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MEMORANDUM

To: Rep. Ryckman
Members of the House Committee on Appropriations

From: Jason B. Long, Senior Assistant Revisor
Tamera Lawrence, Assistant Revisor

Date: March 9, 2015

Subject: HB 2403 – Creating the classroom learning assuring student success act.

1. The first three sections of the bill are appropriations for the department of education for FY15, FY16 and FY17. For FY15, the differences from the Governor's recommendation include an additional amount of moneys appropriated from the state general fund to the general state aid account not a lapse; a decrease of moneys from the state general fund to supplemental general state aid account; and an additional \$4,000,000 transfer from the state general fund to a newly created special revenue fund called the school district extraordinary need fund. (Section 1, starting on p. 1) Further, in Section 63, capital outlay state aid is funded from the state general fund using the amended formula in an amount not to exceed \$2,002,500. (Section 63, starting on p. 75)
2. For FY16, the differences from the Governor's recommendation include an additional amount of moneys appropriated from the state general fund to the block grants to USDs account; a decrease of moneys from the state general fund to the KPERS – employer contributions account (KPERS is fully funded, the money is in the block grants to USDs account); a demand transfer from the state general fund pursuant to section 17(e) and an expenditure limitation of \$12,292,000 on the newly created special revenue fund called the school district extraordinary need fund; and a state general fund appropriation of \$500,000 to the information technology education opportunities account. (Section 2, starting on p. 1)
3. For FY17, the differences from the Governor's recommendation include an additional amount of moneys appropriated from the state general fund to the block grants to USDs

account; a decrease of moneys from the state general fund to the KPERS – employer contributions account (KPERS is fully funded, the money is in the block grants to USDs account); a demand transfer from the state general fund pursuant to section 17(e) and an expenditure limitation of \$17,521,425 on the newly created special revenue fund called the school district extraordinary need fund; and a state general fund appropriation of \$500,000 to the information technology education opportunities account. (Section 3, starting on p. 8)

4. The block grant is called “general state aid” and is calculated to include the following (Section 6, starting on p. 18):
 - a. The general state aid a district was entitled to receive for SY 14-15 as adjusted by Section 6 of the bill (Sec. 6(a)(1));
 - b. The supplemental general state aid a district was entitled to receive for SY 14-15 (Sec. 6(a)(2); See Point #11);
 - c. The capital outlay state aid a district was entitled to receive for SY 14-15 (Sec. 6(a)(3); See Point #12);
 - d. The virtual school state aid, if any, as calculated under the new formula (Sec. 6(a)(5); See Point #13);
 - e. The amounts attributable to the tax proceeds collected by the school district for the ancillary school facilities tax levy, the cost-of-living tax levy, and the declining enrollment tax levy (Sec. 6(a)(4); See Point #8); and
 - f. The amount of KPERS employer obligations as certified by KPERS (Sec. 6(a)(6)).
5. The general state aid for a district for SY 14-15 is adjusted to exclude the following:
 - a. The amount attributable to the ancillary school facilities weighting for SY 14-15 (Sec. 6(a)(1)(A));
 - b. The amount attributable to the cost-of-living weighting for SY 14-15 (Sec. 6(a)(1)(B));
 - c. The amount attributable to the declining enrollment weighting for SY 14-15 (Sec. 6(a)(1)(C)); and
 - d. The amount attributable to virtual school state aid for SY 14-15 (Sec. 6(a)(1)(D)).
6. The general state aid for a district for SY 14-15 is further adjusted to account for consolidated school districts, and to account for a district being eligible or not eligible for school facilities weighting in SY 15-16. (Sec. 6(c)-(e))

7. For SY 15-16 and each subsequent school year, 0.4% of the general state aid is to be transferred to the Extraordinary Need Fund established by Section 17 of the bill. For SY 14-15 the Extraordinary Need Fund will be funded by a \$4,000,000 appropriation. (Sec. 6(a)(7); See Point #9)
8. The general state aid is to be disbursed to the districts in the same manner as general state aid was disbursed under prior act. (Section 7, starting on p. 20)
9. Districts are still required to levy the 20 mill statewide property tax levy and are required remit the proceeds to the state treasurer. These proceeds are used to fund the general state aid. (Section 11, starting on p. 22)
10. Districts are still authorized to adopt a local option budget (LOB) and levy a property tax in an amount that does not exceed the LOB of the district for SY 14-15, unless the district approved a higher amount for SY 15-16 prior to July 1, 2015. (Sections 12 & 13, starting on p. 22)
11. Districts are authorized to impose special local tax levies if: (a) the district levied such tax in SY 14-15; or (b) the district would be qualified to levy such tax under prior law. The maximum amount of the levy is the SY 14-15 amount plus any amount permitted under prior law if the district is qualified to levy an additional amount. These tax levies are for ancillary school facilities, cost-of-living, and declining enrollment, and the proceeds are remitted to the state. The proceeds are then disbursed back to the district through general state aid. (Sections 14-16, starting on p. 24)
12. Section 17 establishes the extraordinary need fund. For SY 14-15 there is a \$4,000,000 appropriation for the fund. Starting in SY 15-16, the fund would be funded by 0.4% of the general state aid. Districts can apply to the State Finance Council for an extraordinary need state aid payment. Such state aid payments would be made upon approval of the district's application by the State Finance Council. Any unencumbered funds remaining in the extraordinary need fund at the end of the fiscal year would be transferred back to the state general fund. (Section 17, starting on p. 29)
13. Starting in SY 15-16, districts will have fund flexibility at the district level. Excluded from this flexibility are the bond and interest fund, the special education fund, and the special retirement contributions fund. (Section 19, starting on p. 30) For SY 14-15, fund flexibility is expanded by elimination of the monetary cap on the amount districts can transfer pursuant to K.S.A. 72-6460. (Section 39, starting on p. 54)

14. For SY 14-15, the supplemental general state aid formula is amended. Those districts receiving LOB equalization state aid will be divided into quintiles with the poorest quintile receiving 97% of the state aid amount calculated under the current formula. Each successively wealthier quintile will receive a smaller percentage. This new calculation of equalization state aid for SY 14-15 would be included in general state aid for SY 15-16 and SY 16-17. (Section 38, starting on p. 52)
15. For SY 14-15, the capital outlay state aid formula is amended. The state aid percentage starts at 75% for the poorest district and decreases by 1% for each \$1,000 incremental increase in assessed valuation per pupil (AVPP). This new calculation of equalization state aid for SY 14-15 would be included in general state aid for SY 15-16 and SY 16-17. (Section 63, starting on p. 75)
16. For SY 15-16 and subsequent years, the virtual school state aid formula is amended. For full-time virtual school students the district will receive \$5,600 per pupil. For part-time virtual school students the district will receive \$4,045 per pupil in SY 15-16, and \$1,700 per pupil in SY 16-17 and subsequent years. (Section 36, starting on p. 49)
17. The bond and interest state aid formula is amended for contractual bond obligations incurred after July 1, 2015. The state aid percentage starts at 75% for the poorest district and decreases by 1% for each \$1,000 incremental increase in AVPP. (Section 72, starting on p. 86)
18. The KPERS employer contribution for districts is amended to allow for disbursement of the KPERS funds through general state aid. (See Point #1) The district is then required to immediately deposit those funds in the district's special retirement contributions fund and submit payment of its employer contribution to KPERS. (Section 69, starting on p. 81)
19. HB 2403 is effective upon publication in the Kansas Register. The establishment of the extraordinary need fund, amendments to the LOB equalization formula, amendments to the capital outlay state aid formula, amendments to K.S.A. 72-6460 for fund flexibility, and approval of LOB authority for SY 15-16 are all effective for SY 14-15. All other provisions of the bill are effective on July 1, 2015. (Sections 78-80, starting on p. 96)