



# **PERFORMANCE AUDIT REPORT**

## **K-12 Education: Reviewing Free-Lunch Student Counts Used as the Basis for At-Risk Funding, Part I**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
November 2006**

# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

**THE LEGISLATIVE POST** Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$11 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. Government Accountability Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

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November 6, 2006

To: Members, Legislative Post Audit Committee

Senator Les Donovan, Chair  
Senator Anthony Hensley  
Senator Nick Jordan  
Senator Derek Schmidt  
Senator Chris Steineger

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This report contains the findings, conclusions, and recommendations from our completed performance audit, *K-12 Education: Reviewing Free-Lunch Student Counts Used as the Basis for At-Risk Funding, Part I*.

The report also contains several appendices including a detailed description of the methodology we used to determine free-lunch eligibility for our random sample, a summary of the major free-lunch application reviews conducted by Department of Education staff, and a comparison of school district enrollment counts to comparable U.S. Census Bureau estimates for the 2003-04 school year.

The report includes several recommendations for the Department of Education and for appropriate legislative committees. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton  
Legislative Post Auditor

## Get the Big Picture

Read these Sections and Features:

1. **Executive Summary** - an overview of the questions we asked and the answers we found.
2. **Conclusion and Recommendations** - are referenced in the Executive Summary and appear in a box after each question in the report.
3. **Agency Response** - also referenced in the Executive Summary and is the last Appendix.

### *Helpful Tools for Getting to the Detail* 🔍

- In most cases, an “**At a Glance**” description of the agency or department appears within the first few pages of the main report.
- **Side Headings** point out key issues and findings.
- **Charts/Tables** may be found throughout the report, and help provide a picture of what we found.
- **Narrative text boxes** can highlight interesting information, or provide detailed examples of problems we found.
- **Appendices** may include additional supporting documentation, along with the audit **Scope Statement** and **Agency Response(s)**.

# EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

## Overview of the National School Lunch Program and Distribution of At-Risk Funding in Kansas

**The National School Lunch Program provides free lunches to students who meet poverty thresholds or participate in designated programs.** ..... page 4  
*Children from families with incomes below 130% of the poverty level qualify for free lunches. In addition, students who participate in programs such as Food Stamps and Temporary Assistance for Needy Families, or who've been identified as migrant, homeless, or runaway, also can receive free lunches.*

**Kansas distributes at-risk funding based on the number of students eligible for free lunches in each district.** ..... page 5  
*Districts report a count of free-lunch students along with other enrollment data to the Department of Education. Department staff perform a comprehensive enrollment audit during which they remove ineligible free-lunch students because of errors on the applications, or because the students weren't enrolled and attending on September 20th. Based on the at-risk weighting in the school funding formula, school districts received \$822 in at-risk funding for each free-lunch student in 2005-06. Because the at-risk weighting increases in the future, that amount will grow to \$2,021 by 2008-09.*

### Question 1: Does the Count of Free-Lunch Students Used for At-Risk Funding Accurately Reflect the Number of Students Who Are Eligible for the Program?

**In 2005-06, Kansas districts received almost \$111 million in at-risk funds for about 135,000 students identified as eligible for free lunches.** ..... page 7  
*That amount was more than double the previous year's amount because of increases in at-risk funding per student.*

**About 17% of free-lunch students in our Statewide random sample were ineligible, costing the State an additional \$19 million in at-risk funds.** ..... page 8  
*Of the 500 free-lunch students in our random sample, 85 students weren't eligible, primarily because households under-reported their income. Many households are able to under-report their income and still receive free lunches because federal law requires school district officials to accept their applications at face value. Projecting our results to all free-lunch students, we estimate the State paid almost \$19 million in at-risk funds for nearly 23,000 ineligible students in 2005-06.*

**Based on our survey of district officials, about 6,900 students Statewide may have been eligible for free lunches but their families didn't apply.** ..... page 10  
*According to district officials, most eligible families who don't apply are either too embarrassed to do so, or are concerned about the confidentiality of their applications.*

**The free-lunch counts used for at-risk funding also may include a number of students the Legislature didn't intend to fully fund.** ..... page 11  
*The Department has developed an alternative at-risk funding application so districts can get at-risk funds for students attending schools that don't provide lunches. This includes a number of non-traditional students for which at-risk funding may not have been intended. For example, our review of eight alternative schools that don't serve lunch showed that 127 of the 319 free-lunch students in those schools were age 20 or older.*

*Districts also receive the full amount of at-risk funding for part-time students (primarily kindergartners) because the State doesn't prorate the funding. For example, in the Topeka school district, at-risk funding based on an FTE count rather than a headcount would have saved the State \$340,000 in 2005-06. Because of future increases in at-risk funding, those savings could grow to about \$840,000 by 2008-09.*

**We identified additional problems with the Department's free-lunch reviews that, if addressed, could produce a more accurate count.** ..... page 13  
*In 2005-06, the child nutrition team didn't report roughly 1,850 ineligible free-lunch students it knew about to the Department's fiscal auditors. Auditors could have removed them from the at-risk count, saving the State \$1.5 million in at-risk funding. Also, the Department's fiscal auditors didn't audit every school in the six largest districts, potentially missing about 100 ineligible students in 2005-06. Lastly, because the Department's two teams don't coordinate their reviews, the same free-lunch application may be reviewed several times by Department staff.*

**Question 1 Conclusion** ..... page 16

**Question 1 Recommendations** ..... page 16

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**Question 2: How Does the Number of Free-Lunch Students Reported by Districts Compare with Poverty Estimates Compiled By the U.S. Census Bureau?**

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**For 2003-04, Kansas had 54,000 more free-lunch students than adjusted U.S. Census estimates would suggest.** ..... page 18  
*The Census data suggest that approximately 76,000 children in Kansas were at or below 130% of the federal poverty level in 2003-04, compared with almost 130,000 free-lunch students.*

**The free-lunch count is significantly higher than the adjusted Census estimate, primarily because the count includes many ineligible students.** ..... page 19  
*Based on our results from Question 1, we estimated that 22,000 of the almost 130,000 free-lunch students in 2003-04 weren't eligible, which is almost half the 54,000-student difference between the free-lunch count and the Census Bureau estimate. Other factors include what age groups are counted, and whether foster care children are included.*

**The Census Bureau’s district-level poverty estimates have several limitations because of the way they’re produced.** ..... page 20  
*The Census Bureau estimates are less accurate for certain populations, such as rural communities or transitory families, which affects poverty measurements. In addition, the Census Bureau counts children in the districts where they live, not in the districts where they’re enrolled. Lastly, the census poverty estimates have a significant lag time and may become less accurate the further they get from the 10-year census count.*

**Question 2 Conclusion** ..... page 22

**Appendix A: Scope Statement** ..... page 24

**Appendix B: LPA Methodology Used to Determine Free-Lunch Eligibility** ..... page 26

**Appendix C: Summary of the Major Free-Lunch Application Reviews Conducted by Kansas Department of Education Staff** ..... page 30

**Appendix D: Comparison of the School District Enrollment Counts to the U.S. Census Bureau Populations Estimates, by School District** ..... page 31

**Appendix E: Agency Response** ..... page 42

**Appendix F: Changes Made to the Audit Report on December 18, 2006** ..... page 45

**Notice to the Reader**

*On December 18, 2006, Legislative Post Audit made changes to pages 7 and 10 of this report to correct an error that was identified after the report was released in November 2006.*

*A “strike-and-add” version of those changes is presented in **Appendix F** so the reader can see how the report was changed. All legislative committees and all agency officials that received copies of the initial report were sent a copy of these changes.*

This audit was conducted by Katrin Osterhaus, Allen Bartels, Dan Bryan, and Heidi Zimmerman. Scott Frank was the audit manager. If you need any additional information about the audit’s findings, please contact Katrin at the Division’s offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at [LPA@lpa.state.ks.us](mailto:LPA@lpa.state.ks.us).



# K-12 Education: Reviewing Free-Lunch Student Counts Used as the Basis for At-Risk Funding, Part I

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Since the State's school finance formula was passed in 1992, State funding for at-risk services has been distributed to school districts based on the number of students in each district that qualify for the federal free-lunch program. Funding for at-risk services has increased significantly in recent years. The 2005 Legislature nearly doubled the weighting factor for free-lunch students, bringing total at-risk funding Statewide to almost \$111 million for the 2005-06 school year.

In addition, the multi-year funding plan passed by the 2006 Legislature will more than double at-risk funding through the 2008-09 school year. As funding for at-risk services increases, the number of students who qualify for the free-lunch program becomes an increasingly important factor in the State's school finance formula.

Recently, legislators have seen information indicating the number of students districts report as eligible for the free-lunch program varies significantly from poverty estimates prepared by the U.S. Census Bureau. In addition, information compiled by the State Department of Education, as well as findings in the Legislative Post Audit cost study, indicate the number of students eligible for free lunch has little relationship to the number of students who actually receive at-risk services.

This information has raised concerns among some legislators about the validity of using the number of students qualifying for free lunch to measure poverty within each district, and for some it also calls into question the appropriateness of using free-lunch counts as the basis for distributing State at-risk funding.

This audit was conducted in two parts. This first part answers the following questions:

- 1. Does the number of free-lunch students used for at-risk funding accurately reflect the number of students who are eligible for the program?**
- 2. How does the number of free-lunch students reported by school districts compare with poverty estimates compiled by the U.S. Census Bureau?**

To answer the first question, we reviewed federal and State eligibility requirements for the free-lunch program. We interviewed Department of Education staff from the Fiscal Audit team and the Child Nutrition and Wellness team to understand their roles in verifying the eligibility of free-lunch students.

We verified the eligibility status of a random and representative sample of 500 free-lunch students. For families who participate in food stamp or temporary assistance programs with the Department of Social and Rehabilitation Services (SRS), we verified their participation in these programs. For families who applied for free-lunch based on income, we compared the households' reported income information to tax records and quarterly wage reports at the Departments of Revenue and Labor. We then projected our results to all free-lunch students Statewide. We also surveyed officials in each school district to estimate the potential number of under-reported students in the free-lunch count.

To answer the second question, we reviewed information and interviewed U.S. Census Bureau staff to understand how the poverty data are compiled and what they measure. We compared the student free-lunch counts and Census poverty data for the most recent four years available. We interviewed Department of Education officials and Census staff to identify factors that account for the large differences between those sets of numbers. For quantifiable factors, we calculated their impact in order to account for as much of the discrepancy between the free-lunch count and Census Bureau estimates as possible. Lastly, we analyzed free-lunch counts from Kansas and other states in relation to Census estimates over time, to determine if there were any cyclical patterns to the disparities.

A copy of the complete scope statement for the audit request approved by the Legislative Post Audit Committee is included in *Appendix A*.

The second part of this audit will answer the last question in the scope statement:

**3. How does the number of free-lunch students in Kansas compare with the number of students who receive at-risk services?**

In conducting this audit, we followed all applicable government auditing standards set forth by the U.S. Government Accountability Office, except that, because of time constraints,

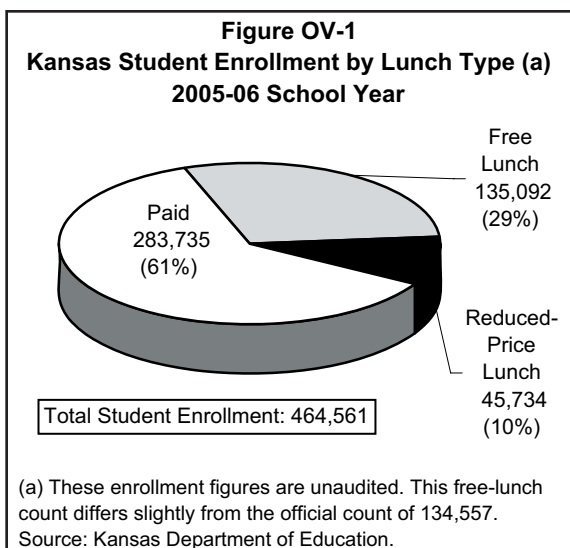
we didn't test the computer data the Department supplied to us regarding district verification results. These data are used to provide information about the results districts found during their verification work, and are used only to supplement our audit work.

In addition, the reader should be aware that the income tax data used throughout the audit are self-reported, and there was no way for us to assess the accuracy of the information. Although there's no way to know how accurate these data are, we've compared the information to quarterly wage data from the Department of Labor when we could. We found no indication that the data were grossly or systematically wrong. Thus, the information presented in this report about our projections of ineligible free-lunch counts should be viewed as an indicator, and not as absolute fact. It is unlikely, however, that it is so grossly or systematically inaccurate as to affect our findings and conclusions. Our findings begin on page 7, following a brief overview on the National School Lunch Program and the distribution of at-risk funding in Kansas.

## Overview of the National School Lunch Program and Distribution of At-Risk Funding in Kansas

### *The National School Lunch Program Provides Free Lunches to Students Who Meet Poverty Thresholds Or Participate in Designated Programs*

The National School Lunch Program is a federally assisted meal program operating in almost 100,000 public and nonprofit private schools and residential-care institutions. It provides nutritionally balanced, low-cost or free lunches to more than 27 million children each day. The U.S. Department of Agriculture administers the Program at the federal level.



**Children from families with incomes below 130% of the poverty level, or who participate in certain designated programs, qualify for free lunches.** In addition, students whose families have incomes between 130% and 185% of the poverty level are eligible for reduced-price lunches. *Figure OV-1* shows the total Kansas headcount enrollment for the 2005-06 school year, broken down by lunch status.

Students can qualify for free lunches in two ways:

- **Some students are eligible for free lunches when they participate in one of several designated programs.** The designated programs include Food Stamps, Temporary Assistance for Needy Families (TANF), and Head Start. Students also are categorically eligible when they've been identified as migrant, homeless, or runaway.

Many students are directly certified for free lunches by their school district. To do that, parents supply districts with a letter from the Department of Social and Rehabilitation Services (SRS) that shows the family was approved for Food Stamps or TANF benefits. SRS also provides school districts with a list of Food Stamp and TANF recipients that they can use to match and certify additional students who don't provide the letter to the district.

- **Other students are eligible for free lunches when their families report income below 130% of the poverty threshold.** These families are supposed to report all household members and their incomes on an application for free lunches. District officials review the applications and compare the income to a set of eligibility guidelines published by the U.S. Department of Agriculture. Families whose income is less than the threshold are eligible and their children can receive free lunches. Children who have been placed in foster care establish their eligibility in a similar fashion, except only the child's income is taken into consideration.

**Federal law requires school districts to verify the information on a small sample of approved applications each year.** For most applications, verification involves contacting the person who filled out the application and requesting some form of support for the income listed. This documentation might include pay stubs, a tax return, or a letter from the applicant’s employer. If the families fail to provide any documentation, or if the documentation they submit reveals they aren’t eligible for free lunches, the students’ free lunch is removed.

***Kansas Distributes At-Risk Funding Based on the Number of Students Eligible for Free Lunches in Each District***

State at-risk funding is based on a headcount of free-lunch students as of September 20th of each year. For the 2005-06 and 2006-07 years, school districts who receive a large influx of military families during the year will be allowed a second count on February 20th to account for the additional students.

**Auditors remove ineligible students and add eligible students to the free-lunch count.** The Department’s fiscal auditors perform a comprehensive enrollment audit at each district to verify all enrollment counts (including free lunch), and establish State funding for various components of the school funding formula. To check the free-lunch counts, auditors review students’ free-lunch documentation for completeness and accuracy. In addition, auditors verify that free-lunch students were enrolled and attending as of September 20th.

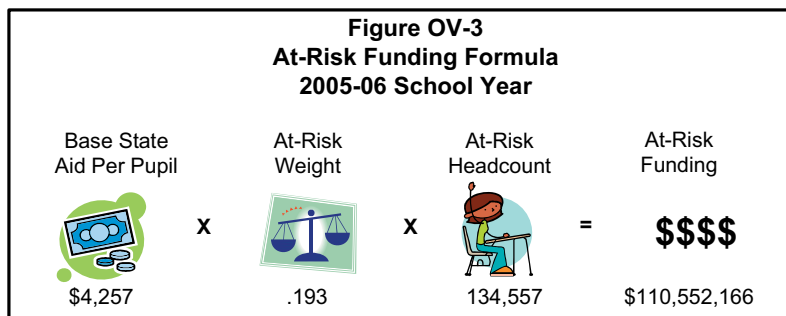
*Figure OV-2* details the adjustments made by the Department’s auditors in 2005-06. As the figure shows, the auditors removed some students and added others, for a net reduction of almost 1,000 students Statewide.

<b>Figure OV-2 Summary of Adjustments to Free-Lunch Counts By Department of Education Auditors 2005-06 School Year</b>	
Free-Lunch Headcount	Number of Students
<b>Reported by School Districts on 9/20</b>	<b>135,331</b>
Removed by Department Auditors	(1,486)
Added by Department Auditors	490
<b>Final Headcount on 9/20 (a)</b>	<b>134,335</b>
<b>Net Change to the 9/20 Headcount</b>	<b>(996)</b>
(a) This count varies slightly from the final free-lunch count used for at-risk funding (134,557). The Department added 176 students as a result of the February 20th military count, and another 46 students were added when districts provided additional documentation that later convinced auditors to change their determinations.	
Source: LPA analysis of data from Kansas Department of Education.	

**Most free-lunch students removed by the Department’s auditors either weren’t eligible for free lunches or weren’t enrolled and attending on September 20th.** About half the nearly 1,500 students auditors removed from the free-lunch count had an incomplete, missing, or incorrectly processed application and weren’t eligible for free lunches. The remaining students the auditors removed were eligible for free lunches, but didn’t meet the enrollment and attendance requirements, had been claimed by another district, or weren’t approved for free lunches until after the September 20th deadline.

According to the audit team director, auditors add free-lunch students to the count when they come across applications for reduced-price or denied applications that should have been approved for free lunches. This happens when districts don’t separate the free-lunch applications from the others, and auditors end up reviewing all applications.

**School districts received \$822 in at-risk funding for each free-lunch student in 2005-06.** The final, audited free-lunch count is referred to as the “at-risk” count for funding purposes. *Figure OV-3* shows how the Statewide at-risk funding was determined for the 2005-06 school year.



The multi-year funding plan passed by the 2006 Legislature increases at-risk funding each year through the 2008-09 school year. As shown in *Figure OV-4*, at-risk funding per free-lunch student will more than double over the next several years—from \$822 in 2005-06 to \$2,021 by 2008-09.

**Figure OV-4  
Kansas At-Risk Funding Per Free-Lunch Student  
2005-06 to 2008-09 School Years**

School Year	Base State Aid Per Pupil	At-Risk Weight (expressed as % of the base)	At-Risk Funding Per Free-Lunch Student
2005-06	\$4,257	19.3%	\$822
2006-07	\$4,316	27.8%	\$1,200
2007-08	\$4,374	37.8%	\$1,653
2008-09	\$4,433	45.6%	\$2,021

Source: K.S.A. 72-6414

## Question 1: Does the Count of Free-Lunch Students Used for At-Risk Funding Accurately Reflect the Number of Students Who Are Eligible for the Program?

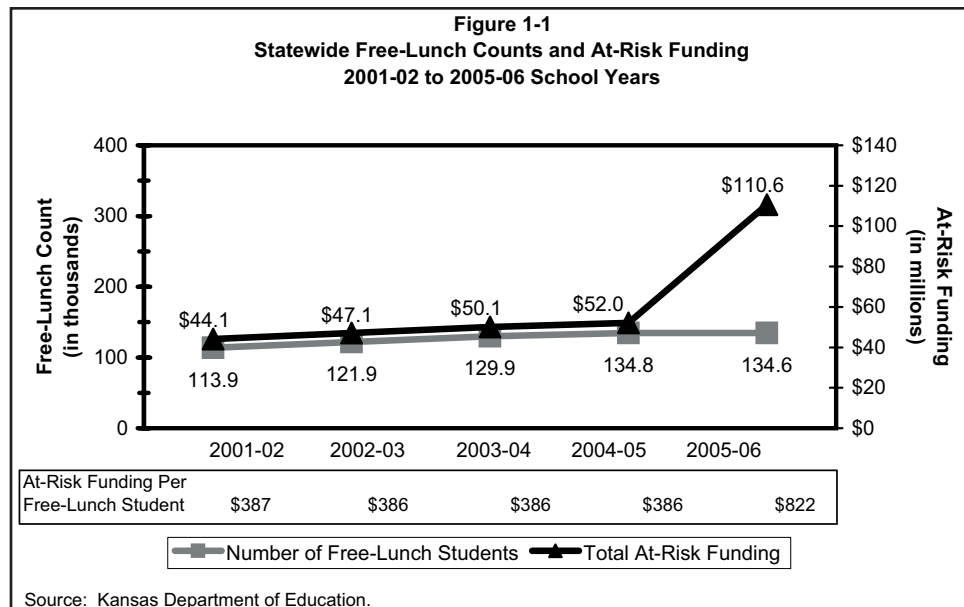
**ANSWER IN BRIEF**

*In the 2005-06 school year, Kansas public school districts received almost \$111 million in at-risk funding for nearly 135,000 free-lunch students. About 17% of our Statewide random sample of 500 free-lunch students were ineligible—primarily because families under-reported their income. That means the State paid almost \$19 million in at-risk funds for about 23,000 ineligible students last year. On the other hand, based on our survey of school district officials, about 6,900 students Statewide may have been eligible for free lunches, but their families didn't apply, mostly because they're embarrassed to reveal their finances.*

*The free-lunch counts used for at-risk funding also may include a number of students the Legislature didn't intend to fund, including adult students in alternative schools and part-time students. We also identified additional problems with the Department of Education's free-lunch reviews that, if addressed, could produce a more accurate count. These and related findings are discussed in the sections that follow.*

***In 2005-06, Kansas Districts Received Almost \$111 Million in At-Risk Funds for About 135,000 Students Identified as Eligible for Free Lunches***

As described in the Overview, Kansas distributes at-risk funding based on the headcount of students in each school district who are determined to be eligible for free lunches as of September 20 each year. In 2005-06, the State provided almost \$111 million in at-risk funding for about 135,000 free-lunch students Statewide. **Figure 1-1** shows the total number of free-lunch students and total amount of at-risk funding provided Statewide over the past five years. As the figure shows, at-risk funding per student more than doubled in 2005-06, dramatically increasing the total at-risk funding for that year.



***About 17% of Free-Lunch Students in Our Statewide Random Sample Were Ineligible, Costing the State an Additional \$19 Million in At-Risk Funds***

We selected a random sample of 500 students from the Department’s audited free-lunch counts for the 2005-06 school year. School districts sent us copies of the free-lunch applications or other related materials for each student showing why they were determined to be eligible.

As discussed in the Overview, students can become eligible for free lunch in two ways:

- **Students are “categorically” eligible** when they participate in a qualified program, such as Food Stamps or Temporary Assistance for Needy Families, or when they have been determined to be runaway, homeless or migrant.
- **Students are “income” eligible** when families’ reported incomes are below the 130% poverty threshold.

To verify categorically eligible students, we confirmed that they participated in a qualified program or had a certain status. For example, if a student received free lunches because his family also received food stamps, we reviewed documentation to confirm that status.

To verify income-eligible students, we reviewed tax return data from the Department of Revenue and quarterly wage reports from the Department of Labor to verify their reported income. If the verified income was more than the threshold for receiving free lunches we counted the student as ineligible. Children in foster care can become eligible based on income because only the student’s income is considered. For those students, we confirmed with SRS that they were in foster care.

This decision-making process involved a complex series of steps. Those steps are described in more detail in *Appendix B*.

**Figure 1-2  
Summary of LPA Verification for a  
Random Sample of 500 Free-Lunch Students  
2005-06 School Year**

Reason Student Was Determined To Be Eligible	Students in our Sample	Students Ineligible	Percent Ineligible
Income-Eligible	296	80	27%
Foster Care	16	4	25%
Categorically Eligible (direct certified, homeless, runaway, migrant, etc)	187	0	0%
Other (a)	1	1	100%
<b>Total</b>	<b>500</b>	<b>85</b>	<b>17%</b>

(a) This student was recorded as eligible in the Department’s database, even though the school district told us this student didn’t have an application on file.  
Source: LPA analysis of data from school districts, Kansas Departments of Education, Revenue, Labor, and SRS.

**Of the 500 free-lunch students in our random sample, 85 students (17%) weren’t eligible, primarily because households under-reported their income. Figure 1-2 summarizes our findings, broken down by how the student originally was determined to be eligible.**

As the figure shows 80 of the 85 students we found to be ineligible were originally approved for free lunches because of

their families' low income. In virtually every case, we found that the family had under-reported the household income. For a majority of these households the under-reporting was substantial. Of the 80 ineligible students:

- 62 households earned income that was 20% or higher than the free-lunch income limit.
- 12 of the 62 households earned income that was more than double the free-lunch income limit.

These results are consistent with a 2004 study by the U.S. Department of Agriculture which found that 18% of the students in its sample were ineligible.

As *Figure 1-2* also shows, four of the ineligible students were listed as foster care children on the free-lunch application. SRS officials had no record of three of these students being in foster care. For one additional foster child, the district received and approved the application after the official September 20 count date.

#### Examples of Ineligible Students From Our Statewide Random Sample

In all, 85 of the 500 free-lunch students we selected in a Statewide random sample actually weren't eligible for free lunches. The following examples illustrate some of the scenarios we encountered for ineligible students.

- **Applicants who didn't report the earnings for all the members of their household**—One application we reviewed showed several household members, with only one person listed as a wage earner. The total household income on the application was a little more than \$20,000. When we looked up the household members at the Department of Revenue, we found tax returns for five household members totaling more than \$168,000 in annual income—well above the \$42,000 eligibility threshold for free lunches.
- **Self-employed applicants who didn't report their full income**—Because the monthly income for many self-employed people is very irregular, they are allowed to submit their tax records from the previous year to establish their annual income. We reviewed one application where the applicant claimed part of his income from his business. When we looked at the applicant's full tax return, we found more than \$100,000 in total income.
- **Applicants who claimed the student was in foster care, when they weren't**—Special rules exist for foster care children that make it very easy for them to qualify for free lunches. All the applicant has to do is check a box to indicate the child is in foster care. We reviewed 16 such applications, and checked with SRS officials to see if these students actually were in foster care. SRS officials had no record of the child being in foster care in three of these 16 cases.

The cases described in the accompanying box illustrate some of the scenarios we encountered.

We conducted a series of statistical analyses to see if students from different types of districts were more likely to be ineligible. We compared districts of different sizes, location, and poverty, but didn't find any significant differences.

**Many households are able to under-report their income and still receive free lunches because federal law requires school district officials to accept their applications at face value.** The National School Lunch Program specifically states that district officials must determine if a student is eligible for free lunches based solely on the income information presented on the application. Even if officials know a family is lying about their income, officials still are required to approve the application. (They can require the family to submit pay stubs or other documentation to verify the information after the application was approved.) By contrast, we were able to use data sources districts don't have access to

such as tax returns and quarterly wage reports to determine students' eligibility for our random sample.

**In 2005-06, the State paid almost \$19 million in additional at-risk funds to school districts for nearly 23,000 ineligible students.** When the results from our random sample are projected to the nearly 135,000 free-lunch students Statewide, we estimate that almost 23,000 free-lunch students who were counted for at-risk funding (17%) really weren't eligible. The State paid \$822 in at-risk funding per free-lunch student in 2005-06, meaning it provided almost \$19 million in additional funds for these students.

Under the school finance plan the Legislature passed during the 2006 session, the amount of State at-risk funding per free-lunch student will increase significantly over the next three years. *Figure 1-3* shows the estimated additional cost to the State for 23,000 ineligible students for that time frame. As the figure shows, if the error rate we identified stayed the same over the next three years, the additional cost to the State would increase from almost \$19 million in 2005-06 to just more than \$46 million in 2008-09.

**Figure 1-3**  
**Projected Overpayments of At-Risk Funds Statewide**  
**Based on 22,875 Ineligible Students**  
**2005-06 to 2008-09 School Years**

	School Year			
	2005-06	2006-07	2007-08	2008-09
At-Risk Weighting Factor (as a % of the base)	19.3%	27.8%	37.8%	45.6%
At-Risk Funding Per Free-Lunch Student	\$822	\$1,200	\$1,653	\$2,021
<b>Dollar Impact of 22,875 Ineligible Students (in millions)</b>	<b>\$18.8</b>	<b>\$27.5</b>	<b>\$37.8</b>	<b>\$46.2</b>

Source: LPA analysis of data from school districts, Kansas Departments of Education, Revenue, Labor, and SRS.

***Based on Our Survey of District Officials, About 6,900 Students Statewide May Have Been Eligible for Free Lunches, But Their Families Didn't Apply***

A common thought among many school district officials is that, while some families under-state their income in order to get free-lunches, a large number of families who would be eligible don't apply. To estimate how many of these students there might be, we surveyed district officials in all 300 districts. We received completed surveys from 123 districts—a 41% response rate.

Officials from 123 districts estimated that about 3,800 potentially eligible students didn't apply for free lunches. Using those results, we estimated there may be as many as 6,900 potentially eligible students Statewide. Had those families applied and been approved for free lunches, it would have cost the State an additional \$5.7 million in at-risk funding in 2005-06. The reader should keep in mind that

**Figure 1-4  
Reasons School District Officials Cited for  
Why Families Don't Apply for Free Lunches**

Reasons Families Don't Apply for Free Lunches	Percent of School Officials Who Cited This Reason
Don't want to reveal finances because of embarrassment	84%
Don't want to reveal finances because of confidentiality concerns	37%
Find the paperwork too difficult to complete	16%
Don't want to apply because they are too proud	11%
Have religious or other ideological convictions against government services	10%
Don't want to take the time to do the paperwork	7%
Have a language barrier	7%
Not aware of the program	4%
(a) The percentages will not add up to 100% because respondents were allowed to select as many choices as they felt applied.	
Source: LPA survey of school district personnel.	

these projections are based on assessments provided by school district officials, and there's no way for us to verify the accuracy of their estimates.

**According to district officials, most eligible families who don't apply are either too embarrassed to do so, or are concerned about the confidentiality of their applications.** We asked district officials to identify the main reasons why families don't apply for free lunches when they would be eligible to receive them. Those results are summarized in *Figure 1-4*.

***The Free-Lunch Counts Used for At-Risk Funding Also May Include a Number of Students the Legislature Didn't Intend To Fully Fund***

Because of actions the Legislature took during the 2005 and 2006 legislative sessions, at-risk funding per student will increase from less than \$400 in 2003-04 to more than \$2,000 by 2008-09. Because of the dramatic increase in funding for each student, policies that allow districts to count additional students will cost the State significantly more in the future. In this section, we discuss two policies that allow districts to include students in their free-lunch counts that the Legislature may not have intended to fully fund.

**The Department of Education has developed an alternative at-risk funding application so school districts can receive at-risk funds for students who attend schools that don't provide lunches.** Many school districts have set up alternative school settings to better reach and provide services to non-traditional students, such as pre-kindergarten children, high school drop-outs, delinquents, and pregnant teenagers.

Many of these schools offer classes online, at night, or on weekends, and therefore don't provide lunches to the students. Because no lunch is available, students attending these schools can't apply for free lunches under the National School Lunch Program, even if their income is low enough to qualify.

To let school districts count these students for at-risk funding purposes, the Department has developed an alternative application that closely mirrors the federal application for free lunches.

According to a 1997 Attorney General opinion, the alternative application is legal because districts can receive at-risk funding as long as the student is eligible for a free lunch, even if the student doesn't actually receive the lunch.

Statewide information on the funding districts receive through these alternative applications wasn't readily available. Therefore, we obtained 2005-06 enrollment information from a sample of eight alternative education schools in four school districts that don't serve lunch. We compared this information with data from the Department to determine how many of these students districts were allowed to count for at-risk funding. Our results are summarized in *Figure 1-5*. As the figure shows, the four districts in this sample received at-risk funding for 319 students attending these schools, even though those students can't actually receive free lunches.

Figure 1-5 "At-Risk" Students at a Sample of Alternative School Buildings 2005-06 School Year				
School	Purpose	Total Enrollment	At-Risk Students (a) # (%)	# of At-Risk Students Over Age 20
<b>USD 253 - Emporia</b>				
Flint Hills Learning Center	Focuses on programs for non-traditional students	223	76 (34%)	56
Turning Point Learning Center	Offers on-line courses for distance learners	21	9 (43%)	0
<b>USD 259 - Wichita</b>				
E School	Offers on-line courses for home-schooled children	214	26 (12%)	0
Learning Center	Focuses on programs for non-traditional students	344	60 (17%)	24
Rainbow School	Focuses on the needs of 3-5 year old at-risk students	176	63 (36%)	0
<b>USD 260 - Derby</b>				
Derby Alternative School	Offers courses to meet the needs of pregnant girls, potential drop-outs, and delinquent teens	45	15 (33%)	0
Derby Learning Center	Focuses on programs for adult learners	73	18 (25%)	15
<b>USD 308 - Hutchinson</b>				
Reno County Learning Center	Focuses on programs for non-traditional students	95	52 (55%)	32
<b>TOTAL</b>		<b>1,191</b>	<b>319 (27%)</b>	<b>127</b>
(a) Students who completed the alternative at-risk funding application and were determined to be eligible for free lunches.				
Source: LPA analysis of data from school districts and the Kansas Department of Education.				

Allowing districts to use the alternative at-risk funding application for students who don't receive free lunches creates two potential problems:

- **Many of the students in these settings are adults for whom the State normally wouldn't provide at-risk funding for anyway.**  
The alternative application helps ensure districts don't lose at-risk funding when students are in alternative settings. However, because those settings include many adults who normally wouldn't be funded, districts actually can gain additional at-risk funding. For example, in the eight alternative schools we reviewed, 127 of the 319 free-lunch students were over age 20.
- **Neither school districts nor the Department are required to verify the income information on any of these alternative applications.**  
Because the alternative applications aren't actually for free lunches, they aren't covered by the required verification process we described in the Overview. Without the possibility that the application will be selected for verification, there's a greater risk that the income information on these applications could be manipulated in order to generate more at-risk funding.

**Districts receive the full amount of at-risk funding for part-time students because the State doesn't prorate the funding.** By statute, the State is required to distribute at-risk funding based on the headcount of free-lunch students in each school district. This means that districts receive a full share of at-risk funding (\$822 per student in 2005-06) for every student, even if they attend school only part time. Most of these are kindergarten students.

To determine the financial impact of using the free-lunch headcount, we compared the 2005-06 headcount in the Topeka school district to the number of free-lunch FTE students. That year, Topeka had about 7,150 free-lunch students (headcount) who generated \$5.9 million in at-risk funds. Had the count of part-time free-lunch students been prorated, Topeka would have had about 6,735 free-lunch students (FTE), who would have generated \$5.5 million in funding—a difference of about \$340,000. Because the State's funding for at-risk students will increase significantly over the next several years, the difference in Topeka would cost about \$840,000 in 2008-09.

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***We Identified Additional Problems With the Department's Free-Lunch Reviews That, If Addressed, Could Produce a More Accurate Count***

Two teams within the Department review the applications for free lunch to ensure that the students' eligibility has been determined correctly:

- The Department's fiscal audit team reviews the applications to ensure districts receive the right amount of at-risk funding.

- The Department's child nutrition team also reviews the applications to fulfill certain requirements of the National School Lunch Program.

In this section, we discuss how these two teams' work could be better coordinated to produce a more accurate free-lunch count for at-risk funding.

**In 2005-06, the child nutrition team didn't report roughly 1,850 ineligible free-lunch students it knew about to the Department's fiscal auditors.** The child nutrition team becomes aware of students who aren't really eligible for free-lunches in two ways:

- **First, the child nutrition team oversees school districts' efforts to verify the financial information on a sample of free-lunch applications, and compiles the results of those reviews.** In 2005-06, school districts identified 1,839 ineligible students and reported their names to the child nutrition team. Of these, 14% were determined ineligible because the applicant failed to respond to repeated requests for supporting documentation.
- **Second, the child nutrition team identifies students who aren't eligible for free-lunches through its own reviews.** The team conducts several reviews of free-lunch applications to fulfill certain federal requirements. During one of these reviews for the 2005-06 school year, the team identified 17 additional students who weren't eligible for free-lunches and had been missed by the Department's fiscal auditors.

The Department's child nutrition team didn't report the roughly 1,850 ineligible students to the fiscal auditors, who could have removed them from the at-risk funding counts. For these students, the State overpaid districts \$1.5 million in at-risk funding in 2005-06.

**In 2005-06, the Department's fiscal auditors didn't audit every school in the six largest districts, potentially missing about 100 ineligible students.** The fiscal auditors review 100% of the free-lunch applications in all but the six largest school districts (Wichita, Olathe, Shawnee Mission, Kansas City, Topeka, and Blue Valley). Because of limited resources, the auditors review the applications at a sample of schools in those districts—one-third of the elementary schools, half of the middle schools, and all of the high schools, and other special attendance centers.

In 2005-06, this sampling strategy left 147 schools with about 25,000 free-lunch students unaudited. For these six districts, we used the auditors' results in the schools they did audit to estimate the number of students who likely were ineligible in the schools they didn't audit. These results are shown in *Figure 1-6*.

<b>Figure 1-6</b> <b>Potentially Ineligible Free-Lunch Students</b> <b>If All Schools Were Audited at the Six Largest Districts</b> <b>2005-06 School Year</b>		
School District	# of Free-Lunch Students in Unaudited Schools	Estimated # of Free-Lunch Students Who May Be Ineligible (a)
Wichita (259)	13,701	32
Kansas City (500)	5,616	27
Topeka (501)	2,625	10
Shawnee Mission (512)	1,584	3
Olathe (233)	1,394	23
Blue Valley (229)	202	2
<b>Total</b>	<b>25,122</b>	<b>97</b>
(a) This actually represents the net change to the free-lunch count in these districts (students added minus students removed). Source: LPA analysis of Kansas Department of Education data for the six largest school districts in the State.		

As the figure shows, the Department’s auditors may have missed about 100 ineligible students in these six districts. Because the sample wasn’t random, these results aren’t precise, but they do provide a general indicator of the number of ineligible students who were missed.

While this may have cost the State about \$80,000 in 2005-06, increases in the at-risk funding per student in the future could drive that figure to about \$196,000 in 2008-09. According to the Department’s audit team director, it would take one additional auditor at a cost of \$60,000 (salary and benefits) to audit all the schools in these six districts.

**Because the Department’s two teams don’t coordinate their reviews, the same free-lunch applications may be reviewed several times by Department staff.** In all, the fiscal audit team and the child nutrition team conduct three separate reviews that involve checking the approved free-lunch applications to ensure students are really eligible. *Appendix C* contains more detailed information about each review.

Although the reviews are conducted for different purposes, it’s reasonable to assume that once a State official has reviewed an application and determined it was processed correctly, it doesn’t need to be reviewed a second or third time by another official. If the review efforts were streamlined and coordinated between teams, it potentially could free up staff time to review other program components, or to review more schools each year.

**CONCLUSION**

The most important factors that cause school district officials to mistakenly approve a large number of ineligible students for free lunches are outside the districts' control. Even though many families mistakenly under-report or even purposefully lie about their income on the free-lunch application, federal law requires school districts to accept those applications at face value. That's because under the National School Lunch Program concerns about fraud and abuse are secondary to the goal of making sure students who need free meals get them.

Although school districts do work to verify the information on some of the applications, they're not authorized to look at the tax returns and wage reports we could. This means the free-lunch counts always will be overstated, no matter how diligently school district and Department of Education officials enforce the rules of the Program. Still, as we've shown, there are some things the Department could do to make the counts more accurate.

**RECOMMENDATIONS**

1. To make the free-lunch count as accurate as possible, the Department of Education should do the following:
  - a. require districts to verify a random sample of alternative "at-risk" applications for students who attend schools in alternative settings that don't provide lunches. The verification should be done in the same manner as traditional free-lunch applications are verified under the National School Lunch Program.
  - b. ensure its child nutrition team shares the free-lunch eligibility findings from the school district's reviews and its own reviews with the fiscal audit team, and ensure that the fiscal staff adjust the free-lunch counts accordingly.
2. To increase the efficiency of free-lunch eligibility reviews, the Department of Education should do the following:
  - a. create a system that allows Department staff to indicate they have reviewed a student's free-lunch status. This might be done by adding a signature space at the bottom of the free-lunch application form for Department staff to document their review.
  - b. discourage fiscal auditors and child nutrition staff from reviewing applications that have already been reviewed and approved by someone from the Department.

- c. after implementing the efficiency-related recommendations in 2(a)-2(b), identify any remaining resources needed to perform annual enrollment audits in all schools.
3. To ensure the Legislature only provides at-risk funding for those students it intended, the House Select Committee on School Finance and the Senate Education Committee should consider amending State law to:
  - a. institute an age limit for free-lunch students for purposes of at-risk funding.
  - b. change the at-risk funding count from a headcount to an FTE count.

## Question 2: How Does the Number of Free-Lunch Students Reported by Districts Compare with Poverty Estimates Compiled by the U.S. Census Bureau?

### **ANSWER IN BRIEF**

*In 2003-04, Kansas had 54,000 more free-lunch students than adjusted figures from the U.S. Census Bureau would suggest. The primary reason for this difference is that the free-lunch count includes approximately 22,000 ineligible students for that year, based on the proportion of ineligible students discussed in Question 1. The Census Bureau's district-level poverty estimates also have several limitations, including difficulties in accurately measuring important populations, significant lag time in publishing figures, and decreasing accuracy as they get further from the 10-year Census count. These and related findings are discussed in the sections that follow.*

### ***In 2003-04, Kansas Had 54,000 More Free-Lunch Students Than Adjusted U.S. Census Estimates Would Suggest***

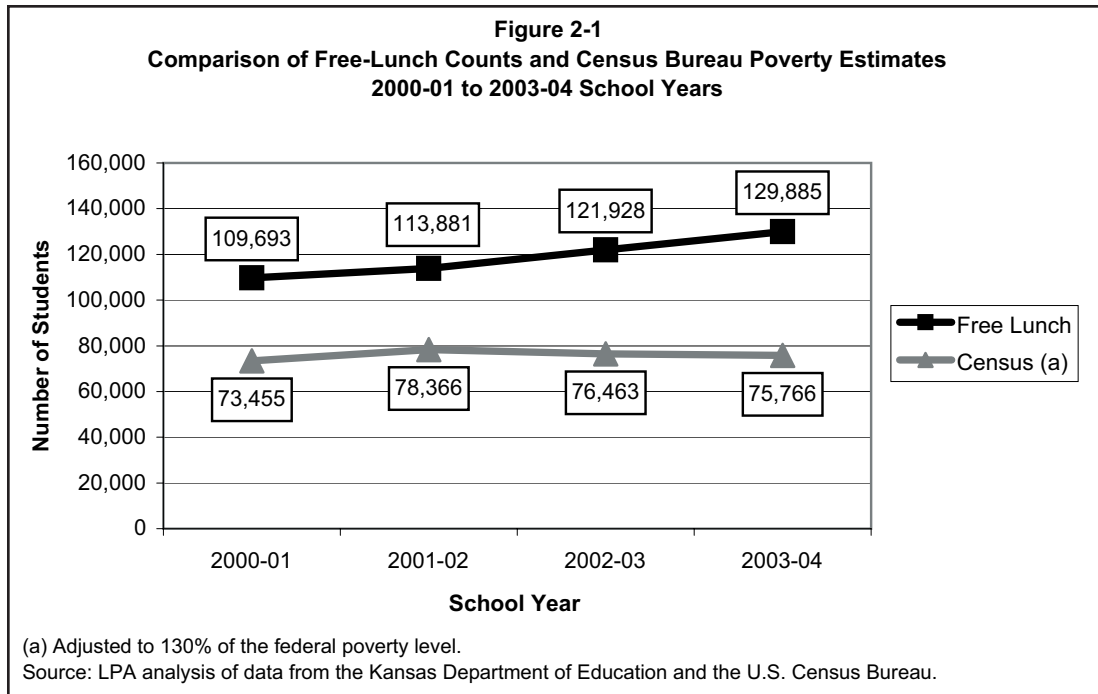
As required by the U.S. Constitution, the U.S. Census Bureau counts all people living in the United States every 10 years. Statistical estimates are used to update the population count in the intervening years. As part of the 10-year count, the Census Bureau gathers a variety of demographic data from a sample of households, including information about their earnings.

Each year, the Census Bureau combines the demographic data from the 10-year count, the intervening population estimates, and information from government assistance programs to come up with estimates of the number of people who live below the federal poverty level within a variety of geographic areas.

Among the breakdowns available each year is an estimate of the number of children between the ages of 5 to 17 in each school district who live below the federal poverty level. The most current estimates for school districts are for the 2003-04 school year.

Because students are eligible for free lunches if their household incomes are less than 130% of the federal poverty level, we adjusted these Census estimates upwards (from 100% to 130%) by using other data from the Census Bureau.

**The Census data suggest that approximately 76,000 children in Kansas were at or below 130% of the federal poverty level in 2003-04, which was 54,000 fewer than the free-lunch count. *Figure 2-1* compares the adjusted Census Bureau estimates to the Statewide free-lunch counts from 2000-01 to 2003-04. More detailed information for each school district is contained in *Appendix D*.**



*Figure 2-1* also shows that the difference between the Census Bureau’s estimates and the free-lunch counts has been growing. In 2000-01, there were approximately 36,000 more free-lunch students than the Census data would suggest. By 2003-04, the difference had grown to just more than 54,000.

One possible explanation for this trend is that the free-lunch counts and Census poverty estimates are relatively close when each 10-year count is completed, but grow further apart each year until the next 10-year count. To test this theory, we analyzed free-lunch and Census poverty data for all 50 states from 1987 to 2003, but found no evidence of a cyclical trend.

***The Free-Lunch Count Is Significantly Higher Than the Adjusted Census Estimate, Primarily Because the Count Includes Many Ineligible Students***

To identify and quantify the reasons for the differences between the adjusted Census Bureau poverty estimates and the free-lunch count in Kansas, we talked to officials from the Kansas Department of Education and the Census Bureau, reviewed a number of studies, and performed additional analyses on various school district data. Our results are summarized in *Figure 2-2* on the next page.

As the figure shows, we were able to account for over half (29,000) of the 54,000 student discrepancy. By far the most significant factor we identified was the inclusion of ineligible students in the free-lunch counts. Based on our results from Question 1, we estimate that 22,000 of the almost 130,000 free-lunch students in 2003-04 weren’t eligible.

**Figure 2-2  
Summary of the Reasons for the Difference Between the  
Statewide Free-Lunch Count and Poverty Estimates from the U.S. Census Bureau  
2003-04 School Year**

Reasons We Identified For the <u>Difference</u> Between the Free-Lunch and Census Figures	Which Is Increased?		How Many Students Did This Add to/Subtract from the Free-Lunch Count?
	Free-Lunch Count	Census Estimate	
<b>Ineligible Students</b> - Based on our work in Question 1, we estimate about 17% of the students in the free-lunch count are ineligible.	x		22,000
<b>Age</b> - The free-lunch counts include students under age 5 and over age 17, but the Census estimates don't.	x		6,500
<b>Foster Care Students</b> - The free-lunch count can include <u>any</u> student in foster care, while the Census estimate only includes related foster children <u>under age 15</u> .	x		3,000
<b>Private Schools</b> - Census Bureau figures include students who attend private schools, but free-lunch counts don't.		x	(2,500)
<b>Institutions</b> - The free-lunch counts <u>include some</u> students who live in institutions, the Census estimates don't include <u>any</u> of these students.	x		<i>unknown</i>
<b>Transitory Students</b> - The free-lunch counts include many students who move frequently, such as children of migrant or undocumented workers. The Census has difficulty tracking these students.	x		<i>unknown</i>
<b>Special Programs</b> - As we described in Question 1, the free-lunch counts include some students who are eligible because they participate in certain programs, even if their families earn more than 130% of the poverty level. Migrant students potentially are the most significant group, with more than 4,800 students Statewide in 2005-06.	x		<i>unknown</i>
<b>Total Amount of the Difference We Accounted For</b>			<b>29,000</b>
Source: LPA research and analysis on Census Bureau estimates and Kansas free-lunch counts.			

The next most significant factor was the age of students (6,500 students). The Census Bureau estimates only include students from ages 5 to 17; the free-lunch counts include students of ages three and up.

***The Census Bureau's District-Level Poverty Estimates Have Several Limitations Because of the Way They're Produced***

While the Census Bureau poverty estimates provide a lot of potentially useful information, that information has limitations. First, it's important to remember that because of the way the Census figures are created, they are estimates and don't represent actual counts of the number of children in poverty.

Bureau officials don't guarantee the accuracy of the figures. More importantly, we found several limitations when using these estimates to measure student poverty:

- **The Census Bureau estimates are less accurate for certain populations, which affects poverty measurements.** The Census Bureau gathers extensive demographic data from a sample of households when it conducts the 10-year count. Certain problems with how this demographic information is gathered for certain populations can have an impact on the picture of student poverty:
  - ▶ Rural Populations—Because rural areas have significantly fewer people, the Census Bureau may not receive enough responses during the 10-year count to accurately estimate the demographic make-up of people in those areas.
  - ▶ Transitory Populations—As we noted in **Figure 2-2**, the Census Bureau has difficulty counting populations that frequently move, including undocumented workers, migrants, and homeless. People from such populations are more likely to live in poverty.
  - ▶ Children in Large Families or Unconventional Living Arrangements—According to the Census Bureau, the 1990 Census missed more than two million children. Although officials believe the 2000 Census was more accurate, the Census Bureau still has trouble counting children accurately. One problem is the Census form—it only had enough space for six household members, meaning children from larger families may have been left out. Another problem was that children in unconventional living arrangements—for example those living with another family member—may not have been included.
  - ▶ Foster Care Children—According to the Census Bureau, unrelated foster care children under the age of 15 aren't counted as part of the foster family's household because the survey asks for information on related children.
- **The Census Bureau counts children in the districts where they live, not in the districts where they're enrolled.** Open enrollment policies and virtual schools create opportunities for students to attend different school districts than the ones in which they live. Because the Census Bureau isn't able to take this into account when it develops its estimates, the estimate for some districts can become very distorted. The box on the next page illustrates this problem by comparing the Census estimate of the number of students in certain districts with the actual enrollment figures for those districts.
- **The Census poverty estimates have a significant lagtime.** As mentioned earlier, the latest available district-level poverty estimate was for 2003.
- **The Census Bureau estimates may become less accurate the further they get from the 10-year count.** The demographic

information gathered during the 10-year count serves as the foundation of the district-level poverty estimates. The estimates are updated each year, using a set of statistical techniques. Census Bureau officials acknowledge that those estimates may become less accurate as they get further away from the 10-year count.

**The Census Bureau May Significantly Underestimate  
the Number of Children Enrolled in Many School Districts**

To test the reliability of the U.S. Census Bureau’s estimates of the total number of all school-aged children (not just low income) in each school district, we compared those estimates to the total public-school enrollment in each district for 2003-04. Because the Census estimates include all children between the ages of 5 and 17 living in the district (including those who attend private schools), we would expect the Census counts to be higher than the public school enrollment in most districts.

For 175 of the 300 school districts in Kansas, the Census estimates actually were lower than the total public school enrollment—in some cases significantly lower. The results for all 300 school districts are included in **Appendix D**. The following table shows some examples:

District	Census Bureau Estimate (Children Ages 5-17)	Department of Education (Enrollment Headcount)	Percent Difference
USD 438 – Skyline Schools	213	461	116%
USD 424 – Mullinville	78	159	104%
USD 218 – Elkhart	485	696	44%

Source: LPA analysis of Census Bureau district-level estimates of children aged 5-17, and Kansas enrollment counts (2003-04).

As we noted in the text, one factor that might cause the Census estimates to be lower are open enrollment policies and the existence of virtual schools, which allow students to enroll in a different district than they live in. For example, Skyline Schools (USD 438) has an open enrollment policy. Another reason may be that the Census estimates are simply less accurate at the district level.

**CONCLUSION**

Many states, including Kansas, use student poverty as a proxy for the number of at-risk students within a school district. The number of students who are eligible for free lunches offers a timely and convenient measure of student poverty that is linked to federal poverty guidelines. Unfortunately, as our work in Question 1 shows, a significant number of the students included in those counts aren’t eligible for free lunches.

Poverty estimates published by the U.S. Census Bureau offer a credible alternative to free-lunch counts for measuring

student poverty, but those estimates have limitations too. It takes the Census Bureau several years to publish the estimates and, as we've seen, they're not always a reliable measure of student poverty at the school-district level. Because neither free-lunch counts nor Census estimates are perfect measures, policymakers have to weigh the two and decide which set of limitations they can live with.

## APPENDIX A Scope Statement

This appendix contains the scope statement approved by the 2010 Commission for this audit on May 19, 2006. The audit was conducted in two parts, the first part covering Questions 1 and 2, and the second part covering the remaining question.

### **K-12 Education: Reviewing Free-Lunch Student Counts Used as the Basis for At-Risk Funding**

Since the State's school finance formula was passed in 1992, State funding for at-risk services has been distributed to school districts based on the number of students in each district that qualify for the federal free-lunch program. Funding for at-risk services has increased significantly in recent years. The 2005 Legislature nearly doubled the weighting factor for free-lunch students, bringing total at-risk funding Statewide to almost \$111 million for the 2005-06 school year. In addition, the recent Legislative Post Audit cost study indicated the need for more than \$360 million in funding based on free-lunch counts in order to give all school districts the opportunity to meet outcome standards adopted by the State Board of Education. As funding for at-risk services increases, the number of students who qualify for the free-lunch program becomes an increasingly important factor in the State's school finance formula.

Recently, legislators have been presented with information that indicates the number of students that districts report as eligible for the free-lunch program varies significantly from similar poverty estimates prepared by the U.S. Census Bureau. In addition, information compiled by the State Department of Education, as well as findings in the Legislative Post Audit cost study, indicate that the number of students eligible for free lunch has little relationship to the number of students who actually receive at-risk services. This information has raised concerns among some legislators about the validity of using the number of students qualifying for free lunch to measure poverty within each district, and for some it also calls into question the appropriateness of using free-lunch counts as the basis for distributing State at-risk funding.

This school district performance audit would answer the following questions:

- 1. Does the number of free-lunch students reported by school districts accurately reflect the number of students who are eligible for the program?** To answer this question, we'd interview staff with the U.S. Department of Agriculture to understand the eligibility requirements for the federal free-lunch program. We'd survey school district officials and interview staff from the State Department of Education to find out what they do to verify the eligibility of students who apply for the free-lunch program and to determine the adequacy of those processes. For a sample of districts, we'd review documentation to verify that they are following their verification processes. We would also select a sample of students who were enrolled in the free-lunch program and review tax returns and other documentation to verify that they were actually eligible. We would survey school district officials to identify students who may be eligible for the program but haven't applied, and for a sample of these students, we would review documentation to determine if they were indeed eligible.

2. **How does the number of free-lunch students reported by school districts compare with poverty estimates compiled by the U.S. Census Bureau?** To answer this question, we would contact staff with the U.S. Census Bureau to understand how it defines poverty and how its poverty estimates are compiled. We'd compare the Census poverty definition to the eligibility requirements for the federal free-lunch program to determine if they are comparable. We'd also compare the Census poverty estimates for each school district to the number of free-lunch students reported to the Department of Education over the last several years to determine if there are significant discrepancies. We'd compare the Statewide free-lunch counts in Kansas and a sample of other states to the Census estimates over the last several years to determine if there are any cyclical patterns to the disparities.
  
3. **How does the number of free-lunch students in Kansas compare with the number of students who receive at-risk services?** To answer this question, we would assess the reliability of at-risk student counts submitted by districts to the Department of Education, and compare those counts to the number of free-lunch students reported by school districts. For a sample of districts, we would compare lists of students who qualified for free lunches with lists of students who received at-risk services to determine to what extent they are the same students. We'd also find out how many other states use free-lunch counts as the basis for at-risk funding, and how many rely on other measures.

Estimated completion time: 12-14 weeks

## APPENDIX B

### LPA Methodology Used To Determine Free-Lunch Eligibility

This appendix describes the “decision tree” we developed to verify our random sample of 500 free-lunch students. While we used this “decision tree” to process the majority of cases, we deviated from this methodology in some isolated instances. On these pages we provide a narrative description of our process; on the following pages we present a flowchart of our “decision tree.”

**Application Approval Dates**—We only processed applications (income, SRS case number, or foster child records) if the approval date was on or before September 20th because any application dated after September 20th should not have been included in the at-risk funding count. We found a total of three records that fell into this category. For one student, the district informed us the student wasn’t receiving free lunches and shouldn’t have been included in the district’s count.

**Categorical Eligibility** (203 students)—To be determined eligible, students must be verified as participating in one of the following programs:

- **Direct Certified Students** (157 students)—SRS provides information directly to the parent or to the district indicating that those students are automatically eligible for free lunches because they participate in the Food Stamp or TANF programs. For these students, we verified that documentation.
- **Applications with SRS Case Numbers** (17 students)—Students who participate in the Food Stamp or the TANF programs can also become free-lunch eligible by providing a SRS case number on an application. For those cases, we worked with SRS staff to verify that the case number was valid.
- **Homeless or Runaway Students** (2 students)—Homeless students are identified and documented by district personnel. We reviewed district documentation to verify the student’s status.
- **Migrant Students** (11 students)—The Department of Education compiles a list of all students identified as migrants for federal purposes. We verified a student’s migrant status with the official Department Migrant List.
- **Foster Children** (16 students)—Applicants can simply check a box to indicate that a student is a foster child. While these applications are technically income applications, foster children become eligible based solely on their income, which typically is none. We addressed the higher risk of falsely reporting foster care status by working with SRS officials to verify these students were actually in the foster care system.

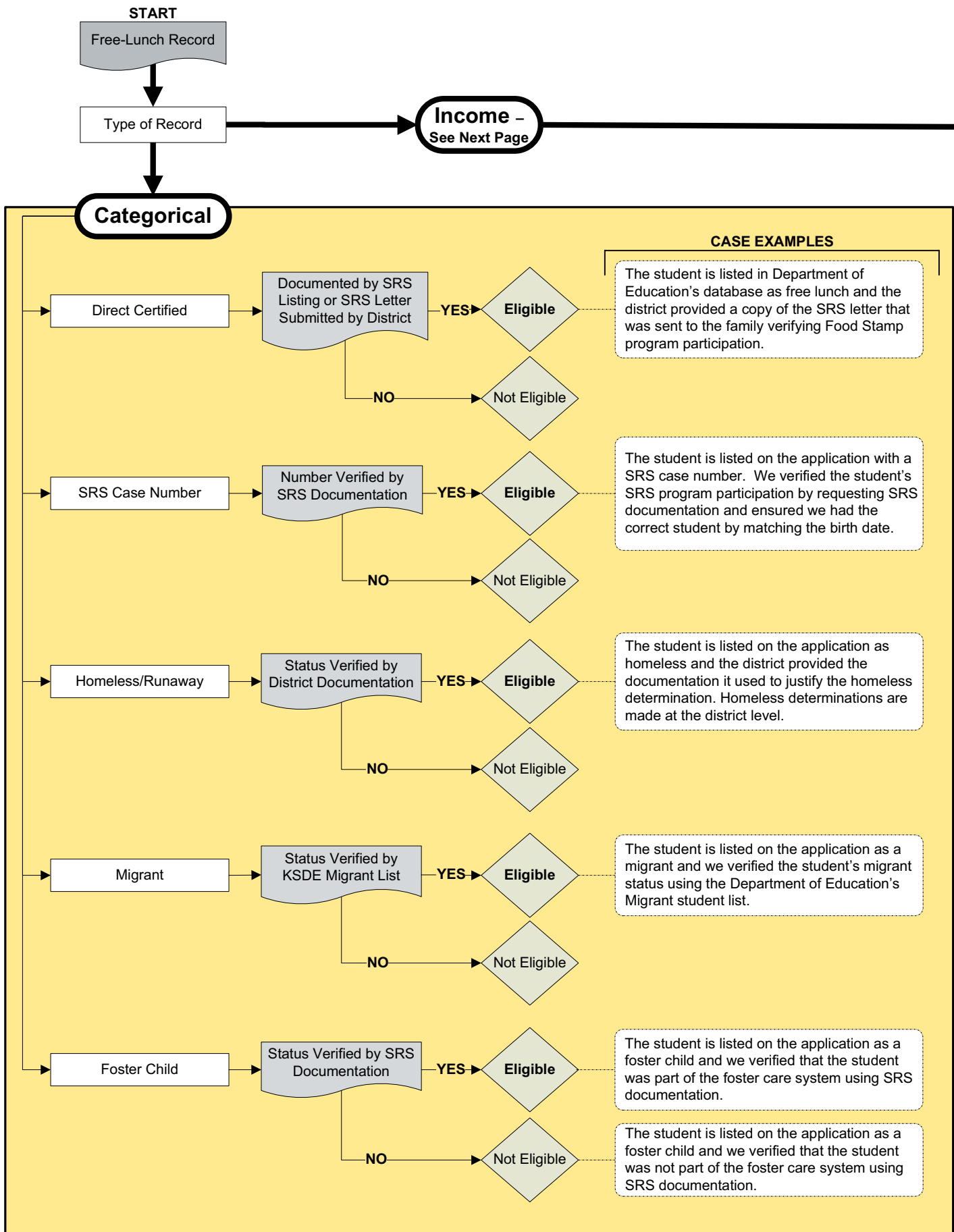
**Income Eligibility** (296 records)—To be determined eligible, an applicant’s income had to be under the allowable income limit. In processing all applications, we assumed the reported income was correct, unless we found evidence to the contrary.

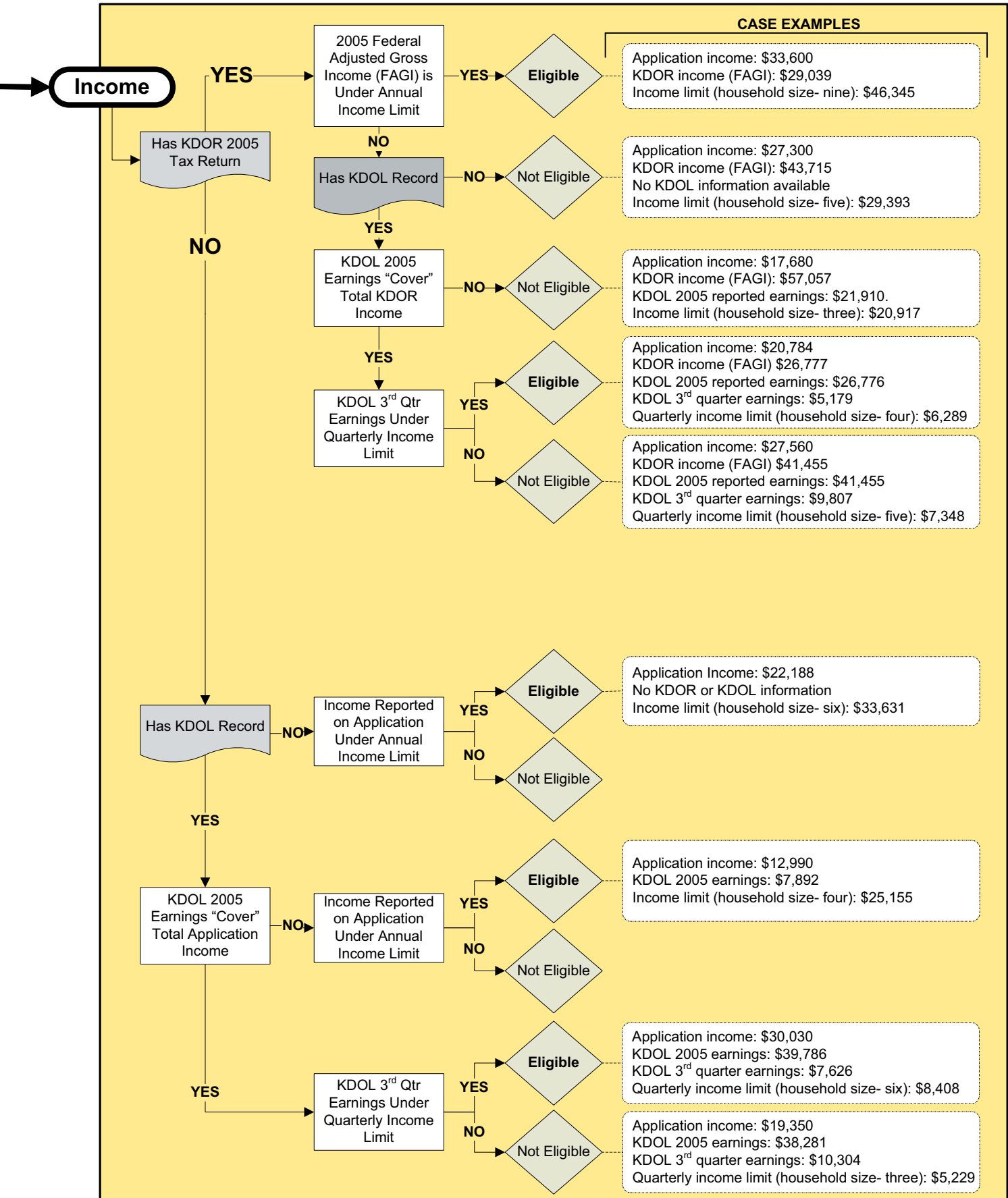
In conducting a similar audit in 2006, Arizona auditors attempted to verify the reported income by obtaining supporting documentation, such as recent pay stubs, from the applicants. This approach can be very time-consuming and labor-intensive, and in the end it is very difficult to get parents to provide documentation. In Arizona’s audit, auditors were unable to obtain supporting documentation for more than 40% of the students in their review.

Instead , we used tax return data from the Department of Revenue and quarterly wage reports from the Department of Labor to verify the income reported on the free-lunch applications.

These are the steps we followed:

1. We searched the Department of Revenue database for 2005 tax returns and retrieved the federal adjusted gross income of all household members listed on the application.
2. If the total income of all household members was under the income limit, the applicant was eligible for free lunch. If it was over the income limit, the applicant was preliminarily ineligible. For those applicants, and for applicants with no tax records at the Department of Revenue, we searched the Department of Labor database for quarterly wage reports.
3. For applicants we preliminarily determined ineligible based on tax return information, we reviewed quarterly wage reports to determine if the total 2005 earnings were close to (“covered”) the tax return information.
4. If the total quarterly wages “covered” the tax return income, we used 3rd quarter earnings (July-September 2005) to make a final eligibility determination. If the wage information wasn’t close to tax return information, we used the reported income from the tax return income.
5. When neither Department had income information, we used the reported income information on the application to make our decision.





**Appendix C**  
**Summary of the Major Free-Lunch Application Reviews**  
**Conducted by Kansas Department of Education Staff**

What's the Review Called?	Enrollment Audit	National School Lunch Program Audit	Compliance Review Evaluation (CRE) & Supervisory Technical Assistance Review (STAR)
Who Conducts the Review?	Fiscal Audit Team	Fiscal Audit Team	Child Nutrition and Wellness Team
What's the Purpose of the Review?	To ensure the accuracy of the various enrollment counts used to calculate State funding, including the free-lunch count.	To ensure smaller school districts are complying with a variety of National School Lunch Program requirements, including making proper eligibility determinations on free- and reduced-price applications.	To ensure all public and private schools who receive funding through the National School Lunch Program follow the Program's requirements.  The CRE is a federally required review. The STAR is an additional State review.
When Is the Review Conducted?	Between October 15 and April 15 of the <u>current</u> school year.	Between October 15 and April 15 of the <u>previous</u> school year.	Anytime during the <u>current</u> school year.
How Do They Select the School Districts?	All public school districts are reviewed.	Public school districts that receive less than \$500,000 in federal financial assistance (about 200 districts).	A sample of public and school districts and private schools are reviewed each year, based on a 5-year rotating cycle.
What Type of Applications Do They Review?	<b>All approved free-lunch applications</b> are reviewed. In general, reduced-price and denied applications aren't part of the review.	<b>All applications</b> (free-lunch, reduced-priced, and denied) are reviewed.	<b>All applications</b> (free-lunch, reduced-priced, and denied) are reviewed.
How Do They Select the Applications?	100% of the free-lunch applications as of September 20 are reviewed, except at the six largest school districts, where auditors review applications at a sample of schools.	50% of all applications on file as of October 31 (minimum of 100).	All applications that are on file at the time of the review.

Source: Interviews with Kansas Department of Education officials and review of documents.

## APPENDIX D

### Comparison of the School District Enrollment Counts to the U.S. Census Bureau Populations Estimates, by School District

This appendix compares student enrollment figures for the 2003-04 school year from the Department of Education to U.S. Census Bureau population estimates of children ages 5 to 17. There are two sets of comparisons for each school district.

- The Census Bureau's estimate of the number of children in poverty in each school district (adjusted to 130% of the federal poverty level) compared with the districts' free-lunch counts.
- The Census Bureau's estimate of the total number of children in each district compared with the districts' headcount enrollment.

Each comparison shows the Census estimate, the Department of Education enrollment count, and the difference between the two figures (number and percent).

**Appendix D**  
**Comparison of School District Enrollment Counts to**  
**U.S. Census Bureau Population Estimates**  
**2003-04 School Year**

SCHOOL DISTRICT	LOW-INCOME STUDENTS				ALL STUDENTS			
	Census Bureau Estimate (a) (Children 5-17 Under 130% of Poverty)	Department of Education (Free-Lunch Count)	Difference (#)	Difference (%)	Census Bureau Estimate (All Children 5-17)	Department of Education (Total Public School Enrollment)	Difference (#)	Difference (%)
<b>STATEWIDE TOTAL</b>	<b>75,766</b>	<b>129,885</b>	<b>54,119</b>	<b>71.4%</b>	<b>494,709</b>	<b>467,387</b>	<b>(27,322)</b>	<b>(5.5%)</b>
101 - ERIE-ST PAUL	168	334	166	98.8%	1,058	1,079	21	2.0%
102 - CIMARRON-ENSIGN	87	143	56	64.4%	674	696	22	3.3%
103 - CHEYLIN	33	48	15	45.5%	179	161	(18)	(10.1%)
104 - WHITE ROCK	27	42	15	55.6%	162	144	(18)	(11.1%)
105 - RAWLINS COUNTY	67	94	27	40.3%	367	399	32	8.7%
106 - WESTERN PLAINS	31	46	15	48.4%	174	202	28	16.1%
200 - GREELEY COUNTY	41	94	53	129.3%	273	297	24	8.8%
202 - TURNER-KANSAS CITY	611	1,267	656	107.4%	3,761	3,856	95	2.5%
203 - PIPER-KANSAS CITY	51	51	0	0.0%	1,410	1,320	(90)	(6.4%)
204 - BONNER SPRINGS	277	451	174	62.8%	2,197	2,294	97	4.4%
205 - BLUESTEM	113	116	3	2.7%	851	748	(103)	(12.1%)
206 - REMINGTON-WHITEWATER	75	87	12	16.0%	800	543	(257)	(32.1%)
207 - FT LEAVENWORTH	67	59	(8)	(11.9%)	1,962	1,915	(47)	(2.4%)
208 - WAKEENEY	77	75	(2)	(2.6%)	458	405	(53)	(11.6%)
209 - MOSCOW	21	81	60	285.7%	184	287	103	56.0%
210 - HUGOTON	183	357	174	95.1%	977	1,100	123	12.6%
211 - NORTON COMMUNITY	94	156	62	66.0%	627	713	86	13.7%
212 - NORTHERN VALLEY	26	63	37	142.3%	157	197	40	25.5%
213 - WEST SOLOMON VALLEY	5	16	11	220.0%	96	77	(19)	(19.8%)
214 - ULYSSES	282	628	346	122.7%	1,641	1,833	192	11.7%
215 - LAKIN	92	221	129	140.2%	730	729	(1)	(0.1%)
216 - DEERFIELD	64	143	79	123.4%	335	341	6	1.8%
217 - ROLLA	29	100	71	244.8%	172	224	52	30.2%
218 - ELKHART	82	151	69	84.1%	485	696	211	43.5%
219 - MINNEOLA	40	87	47	117.5%	203	279	76	37.4%

SCHOOL DISTRICT	LOW-INCOME STUDENTS				ALL STUDENTS			
	Census Bureau Estimate (a) (Children 5-17 Under 130% of Poverty)	Department of Education (Free-Lunch Count)	Difference (#)	Difference (%)	Census Bureau Estimate (All Children 5-17)	Department of Education (Total Public School Enrollment)	Difference (#)	Difference (%)
220 - ASHLAND	36	67	31	86.1%	219	233	14	6.4%
221 - NORTH CENTRAL	23	33	10	43.5%	140	130	(10)	(7.1%)
222 - WASHINGTON	55	66	11	20.0%	334	361	27	8.1%
223 - BARNES	62	108	46	74.2%	453	468	15	3.3%
224 - CLIFTON-CLYDE	46	82	36	78.3%	330	338	8	2.4%
225 - FOWLER	15	72	57	380.0%	175	180	5	2.9%
226 - MEADE	56	105	49	87.5%	440	527	87	19.8%
227 - JETMORE	40	60	20	50.0%	278	306	28	10.1%
228 - HANSTON	7	30	23	328.6%	108	101	(7)	(6.5%)
229 - BLUE VALLEY	596	305	(291)	(48.8%)	20,870	18,906	(1,964)	(9.4%)
230 - SPRING HILL	92	132	40	43.5%	1,545	1,598	53	3.4%
231 - GARDNER EDGERTON	265	453	188	70.9%	3,096	3,401	305	9.9%
232 - DE SOTO	215	396	181	84.2%	3,770	4,491	721	19.1%
233 - OLATHE	1,665	2,050	385	23.1%	24,264	22,794	(1,470)	(6.1%)
234 - FORT SCOTT	515	743	228	44.3%	2,165	2,046	(119)	(5.5%)
235 - UNIONTOWN	100	177	77	77.0%	436	477	41	9.4%
237 - SMITH CENTER	72	133	61	84.7%	455	490	35	7.7%
238 - WEST SMITH COUNTY	12	57	45	375.0%	154	199	45	29.2%
239 - NORTH OTTAWA COUNTY	38	127	89	234.2%	581	577	(4)	(0.7%)
240 - TWIN VALLEY	66	96	30	45.5%	472	659	187	39.6%
241 - WALLACE COUNTY	41	63	22	53.7%	225	237	12	5.3%
242 - WESKAN	25	39	14	56.0%	83	136	53	63.9%
243 - LEBO-WAVERLY	51	130	79	154.9%	508	591	83	16.3%
244 - BURLINGTON	103	192	89	86.4%	758	886	128	16.9%
245 - LEROY-GRIDLEY	45	76	31	68.9%	300	304	4	1.3%
246 - NORTHEAST	204	238	34	16.7%	707	571	(136)	(19.2%)
247 - CHEROKEE	175	245	70	40.0%	901	846	(55)	(6.1%)
248 - GIRARD	221	257	36	16.3%	956	1,105	149	15.6%
249 - FRONTENAC	21	168	147	700.0%	583	767	184	31.6%
250 - PITTSBURG	847	1,115	268	31.6%	3,003	2,599	(404)	(13.5%)
251 - NORTH LYON COUNTY	70	159	89	127.1%	710	645	(65)	(9.2%)

SCHOOL DISTRICT	LOW-INCOME STUDENTS				ALL STUDENTS			
	Census Bureau Estimate (a) (Children 5-17 Under 130% of Poverty)	Department of Education (Free-Lunch Count)	Difference (#)	Difference (%)	Census Bureau Estimate (All Children 5-17)	Department of Education (Total Public School Enrollment)	Difference (#)	Difference (%)
252 - SOUTHERN LYON COUNTY	49	119	70	142.9%	632	623	(9)	(1.4%)
253 - EMPORIA	931	2,039	1,108	119.0%	4,720	4,920	200	4.2%
254 - BARBER COUNTY NORTH	56	120	64	114.3%	600	635	35	5.8%
255 - SOUTH BARBER	90	69	(21)	(23.3%)	270	285	15	5.6%
256 - MARMATON VALLEY	67	119	52	77.6%	337	381	44	13.1%
257 - IOLA	370	495	125	33.8%	1,522	1,513	(9)	(0.6%)
258 - HUMBOLDT	51	160	109	213.7%	434	550	116	26.7%
259 - WICHITA	13,765	25,485	11,720	85.1%	57,095	48,760	(8,335)	(14.6%)
260 - DERBY	555	1,420	865	155.9%	7,479	6,694	(785)	(10.5%)
261 - HAYSVILLE	473	1,209	736	155.6%	4,320	4,690	370	8.6%
262 - VALLEY CENTER	48	324	276	575.0%	2,627	2,394	(233)	(8.9%)
263 - MULVANE	321	316	(5)	(1.6%)	2,151	1,937	(214)	(9.9%)
264 - CLEARWATER	79	134	55	69.6%	1,189	1,280	91	7.7%
265 - GODDARD	314	381	67	21.3%	4,309	4,065	(244)	(5.7%)
266 - MAIZE	264	330	66	25.0%	6,202	5,815	(387)	(6.2%)
267 - RENWICK	112	168	56	50.0%	2,088	2,070	2	0.1%
268 - CHENEY	19	63	44	231.6%	774	791	17	2.2%
269 - PALCO	14	43	29	207.1%	136	158	22	16.2%
270 - PLAINVILLE	67	99	32	47.8%	434	413	(21)	(4.8%)
271 - STOCKTON	83	98	15	18.1%	362	385	23	6.4%
272 - WACONDA	41	100	59	143.9%	444	375	(69)	(15.5%)
273 - BELOIT	145	136	(9)	(6.2%)	848	779	(69)	(8.1%)
274 - OAKLEY	63	137	74	117.5%	466	490	24	5.2%
275 - TRIPLAINS	16	25	9	56.3%	80	110	30	37.5%
278 - MANKATO	34	64	30	88.2%	202	222	20	9.9%
279 - JEWELL	29	55	26	89.7%	155	180	25	16.1%
281 - HILL CITY	59	123	64	108.5%	376	439	63	16.8%
282 - WEST ELK	109	176	67	61.5%	394	471	77	19.5%
283 - ELK VALLEY	57	109	52	91.2%	183	211	28	15.3%
284 - CHASE COUNTY	94	140	46	48.9%	489	479	(10)	(2.0%)
285 - CEDAR VALE	59	73	14	23.7%	187	189	2	1.1%

SCHOOL DISTRICT	LOW-INCOME STUDENTS				ALL STUDENTS			
	Census Bureau Estimate (a) (Children 5-17 Under 130% of Poverty)	Department of Education (Free-Lunch Count)	Difference (#)	Difference (%)	Census Bureau Estimate (All Children 5-17)	Department of Education (Total Public School Enrollment)	Difference (#)	Difference (%)
286 - CHAUTAUQUA COUNTY	78	152	74	94.9%	447	449	2	0.4%
287 - WEST FRANKLIN	92	239	147	159.8%	1,043	957	(86)	(8.2%)
288 - CENTRAL HEIGHTS	175	135	(40)	(22.9%)	622	649	27	4.3%
289 - WELLSVILLE	81	99	18	22.2%	837	812	(25)	(3.0%)
290 - OTTAWA	399	654	255	63.9%	2,541	2,472	(69)	(2.7%)
291 - GRINNELL PUBLIC	14	18	4	28.6%	124	136	12	9.7%
292 - WHEATLAND	34	53	19	55.9%	153	194	41	26.8%
293 - QUINTER	36	67	31	86.1%	289	363	74	25.6%
294 - OBERLIN	72	101	29	40.3%	482	465	(17)	(3.5%)
295 - PRAIRIE HEIGHTS	14	14	0	0.0%	71	61	(10)	(14.1%)
297 - ST FRANCIS	46	97	51	110.9%	371	365	(6)	(1.6%)
298 - LINCOLN	64	122	58	90.6%	383	386	3	0.8%
299 - SYLVAN GROVE	26	60	34	130.8%	159	159	0	0.0%
300 - COMANCHE COUNTY	44	57	13	29.5%	336	309	(27)	(8.0%)
301 - NES TRE LA GO	15	11	(4)	(26.7%)	58	34	(24)	(41.4%)
303 - NESS CITY	16	50	34	212.5%	236	299	63	26.7%
305 - SALINA	1,398	2,459	1,061	75.9%	8,464	7,594	(870)	(10.3%)
306 - SOUTHEAST OF SALINE	40	71	31	77.5%	675	700	25	3.7%
307 - ELL-SALINE	55	82	27	49.1%	357	463	106	29.7%
308 - HUTCHINSON	1,238	1,896	658	53.2%	5,146	4,890	(256)	(5.0%)
309 - NICKERSON	193	375	182	94.3%	1,186	1,158	(28)	(2.4%)
310 - FAIRFIELD	123	153	30	24.4%	496	395	(101)	(20.4%)
311 - PRETTY PRAIRIE	34	49	15	44.1%	317	322	5	1.6%
312 - HAVEN	228	218	(10)	(4.4%)	1,279	1,166	(113)	(8.8%)
313 - BUHLER	198	424	226	114.1%	2,262	2,227	(35)	(1.5%)
314 - BREWSTER	14	38	24	171.4%	117	150	33	28.2%
315 - COLBY	144	211	67	46.5%	1,121	1,057	(64)	(5.7%)
316 - GOLDEN PLAINS	10	81	71	710.0%	117	198	81	69.2%
320 - WAMEGO	139	207	68	48.9%	1,475	1,366	(109)	(7.4%)
321 - KAW VALLEY	228	191	(37)	(16.2%)	1,464	1,090	(374)	(25.5%)
322 - ONAGA-HAVENSVILLE	63	63	0	0.0%	369	373	4	1.1%

SCHOOL DISTRICT	LOW-INCOME STUDENTS				ALL STUDENTS			
	Census Bureau Estimate (a) (Children 5-17 Under 130% of Poverty)	Department of Education (Free-Lunch Count)	Difference (#)	Difference (%)	Census Bureau Estimate (All Children 5-17)	Department of Education (Total Public School Enrollment)	Difference (#)	Difference (%)
323 - ROCK CREEK	130	135	5	3.8%	795	762	(33)	(4.2%)
324 - EASTERN HEIGHTS	44	33	(11)	(25.0%)	169	152	(17)	(10.1%)
325 - PHILLIPSBURG	78	128	50	64.1%	588	641	53	9.0%
326 - LOGAN	40	60	20	50.0%	181	199	18	9.9%
327 - ELLSWORTH	64	127	63	98.4%	562	645	83	14.8%
328 - LORRAINE	63	144	81	128.6%	451	484	33	7.3%
329 - MILL CREEK VALLEY	26	68	42	161.5%	595	486	(109)	(18.3%)
330 - MISSION VALLEY	97	94	(3)	(3.1%)	554	508	(46)	(8.3%)
331 - KINGMAN - NORWICH	215	320	105	48.8%	1,239	1,262	23	1.9%
332 - CUNNINGHAM	34	60	26	76.5%	300	265	(35)	(11.7%)
333 - CONCORDIA	165	393	228	138.2%	1,044	1,164	120	11.5%
334 - SOUTHERN CLOUD	66	83	17	25.8%	247	245	(2)	(0.8%)
335 - NORTH JACKSON	34	90	56	164.7%	383	444	61	15.9%
336 - HOLTON	175	197	22	12.6%	1,009	1,145	136	13.5%
337 - ROYAL VALLEY	107	234	127	118.7%	910	941	31	3.4%
338 - VALLEY FALLS	33	77	44	133.3%	456	454	(2)	(0.4%)
339 - JEFFERSON COUNTY NORTH	82	84	2	2.4%	451	509	58	12.9%
340 - JEFFERSON WEST	38	130	92	242.1%	882	977	95	10.8%
341 - OSKALOOSA	55	174	119	216.4%	694	696	2	0.3%
342 - MCLOUTH	96	86	(10)	(10.4%)	601	565	(36)	(6.0%)
343 - PERRY	82	185	103	125.6%	1,054	1,026	(28)	(2.7%)
344 - PLEASANTON	124	159	35	28.2%	393	423	30	7.6%
345 - SEAMAN	316	460	144	45.6%	3,603	3,404	(199)	(5.5%)
346 - JAYHAWK	115	184	69	60.0%	602	618	16	2.7%
347 - KINSLEY-OFFERLE	56	107	51	91.1%	375	358	(17)	(4.5%)
348 - BALDWIN CITY	183	142	(41)	(22.4%)	1,296	1,376	80	6.2%
349 - STAFFORD	78	127	49	62.8%	270	338	68	25.2%
350 - ST JOHN-HUDSON	36	166	130	361.1%	344	440	96	27.9%
351 - MACKSVILLE	53	137	84	158.5%	261	318	57	21.8%
352 - GOODLAND	216	302	86	39.8%	977	1,021	44	4.5%
353 - WELLINGTON	282	605	323	114.5%	1,796	1,775	(21)	(1.2%)

SCHOOL DISTRICT	LOW-INCOME STUDENTS				ALL STUDENTS			
	Census Bureau Estimate (a) (Children 5-17 Under 130% of Poverty)	Department of Education (Free-Lunch Count)	Difference (#)	Difference (%)	Census Bureau Estimate (All Children 5-17)	Department of Education (Total Public School Enrollment)	Difference (#)	Difference (%)
354 - CLAFLIN	40	42	2	5.0%	300	331	31	10.3%
355 - ELLINWOOD	37	124	87	235.1%	545	579	34	6.2%
356 - CONWAY SPRINGS	45	91	46	102.2%	638	708	70	11.0%
357 - BELLE PLAINE	107	256	149	139.3%	719	850	131	18.2%
358 - OXFORD	70	62	(8)	(11.4%)	392	404	12	3.1%
359 - ARGONIA	36	81	45	125.0%	234	223	(11)	(4.7%)
360 - CALDWELL	63	97	34	54.0%	266	308	42	15.8%
361 - ANTHONY-HARPER	178	342	164	92.1%	885	999	114	12.9%
362 - PRAIRIE VIEW	111	192	81	73.0%	937	999	62	6.6%
363 - HOLCOMB	111	248	137	123.4%	874	904	30	3.4%
364 - MARYSVILLE	62	170	108	174.2%	871	827	(44)	(5.1%)
365 - GARNETT	250	334	84	33.6%	1,248	1,125	(123)	(9.9%)
366 - WOODSON	93	186	93	100.0%	435	553	118	27.1%
367 - OSAWATOMIE	332	430	98	29.5%	1,313	1,238	(75)	(5.7%)
368 - PAOLA	213	386	173	81.2%	2,212	2,167	(45)	(2.0%)
369 - BURRTON	51	92	41	80.4%	270	265	(5)	(1.9%)
371 - MONTEZUMA	46	68	22	47.8%	322	257	(65)	(20.2%)
372 - SILVER LAKE	26	33	7	26.9%	697	751	54	7.7%
373 - NEWTON	588	1,187	599	101.9%	3,667	3,765	98	2.7%
374 - SUBLETTE	92	139	47	51.1%	516	510	(6)	(1.2%)
375 - CIRCLE	314	278	(36)	(11.5%)	1,788	1,537	(251)	(14.0%)
376 - STERLING	75	138	63	84.0%	493	522	29	5.9%
377 - ATCHISON COUNTY	124	148	24	19.4%	895	759	(136)	(15.2%)
378 - RILEY COUNTY	103	74	(29)	(28.2%)	662	661	(1)	(0.2%)
379 - CLAY CENTER	228	353	125	54.8%	1,407	1,481	74	5.3%
380 - VERMILLION	120	104	(16)	(13.3%)	509	583	74	14.5%
381 - SPEARVILLE	27	33	6	22.2%	305	355	50	16.4%
382 - PRATT	200	321	121	60.5%	1,289	1,208	(81)	(6.3%)
383 - MANHATTAN-OGDEN	910	1,000	90	9.9%	6,165	5,376	(789)	(12.8%)
384 - BLUE VALLEY	5	33	28	560.0%	281	246	(35)	(12.5%)
385 - ANDOVER	261	252	(9)	(3.4%)	3,408	3,520	112	3.3%

SCHOOL DISTRICT	LOW-INCOME STUDENTS				ALL STUDENTS			
	Census Bureau Estimate (a) (Children 5-17 Under 130% of Poverty)	Department of Education (Free-Lunch Count)	Difference (#)	Difference (%)	Census Bureau Estimate (All Children 5-17)	Department of Education (Total Public School Enrollment)	Difference (#)	Difference (%)
386 - MADISON-VIRGIL	60	79	19	31.7%	278	281	3	1.1%
387 - ALTOONA-MIDWAY	41	96	55	134.1%	317	259	(58)	(18.3%)
388 - ELLIS	59	73	14	23.7%	357	383	26	7.3%
389 - EUREKA	145	226	81	55.9%	768	716	(52)	(6.8%)
390 - HAMILTON	33	47	14	42.4%	101	131	30	29.7%
392 - OSBORNE COUNTY	79	128	49	62.0%	382	414	32	8.4%
393 - SOLOMON	86	104	18	20.9%	391	421	30	7.7%
394 - ROSE HILL	156	206	50	32.1%	1,893	1,878	(15)	(0.8%)
395 - LACROSSE	70	107	37	52.9%	341	358	17	5.0%
396 - DOUGLASS	60	172	112	186.7%	815	892	77	9.4%
397 - CENTRE	45	65	20	44.4%	274	266	(8)	(2.9%)
398 - PEABODY-BURNS	63	108	45	71.4%	474	445	(29)	(6.1%)
399 - PARADISE	31	55	24	77.4%	139	155	16	11.5%
400 - SMOKY VALLEY	97	103	6	6.2%	968	969	1	0.1%
401 - CHASE-RAYMOND	57	67	10	17.5%	177	167	(10)	(5.6%)
402 - AUGUSTA	253	450	197	77.9%	2,287	2,171	(116)	(5.1%)
403 - OTIS-BISON	45	74	29	64.4%	262	238	(24)	(9.2%)
404 - RIVERTON	156	291	135	86.5%	702	848	146	20.8%
405 - LYONS	116	425	309	266.4%	721	928	207	28.7%
406 - WATHENA	72	63	(9)	(12.5%)	374	387	13	3.5%
407 - RUSSELL COUNTY	176	293	117	66.5%	1,009	1,028	19	1.9%
408 - MARION - FLORENCE	81	162	81	100.0%	642	663	21	3.3%
409 - ATCHISON PUBLIC SCHOOLS	361	684	323	89.5%	2,158	1,676	(482)	(22.3%)
410 - DURHAM-HILLSBORO-LEHIGH	96	113	17	17.7%	686	683	(3)	(0.4%)
411 - GOESSEL	25	26	1	4.0%	301	296	(5)	(1.7%)
412 - HOXIE COMMUNITY	55	50	(5)	(9.1%)	349	347	(2)	(0.6%)
413 - CHANUTE	395	668	273	69.1%	1,790	1,934	144	8.0%
415 - HIAWATHA	191	297	106	55.5%	999	1,006	7	0.7%
416 - LOUISBURG	71	107	36	50.7%	1,367	1,449	82	6.0%
417 - MORRIS COUNTY	127	247	120	94.5%	950	954	4	0.4%
418 - MCPHERSON	190	395	205	107.9%	2,641	2,559	(82)	(3.1%)

SCHOOL DISTRICT	LOW-INCOME STUDENTS					ALL STUDENTS			
	Census Bureau Estimate (a) (Children 5-17 Under 130% of Poverty)	Department of Education (Free-Lunch Count)	Difference (#)	Difference (%)	Census Bureau Estimate (All Children 5-17)	Department of Education (Total Public School Enrollment)	Difference (#)	Difference (%)	
419 - CANTON-GALVA	94	62	(32)	(34.0%)	471	433	(38)	(8.1%)	
420 - OSAGE CITY	55	187	132	240.0%	752	769	17	2.3%	
421 - LYNDON	42	87	45	107.1%	442	464	22	5.0%	
422 - GREENSBURG	55	79	24	43.6%	277	320	43	15.5%	
423 - MOUNDRIDGE	27	46	19	70.4%	584	427	(157)	(26.9%)	
424 - MULLINVILLE	14	40	26	185.7%	78	159	81	103.8%	
425 - HIGHLAND	11	54	43	390.9%	201	281	80	39.8%	
426 - PIKE VALLEY	45	82	37	82.2%	230	271	41	17.8%	
427 - REPUBLIC COUNTY	77	128	51	66.2%	444	495	51	11.5%	
428 - GREAT BEND	630	1,367	737	117.0%	3,106	3,237	131	4.2%	
429 - TROY	42	87	45	107.1%	350	400	50	14.3%	
430 - SOUTH BROWN COUNTY	148	250	102	68.9%	677	651	(26)	(3.8%)	
431 - HOISINGTON	172	203	31	18.0%	651	675	24	3.7%	
432 - VICTORIA	23	27	4	17.4%	256	292	36	14.1%	
433 - MIDWAY	34	59	25	73.5%	230	222	(8)	(3.5%)	
434 - SANTA FE TRAIL	190	300	110	57.9%	1,265	1,282	17	1.3%	
435 - ABILENE	163	372	209	128.2%	1,365	1,478	113	8.3%	
436 - CANEY VALLEY	139	273	134	96.4%	772	943	171	22.2%	
437 - AUBURN WASHBURN	273	682	409	149.8%	5,929	5,159	(770)	(13.0%)	
438 - SKYLINE SCHOOLS	53	82	29	54.7%	213	461	248	116.4%	
439 - SEDGWICK	78	77	(1)	(1.3%)	428	526	98	22.9%	
440 - HALSTEAD	59	157	98	166.1%	826	732	(94)	(11.4%)	
441 - SABETHA	126	162	36	28.6%	910	985	75	8.2%	
442 - NEMAHA VALLEY	45	67	22	48.9%	625	519	(106)	(17.0%)	
443 - DODGE CITY	1,230	3,083	1,853	150.7%	6,458	5,960	(498)	(7.7%)	
444 - LITTLE RIVER	60	41	(19)	(31.7%)	329	291	(38)	(11.6%)	
445 - COFFEYVILLE	518	882	364	70.3%	2,300	1,966	(334)	(14.5%)	
446 - INDEPENDENCE	500	725	225	45.0%	2,294	2,036	(258)	(11.2%)	
447 - CHERRYVALE	195	229	34	17.4%	577	645	68	11.8%	
448 - INMAN	68	53	(15)	(22.1%)	484	450	(34)	(7.0%)	
449 - EASTON	74	88	14	18.9%	772	736	(36)	(4.7%)	

SCHOOL DISTRICT	LOW-INCOME STUDENTS				ALL STUDENTS			
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450 - SHAWNEE HEIGHTS	339	490	151	44.5%	3,576	3,448	(128)	(3.6%)
451 - B & B	37	51	14	37.8%	244	246	2	0.8%
452 - STANTON COUNTY	82	185	103	125.6%	498	532	34	6.8%
453 - LEAVENWORTH	1,033	1,527	494	47.8%	4,855	4,252	(603)	(12.4%)
454 - BURLINGAME	46	83	37	80.4%	293	377	84	28.7%
455 - HILLCREST RURAL	19	56	37	194.7%	103	130	27	26.2%
456 - MARAIS DES CYGNES VALLEY	81	120	39	48.1%	337	276	(61)	(18.1%)
457 - GARDEN CITY	1,717	3,340	1,623	94.5%	8,315	7,670	(645)	(7.8%)
458 - BASEHOR-LINWOOD	204	102	(102)	(50.0%)	1,886	2,102	216	11.5%
459 - BUCKLIN	45	73	28	62.2%	311	279	(32)	(10.3%)
460 - HESSTON	62	97	35	56.5%	853	823	(30)	(3.5%)
461 - NEODESHA	150	236	86	57.3%	724	825	101	14.0%
462 - CENTRAL	85	85	0	0.0%	398	363	(35)	(8.8%)
463 - UDALL	31	101	70	225.8%	423	396	(27)	(6.4%)
464 - TONGANOXIE	68	177	109	160.3%	1,544	1,558	14	0.9%
465 - WINFIELD	607	761	154	25.4%	2,626	2,679	53	2.0%
466 - SCOTT COUNTY	108	212	104	96.3%	867	948	81	9.3%
467 - LEOTI	87	127	40	46.0%	476	505	29	6.1%
468 - HEALY	3	30	27	900.0%	69	112	43	62.3%
469 - LANSING	40	103	63	157.5%	2,117	2,065	(52)	(2.5%)
470 - ARKANSAS CITY	537	1,327	790	147.1%	2,810	3,012	202	7.2%
471 - DEXTER	37	65	28	75.7%	154	219	65	42.2%
473 - CHAPMAN	120	218	98	81.7%	1,105	1,031	(74)	(6.7%)
474 - HAVILAND	21	51	30	142.9%	133	180	47	35.3%
475 - GEARY COUNTY	1,248	2,245	997	79.9%	5,940	6,354	414	7.0%
476 - COPELAND	44	57	13	29.5%	190	157	(33)	(17.4%)
477 - INGALLS	25	77	52	208.0%	212	266	54	25.5%
479 - CREST	52	72	20	38.5%	277	250	(27)	(9.7%)
480 - LIBERAL	995	2,307	1,312	131.9%	4,463	4,483	20	0.4%
481 - RURAL VISTA	87	114	27	31.0%	423	427	4	0.9%
482 - DIGHTON	40	67	27	67.5%	261	264	3	1.1%

SCHOOL DISTRICT	LOW-INCOME STUDENTS					ALL STUDENTS				
	Census Bureau Estimate (a) (Children 5-17 Under 130% of Poverty)	Department of Education (Free-Lunch Count)	Difference (#)	Difference (%)	Census Bureau Estimate (All Children 5-17)	Department of Education (Total Public School Enrollment)	Difference (#)	Difference (%)		
483 - KISMET-PLAINS	163	371	208	127.6%	795	790	(5)	(0.6%)		
484 - FREDONIA	201	281	80	39.8%	833	758	(75)	(9.0%)		
486 - ELWOOD	64	137	73	114.1%	247	365	118	47.8%		
487 - HERINGTON	81	130	49	60.5%	496	527	31	6.3%		
488 - AXTELL	74	57	(17)	(23.0%)	361	338	(23)	(6.4%)		
489 - HAYS	447	641	194	43.4%	3,230	3,200	(30)	(0.9%)		
490 - EL DORADO	420	622	202	48.1%	2,137	2,198	61	2.9%		
491 - EUDORA	89	185	96	107.9%	1,167	1,263	96	8.2%		
492 - FLINTHILLS	36	47	11	30.6%	273	333	60	22.0%		
493 - COLUMBUS	317	473	156	49.2%	1,405	1,337	(68)	(4.8%)		
494 - SYRACUSE	96	222	126	131.3%	484	516	32	6.6%		
495 - FT LARNED	150	258	108	72.0%	1,187	936	(251)	(21.1%)		
496 - PAWNEE HEIGHTS	25	49	24	96.0%	130	204	74	56.9%		
497 - LAWRENCE	1,561	2,006	445	28.5%	10,822	10,022	(800)	(7.4%)		
498 - VALLEY HEIGHTS	82	103	21	25.6%	398	406	8	2.0%		
499 - GALENA	217	417	200	92.2%	682	792	110	16.1%		
500 - KANSAS CITY	7,128	13,144	6,016	84.4%	23,142	20,868	(2,274)	(9.8%)		
501 - TOPEKA	3,983	6,959	2,976	74.7%	15,614	14,049	(1,565)	(10.0%)		
502 - LEWIS	44	46	2	4.5%	156	134	(22)	(14.1%)		
503 - PARSONS	443	675	232	52.4%	1,887	1,619	(268)	(14.2%)		
504 - OSWEGO	108	189	81	75.0%	400	545	145	36.3%		
505 - CHETOPA-ST. PAUL	96	187	91	94.8%	260	302	42	16.2%		
506 - LABETTE COUNTY	204	417	213	104.4%	1,415	1,709	294	20.8%		
507 - SATANTA	70	134	64	91.4%	429	411	(18)	(4.2%)		
508 - BAXTER SPRINGS	197	320	123	62.4%	879	899	20	2.3%		
509 - SOUTH HAVEN	41	51	10	24.4%	195	226	31	15.9%		
511 - ATTICA	21	47	26	123.8%	115	136	21	18.3%		
512 - SHAWNEE MISSION	2,358	2,904	546	23.2%	38,819	29,389	(9,430)	(24.3%)		

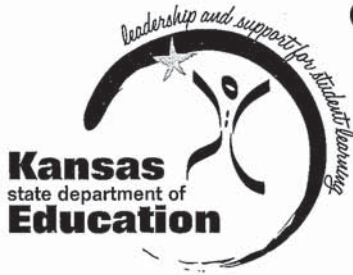
(a) Adjusted to 130% of the federal poverty level.

Source: LPA analysis of data from the Kansas Department of Education and the U.S. Census Bureau.

## **APPENDIX E**

### **Agency Response**

On October 19, 2006, we provided copies of the draft audit report to the Department of Education. Its response is included in this Appendix.



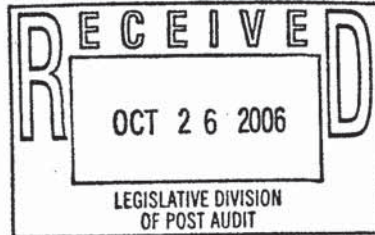
## Office of the Commissioner

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October 25, 2006

Mrs. Barbara J. Hinton  
Legislative Post Auditor  
Legislative Division of Post Audit  
800 S. W. Jackson Street, Suite 1200  
Topeka, Kansas 66612-2212



Dear Ms. Hinton:

Thank you for the opportunity to respond to your performance audit, *Reviewing Free-Lunch Student Counts as the Basis for At-Risk Funding*. Listed below are the recommendations applicable to the State Department of Education and our response.

**RECOMMENDATION:** Require districts to verify a random sample of alternative “at-risk” applications for students who attend schools in alternative settings that don’t provide lunches. The verification should be done in the same manner as traditional free-lunch applications are verified under the National School Lunch Program.

**RESPONSE:** We agree and will require school districts that have the alternative applications to verify eligibility using the procedures required by the National School Lunch Program.

**RECOMMENDATION:** Ensure its child nutrition team shares the free-lunch eligibility findings from the school district’s reviews and its own reviews with the fiscal audit team, and ensure that the fiscal staff adjust the free-lunch counts accordingly.

**RESPONSE:** We are very willing to share the information from the school district’s verification with the Fiscal Auditing Team. Any student who is not eligible for free lunch on September 20 will be removed from the State At-Risk Funding Program. The Kansas State Department of Education’s current procedures are consistent with National School Lunch Program requirements.

**RECOMMENDATION:** Create a system that allows Department staff to indicate they have reviewed a student’s free-lunch status. This might be done by adding a signature space at the bottom of the free-lunch application form for Department staff to document their review.

**RESPONSE:** This recommendation will be carefully reviewed and a system implemented which will indicate the application has been reviewed. A full signature block on the application would take considerable time by the reviewer; however, we will try to implement a system to serve this purpose and still be time efficient.

**RECOMMENDATION:** Discourage fiscal auditors and child nutrition staff from reviewing applications that have already been reviewed and approved by someone from the Department.

**RESPONSE:** We agree.

**RECOMMENDATION:** After implementing the efficiency-related recommendations, identify any remaining resources needed to perform annual enrollment audits in all schools.

**RESPONSE:** We agree.

Please feel free to contact this office if we can assist you further.

Sincerely



Bob L. Corkins  
Commissioner of Education

BLC:DMD:tjm

h:leg:LDP—Free Lunch-At-Risk

## APPENDIX F

### Changes Made to the Audit Report on December 18, 2006

As part of the audit, we surveyed school district officials to find out if they knew of any students who may have been eligible for free lunches under the National School Lunch Program, but whose families hadn't applied. After the release of that report, officials from the Wichita school district brought to our attention that the wording of one of our survey questions was unclear, and that they had misinterpreted it.

As a result, we thought some other districts might have misinterpreted the question as well, thus resulting in under-reporting the number of students who may have been eligible for free lunches but hadn't applied. We resurveyed the school district officials who initially had responded in order to clarify their responses. Based on responses from 123 districts (with Wichita contributing the most significant change), we increased our estimate of potentially eligible students, and made appropriate changes to the report.

On December 18, 2006, Legislative Post Audit made changes to this report to correct an error that was identified after the report was released in November 2006.

A "strike-and-add" version of those changes is presented below so the reader can see how the report was changed. New text is shown in bold; deleted text has been crossed out. All legislative committees and all agency officials that received copies of the initial report were sent a copy of these changes.

- Change within the fourth sentence of the answer paragraph on page 7: On the other hand, based on our survey of school district officials, about ~~3,500~~ **6,900** students Statewide may have been eligible for free lunches, but their families didn't apply, mostly because they're embarrassed to reveal their finances.
- Change within the side-head on page 10: Based on Our Survey of District Officials, About ~~3,500~~ **6,900** Students Statewide May Have Been Eligible for Free Lunches, But Their Families Didn't Apply
- Change within the last sentence of the third full paragraph on page 10: We received completed surveys from ~~148~~ **123** districts—a ~~49%~~ **41%** response rate.
- Change within the fourth full paragraph on page 10: Officials from ~~148~~ **123** districts estimated that about ~~1,600~~ **3,800** potentially eligible students didn't apply for free lunches. Using those results, we estimated there may be as many as ~~3,500~~ **6,900** potentially eligible students Statewide. Had those families applied and been approved for free lunches, it would have cost the State an additional ~~\$2.9~~ **\$5.7** million in at-risk funding in 2005-06.