 93'*.

Table 2.—Spending in large and small Texas school districts

| Spending | Districts with: More than 2,000 students | Less than 2,000 students | All districts |
|---|---|---|---|
| Spending per student | $4,128 | $4,611 | $4,200 |
| Administrative spending per student | 451 | 594 | 472 |
| Administrative/instructional spending | 22.9% | 27.6% | 23.6% |
| Administrative/total spending | 10.9% | 12.9% | 11.2% |

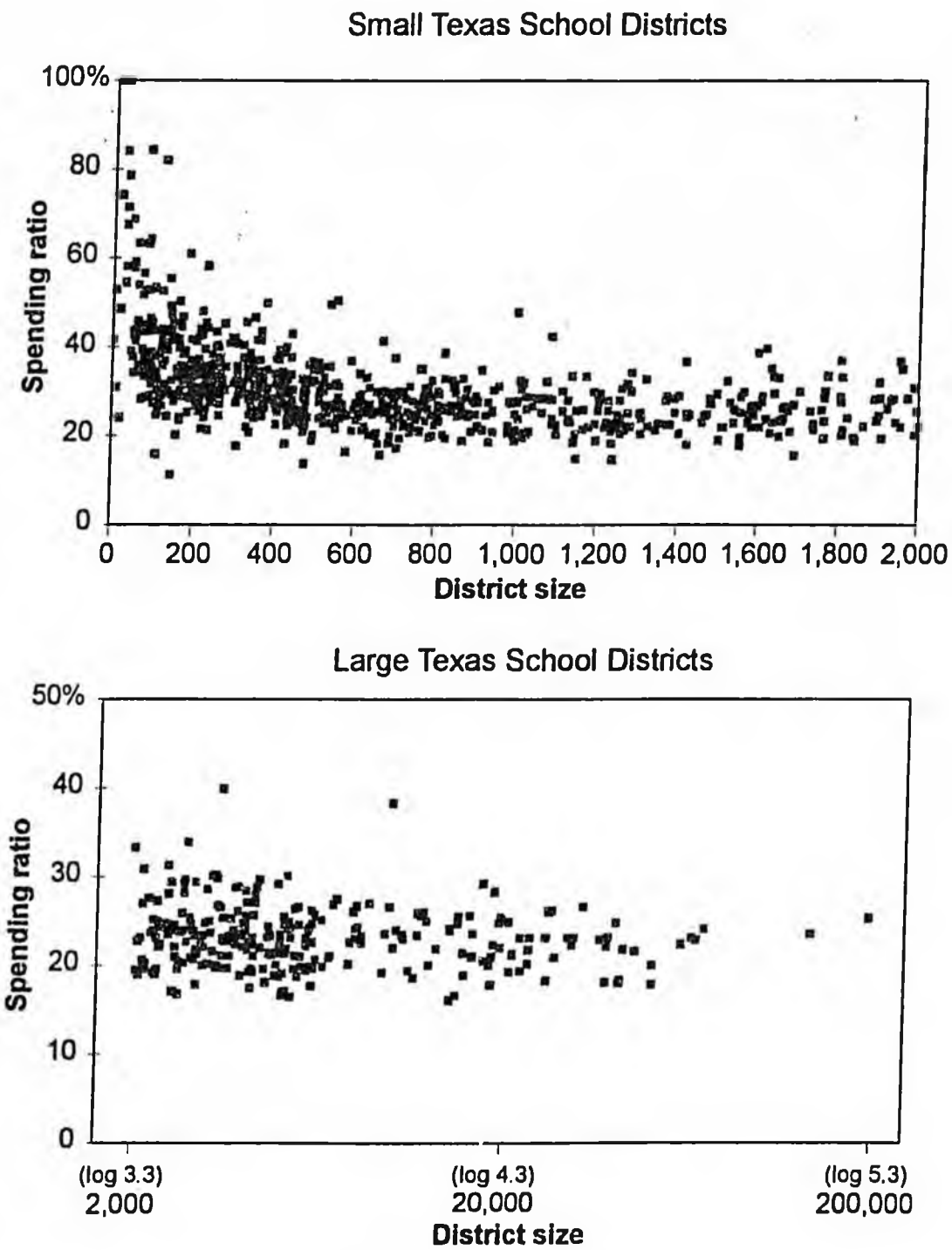
SOURCE: Texas Education Agency, *Snapshot 91'*, *Snapshot 92'*, and *Snapshot 93'*.

# Figure 1.—Spending per student on administration in small and large Texas school districts




SOURCE: Texas Education Agency, Public Education Information Management System (PEIMS) data.

## Figure 2.—Administration/instruction spending ratio in small and large Texas school districts




SOURCE: Texas Education Agency, Public Education Information Management System (PEIMS) data.

Table 3.—PEIMS expenditure categories

| Expenditure Categories Defined as Administrative Cost: | |
|---|---|
| Category Number | Definition |
| 21 | Instructional Administration |
| 23 | School Administration |
| 25 | Curriculum and Staff Development |
| 26 | Communication and Dissemination |
| 41 | General Administration |
| 75 | Data Processing Services |
| **Other PEIMS Expenditure Categories:** | |
| Category Number | Definition |
| 11 | Instruction |
| 22 | Instructional Resources and Media Services |
| 31 | Guidance and Counseling Services |
| 32 | Social Work Services |
| 33 | Health Services |
| 34 | Student Transportation |
| 36 | Co-curricular/Extracurricular |
| 37 | Food Services |
| 42 | Debt Services |
| 51 | Plant Maintenance and Operations |
| 52 | Facilities Operation and Construction |
| 81 | Community Services |

SOURCE: Texas Education Agency.

c. shift resources from other non-instructional areas to instruction; and

d. use increased tax revenues to increase overall spending for instruction.

Use of a per-student administrative spending measure sacrifices the incentive for options (c) and (d), while the administrative/total operating expenditure measure does not provide an incentive for (c).

2. There would be no need to change the "allowable" ratio every year to adjust for inflation and increases in school district expenditures and revenues, as would be the case with a per-pupil measure.

3. Fewer variables would need to be taken into account in adjusting allowable district administrative expenditure for factors that are beyond the district's control. A per-pupil measure would require consideration of seven such variables, while the ratio

measure requires adjustment only for size and the district's percentage of Limited English Proficient (LEP) students.

School spending in Texas consists of expenditure from the general fund (Fund 10), and a large number of special revenue funds dedicated to categorical programs, such as Chapter 1 and the Job Training Partnership Act. The administrative expenditure ratio for all of these programs combined is only slightly higher than for the general fund; however, this ratio varies widely across programs. For example, a grant to write a new curriculum might be counted almost entirely as administration.

In order not to penalize districts for receiving those grants, we separated the general fund (Fund 10) from categorical funds, and recommended excluding the categorical programs when calculating the ratio of administrative to instructional expenditure.

## Variables Associated with Administrative Expenditure

We used ordinary least squares regression to determine which variables are systematically associated with administrative expenditure, measured on a per-pupil basis or as a ratio of administrative to instructional expenditure. Our working assumption was that causality runs one way from each of the variables in Table 4 to administrative expenditure per student or the administration/instruction expenditure ratio. Our initial hypotheses are shown in the right-hand column of Table 4.

*School spending in Texas consists of expenditure from the general fund (Fund 10), and a large number of special revenue funds dedicated to categorical programs....*

Our actual analysis, as shown in Tables 5 and 6, revealed the following results:

- Instructional spending per student increases in large districts.
- Wealth has the expected effect on administrative spending per student. Moreover, school districts treat administration as a luxury good: other things equal, the administration/instructional expenditure ratio rises as wealth increases.
- Reducing the number of campuses has the expected effect on the administrative/instructional expenditure ratio. However, this effect appears not because districts with fewer and larger campuses are spending less on administration, but because they are spending more per student on instruction.
- More teachers per 100 students (a lower pupil-teacher ratio) leads to more administrative spending per 100 students. In small districts, however, administrative expenditure does not increase as rapidly as instructional expenditure.
- Districts with more LEP students, many of them heavily Hispanic districts in the Rio Grande Valley of Texas, spend more on administration both per-pupil and relative to instruction.
- Small districts with a higher percentage of special education students spend less on administration.
- Compensatory education only has an impact on administrative expenditure in large districts. This is because the administrative expenditures associated with Chapter 1 are categorical program expenses not included in the Fund 10 expenditures counted in this analysis.

Table 4.—Variables which might affect administrative expenditure

| Variable | Initial hypothesis |
|---|---|
| District size | Larger districts should have lower administrative costs per student relative to instructional expenditures. However, beyond around 2,000 students, there are no additional expenditure savings from additional size. |
| District wealth | Wealthier districts should spend more per student, but it is not obvious whether they would spend more relative to instruction. |
| Average campus size | For a given district size, a larger campus size implies fewer campuses, saving on both measures of administrative expenditure. |
| Student-teacher ratio | A higher student-teacher ratio implies fewer teachers per student to supervise, lowering administrative expenditure per student; it is not obvious what happens to the administrative/instructional expenditure ratio. |
| Percent of LEP students | More bilingual students implies more expense in curriculum development, raising administrative expenditure per student; it is not obvious what happens to the administrative/instructional expenditure ratio. |
| Percent of students in special education | Same as for LEP students. |
| Percent of low income students | Same as for LEP students. |
| Percent mobile students | Higher student mobility increases the expenditure of keeping track of students, raising administrative expenditure per student and the administrative/instructional expenditure ratio. |
| Administrative salary index | Higher administrative salaries in neighboring districts increase administrative expenditure per student; if teacher salaries are also higher, it is not obvious what happens to the administrative/instructional expenditure ratio. |
| Five-year percent change in enrollment | Districts may adjust their administrative spending with a time lag when enrollments increase, causing a negative relationship between this variable and both measures of administrative expenditure. |

SOURCE: Chrys Dougherty's hypotheses.

Table 5.—Variables associated with administrative expenditure

| Variables | Dependent variable: Administrative/instructional ratio — Small districts | Dependent variable: Administrative/instructional ratio — Large districts | Dependent variable: Admin exp/student — Small districts | Dependent variable: Admin exp/student — Large districts |
|---|---|---|---|---|
| Natural logarithm of district size | - | (-) | - | |
| Natural logarithm of district wealth | + | + | + | + |
| Average campus size (in hundreds) | (-) | - | + | |
| Student-teacher ratio | + | - | - | - |
| Percent LEP students | + | + | + | + |
| Percent special education students | (-) | | - | |
| Percent low income students | | | | (+) |
| Student mobility rate | | + | | |
| Administrative salary index | | | | |
| 5-year percent enrollment change | | (-) | | (-) |

Parentheses imply significance at the 10% level; no parentheses imply significance at the 5% level or better.

SOURCE: Chrys Dougherty's statistical analysis.

Table 6.—Results of administrative expenditure regressions

| Variables | Dependent variable: Administrative/instructional ratio, Districts with greater than 2000 students | Dependent variable: Administrative/instructional ratio, Districts with less than 2000 students | Dependent variable: Admin exp/student, Districts with greater than 2000 students | Dependent variable: Admin exp/student, Districts with less than 2000 students |
|---|---|---|---|---|
| Constant | 0.249 | 0.137 | 217.1 | -187.8 |
| | (3.76) | (1.68) | (1.02) | (-1.14) |
| Natural logarithm of size | -0.060 | -0.005 | -213.8 | -2.26 |
| | (-11.5) | (-1.68) | (-12.7) | (-0.38) |
| Natural logarithm of wealth | 0.030 | 0.013 | 217.7 | 83.2 |
| | (7.75) | (2.76) | (17.0) | (8.52) |
| campsize (in hundreds) | -0.005 | -0.005 | 25.6 | -3.69 |
| | (-1.77) | (-2.94) | (2.38) | (-1.01) |
| stu/tch | 0.006 | 0.000 | -52.8 | -20.0 |
| | (2.99) | (0.02) | (-8.76) | (-4.88) |
| Percent LEP | 0.002 | 0.001 | 6.81 | 2.47 |
| | (3.41) | (2.62) | (4.77) | (4.18) |
| Percent special ed. | -0.001 | -0.001 | -11.1 | -3.39 |
| | (-1.82) | (-1.39) | (-5.36) | (-1.60) |
| Percent low income | 0.000 | 0.000 | -0.318 | 0.662 |
| | (0.69) | (0.89) | (-0.58) | (1.81) |
| mobility | 0.000 | 0.001 | -0.583 | 0.895 |
| | (0.04) | (2.42) | (-0.66) | (1.55) |
| salindex (in thousands) | 0.002 | 0.001 | -3.13 | 2.53 |
| | (1.35) | (0.91) | (-0.80) | (1.37) |
| Percent sizchg | 0.000 | -0.000 | -0.412 | -0.566 |
| | (1.29) | (-1.68) | (-0.79) | (-1.96) |
| $R^2$ | .462 | .137 | .762 | .440 |
| Adjusted $R^2$ | .455 | .104 | .759 | .418 |

NOTE: t-statistics are in parentheses.
SOURCE: Chrys Dougherty's regressions using PEIMS and TAAS data from the Texas Education Agency.

- High student mobility has little effect on administrative spending per student.
- Administrative salaries paid in neighboring districts have no impact.
- High percentage enrollment increases have the expected effect, but only in large districts.

## The Relationship Between Administrative Expenditure And Student Learning

To examine the relationship between administrative expenditure and student learning, we regressed test score data on a set of demographic and expenditure variables. The dependent variable we used was the average of the third- and fifth-grade reading, writing, and mathematics scaled scores on the Texas

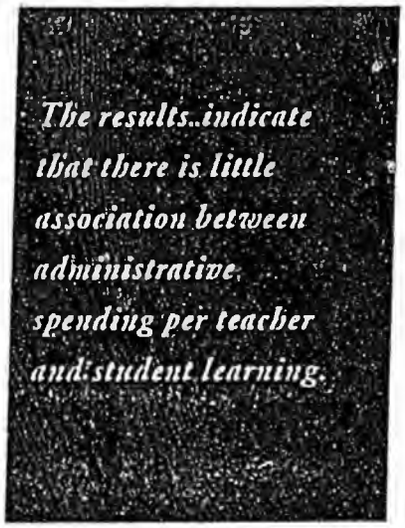
Assessment of Academic Skills (TAAS) test, which was administered in Texas elementary schools in October 1990. These scaled scores had a mean of 1,600 and standard deviation of 73.3. We had data on these scores in 1,323 schools.

Gain scores— the average difference between individual students' test scores in consecutive years— would be a more appropriate dependent variable to use in this analysis. However, the TAAS at the time was not designed to be gain-scored, and was not administered to the same students in successive years. Thus, we lacked the data to implement this more desirable alternative.

The independent variables we used were:

- percent low income students
- percent black students
- percent Hispanic students
- percent LEP students
- percent of students in special education
- percent mobile students
- district size
- campus size
- student-teacher ratio
- teacher's average years of experience
- expenditure per teacher on central administration
- expenditure per teacher on school administration
- expenditure per teacher on instructional administration
- expenditure per teacher on counseling, health, and social work services
- expenditure per teacher on instruction

The results, as shown in Table 7, indicate that there is little association between administrative spending per teacher and student learning. However, there is also no evidence that administrative spending has a *negative* effect on instruction. We were unable to explain the opposite-sign relationships between campus and instructional administrative spending and student learning.




## What Do Districts With Unusually High Administrative Expenditures Do Differently?

We selected seven Texas school districts with unusually low or high ratios of administrative to instructional expenditure. For site visits our judgment about which districts' administrative costs are unusually low or high was based on residuals from a regression equation similar to that used in Table 5.

When administrative expenditures are especially high, how do school districts spend the money? In some cases, the district uses the school district administrative budget as an employment program. One high-expenditure district with 18,000 students had a staff of 2,500 of whom 995 were teachers. This district had the state's 13th-highest ratio of non-teachers to total staff. Judging from interviewees' comments in a number of districts, "kicking the bad principals upstairs" into the central office is a fairly common practice.

Other districts have special circumstances. One small, suburban high-wealth district hired extra staff to process the thousands of job applications received each year from teachers anxious to work in that district. Another district was paying three superintendents, two of whom had been dismissed from multi-year contracts in the previous two years. One of these former superintendents had sued the district for wrongful termination, creating high legal costs as well.

Table 7.—Results of test score regressions

| Variables | TASS Scaled Score | TASS Scaled Score |
|---|---|---|
| Constant | 1,658.7 | 1,649.2 |
| Percent low-income students | -1.83 | -1.84 |
| | (-16.8) | (-17.0) |
| Percent black students | -0.592 | -0.571 |
| | (-5.64) | (-5.45) |
| Percent Hispanic students | -0.236 | -0.216 |
| | (-2.25) | (-2.06) |
| Natural logarithm of district size | 4.78 | 5.80 |
| | (4.48) | (3.98) |
| campus size | -0.012 | -0.009 |
| | (-1.64) | (-1.12) |
| Student-teacher ratio | -2.37 | -2.244 |
| | (-3.28) | (-3.03) |
| Teachers average years of experience | 1.22 | 1.358 |
| | (2.07) | (2.30) |
| Expenditure per teacher on total administration (in thousands) | 1.360 | -- |
| | (1.34) | |
| Expenditure per teacher on central administration (in thousands) | -- | 1.31 |
| | | (0.80) |
| Expenditure per teacher on school administration (in thousands) | -- | 3.88 |
| | | (2.30) |
| Expenditure per teacher on instructional administration (in thousands) | -- | -5.57 |
| | | (-2.10) |
| Expenditure per teacher on classroom instruction (in thousands) | 0.573 | 0.449 |
| | (1.38) | (1.08) |
| $R^2$ | .636 | .638 |
| Adjusted $R^2$ | .632 | .634 |

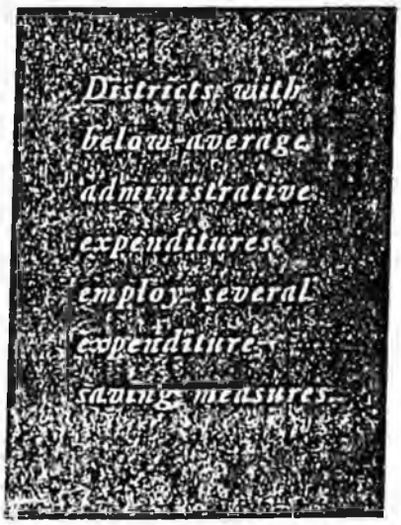
NOTE: t-statistics are in parentheses.
Variables which were not statistically significant are not shown: percent LEP students, percent special education students, percent mobile students, and expenditure per teacher on counseling, health, and social work services.

SOURCE: Chrys Dougherty's regressions using PEIMS and TAAS data from the Texas Education Agency.

## What Do Districts With Unusually Low Administrative Expenditures Do Differently?

Districts with below-average administrative expenditures employ several expenditure-saving measures. First, they limit expenditures on instructional administration, relying on their teachers or the state's Regional Educational Service Centers for curriculum development services. Second, they expect senior administrative staff to share clerical and support staff. Third, they pay their administrators less. This option may not be available to districts that hope to attract top-flight principals and superintendents, however.

An underutilized option is the formation of multi-district cooperatives to share expenditures in areas such as curriculum development and data processing. To examine the use of cooperatives, our study contacted 48 school districts, 25 with a high administrative/instructional expenditure ratio and 23 with a low administrative/instructional expenditure ratio. While 46 of these districts participated in cooperatives to pool resources for special education and several do the same for vocational education, only two districts were members of cooperatives designed to achieve economies in general administrative expenditures. One district was part of a seven-district cooperative designed to share data processing expenses. The second cooperative served 13 districts, providing services in data processing, staff development, and technology support.




## Recommendations Made Based on the Administrative Expenditure Study

As a result of our study, we made the following recommendations to the Texas legislature in 1993:

- Define administrative expenditure broadly (including campus and instructional administration) to limit creative accounting.
- Establish allowable ratios of administrative to instructional expenditure.
- Set these ratios at the 1990–91 statewide average. to be reduced to 85 percent of that average in three years.
- Adjust the allowable ratio for district size and percent of students in bilingual programs.
- Withhold a dollar of state funding for every dollar by which the district exceeds its allowable expenditure ratio.

We projected that this approach would redirect $269 million into the classroom by the 1996–97 school year, or about $70 per student based on an enrollment of 3.8 million students in Texas. Compelling small districts' administrative/instructional expenditure ratio to conform to the state average would redirect an additional $20 million.

## What Passed the Legislature in the 1993 Session

Distracted by school finance issues and the threat of a court-ordered shutdown of public schools, the 1993 Texas Legislature paid relatively little attention to administrative expenditure. The administrative expenditure control measure that passed was considerably different from the one recommended in the Administrative Expenditure Study. The Legislature divided school districts into five size categories, and specified that the Commissioner of Education would set allowable ratios of administrative to instructional expenditure for each category. "Administrative expenditure" as

defined by the legislature excludes campus administration, but includes state and local categorical programs.

This legislation was first implemented in the 1993–94 school year. As actual expenditure data from subsequent years become available, it should be possible to assess the impact of this legislation.