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**REVISOR of STATUTES**

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**MEMORANDUM**

To: House Committee on Education  
From: Tamera Lawrence, Assistant Revisor of Statutes  
Date: January 22, 2015  
Subject: Kansas School Districts and General Obligation Bonds Overview

**GENERAL PROVISIONS**

K.S.A. 72-6761

When a board of education determines that bonds are necessary for any of the purposes listed below, it may submit to the electors of the school district the question of issuing bonds. Upon an affirmative vote of a majority of those voting, the board is authorized to issue general obligation bonds.

Purpose for Issuance

K.S.A. 72-6761(a)

- Purchase or improve a site or sites (a site is bare ground)
- Acquire, construct, equip, furnish, repair remodel or make additions to any building or buildings used for school district purposes, including housing and boarding pupils enrolled in an area vocational school operated under the board
- Purchase school buses

Requirements

K.S.A. 72-6761(a)

- “The board shall adopt a resolution stating the purpose for which bonds are to be issued and the estimated amount thereof.”
- The board shall give notice of the bond election in the manner prescribed in K.S.A. 10-120
- “Notice of the election shall be published in a newspaper of general circulation in the municipality once each week for two consecutive weeks. The first publication shall be not less than 21 days prior to the election. The notice shall set forth the time and place of holding the election and the purpose for which the bonds are to be issued and shall be signed by the county election officer.” (K.S.A. 10-120)
- Pursuant to K.S.A. 25-2018(f), the notice must include:
  - (1) the name of the school district

- (2) the date of the election
- (3) the amount of bonds to be issued, if a bond election
- (4) the proposition to be voted upon
- (5) the hours of opening and closing of the polls
- (6) the voting place or places and the area each voting place is to serve, and
- (7) any other information specifically required by law
- The election shall be held in accordance with the provisions of general bond law.

### Limits

K.S.A. 72-6761(a)

- The aggregate amount of bonds a board may have outstanding at any time, not including those specifically exempted, is limited to 14% of the assessed valuation of taxable tangible property within the school district.
  - Exceptions:
    - The limit may be modified as provided in K.S.A. 75-2315 et seq.
      - Any school district may apply to the state board of education, who may then grant or deny such application, to allow the school district to vote bonds in addition to the amount of bonds which the district may be otherwise authorized to issue. (K.S.A. 75-2315; 75-2316; 75-2317)
    - Bonds issued in lieu of all or part of a capital outlay tax levy pursuant to K.S.A. 72-8805 or 72-8810 are not subject to bonded debt limitation. (K.S.A. 72-8806)
    - Bonds issued for less than \$20,000 are not subject to bonded debt limitation (K.S.A. 72-6761(b))

### **ELECTION**

- The county election officer of the home county of the school district conducts the election when a question is submitted to the electorate (K.S.A. 25-2010)
- A majority vote determines the outcome of the election
- A mail ballot election (K.S.A. 25-431 et seq.) may be conducted if all of the qualified electors of school districts are the only electors eligible to vote and it is not an election held regarding the disorganization of a school district (K.S.A. 72-7302 et seq.)
- Bond elections are limited in frequency pursuant to K.S.A. 25-2019
  - No more than one special bond election may be held at a time other than a general election
  - No special bond election be held within 60 days before or after a general election
  - Exceptions:
    - These restrictions do not apply if a school district needs to replace or repair and equip school buildings or facilities destroyed or substantially

damaged by fire, windstorm, flood or other casualty, if approval for such election is obtained from the state board of education.

- No election is required for bonds issued by a school district in lieu of a capital outlay tax levy pursuant to K.S.A. 72-8805 or 72-8810.

## **THE STATE'S ROLE**

### Generally

- Before any general obligation bonds become a valid obligation, a full and complete transcript of the bonding process, certified by the clerk, must be transmitted to the state treasurer, together with the bonds proposed to be issued. The state treasurer will submit the transcript to the attorney general, who will approve or disapprove the sufficiency of the transcript. If approved, the state treasurer will register the bonds in the municipal bond register in the state treasurer's office certifying that the bonds have been registered. (K.S.A. 10-108)
- The board of education of any school district has the authority pursuant to K.S.A. 72-6761 to issue bonds. Approval from a state agency is not required.
- The state is not obligated for local government bond issues, including school district issued-bonds.

### Capital Outlay State Aid

K.S.A. 72-8801 et seq.

- K.S.A. 72-8801 allows the board of education of any school district to adopt a resolution, subject to vote, to make an annual tax levy up to 8 mills upon the taxable tangible property in the school district.
  - Each school district has a capital outlay fund, where the proceeds of any tax levied under K.S.A. 72-8801 are to be deposited. (K.S.A. 72-8803)
  - Money in a capital outlay fund money received from the issuance of bonds pursuant to K.S.A. 72-8805 or 72-8810, “may be used for the purpose of the acquisition, construction, reconstruction, repair, remodeling, additions to, furnishing, maintaining and equipping of school district property and equipment necessary for school district purposes...”
- K.S.A. 72-8805 allows school districts that are authorized to make a capital outlay tax levy, “in lieu of making all or part of such levy, may issue and sell general obligation bonds...”
  - These bonds “shall be issued to mature in not more than five years.”
  - No election is required to issue such bonds.
- Pursuant to K.S.A. 72-8814, the state maintains in the state treasury the school district capital outlay state aid fund. The state makes a demand transfer from that fund each

school year to each school district that levies a capital outlay tax pursuant to K.S.A. 72-8801 et seq. in an amount determined by the state board of education.

- This state aid is based on the tax levy amount, not on the bond amount.
- The amount paid to each school district is determined by the state board according to the provisions of K.S.A. 72-8814(b).

#### Capital Improvement State Aid

- Pursuant to K.S.A. 75-2319, the state maintains in the state treasury the school district capital improvements fund. Payments from this fund are distributed to school districts at a time determined by the state board “necessary to assist school districts in making scheduled payments pursuant to contractual bond obligations.” (K.S.A. 75-2319(d))
  - This state aid is applied to “contractual obligations incurred by school districts pursuant to general obligation bonds issued upon approval of a majority of the qualified electors of the school district voting at an election upon the question of the issuance of such bonds.” (K.S.A. 75-2319(f))
  - The amount paid to each school district is determined by the state board according to the provisions of K.S.A. 75-2319(b).

#### **OTHER OPTIONS**

##### Bonds of \$20,000 or less

K.S.A. 72-6761(b)

- “Any board of education may issue, without an election but with the approval of the state board of education, bonds to construct or acquire buildings to be used for school district purposes, including housing an boarding pupils enrolled in an area vocational school operated under the board, to repair school district buildings, to acquire equipment, or to purchase school buses in an amount not to exceed \$20,000.”

##### Temporary notes

K.S.A. 72-6761(c); K.S.A. 10-123

- Temporary notes may be issued in lieu of bonds pursuant to K.S.A. 10-123
  - A school district must have the authority to issue bonds for a project in order to issue temporary notes for the same project.
  - The amount of the temporary notes may not exceed the aggregate amount of bonds that may be issued.
  - Temporary notes must mature within four years.

## **MISCELLANEOUS BOND ISSUES**

### **Kansas Development Finance Authority**

K.S.A. 74-8901; 74-8905

- The Kansas Development Finance Authority was established in 1987 to issue bonds for projects duly authorized by a political subdivision or group of political subdivisions of the state.
- Most state agencies do not have their own authority to issue bonds, so legislative approval and the use of the development finance authority is required
  - “No bonds may be issued pursuant to this act for any activity or project of a state agency unless the activity or project either has been approved by an appropriation or other act of the legislature or has been approved by the state finance council...”
- Each school district is a local municipality, not a state agency, and each board of education has its own legislative authority in K.S.A. 72-6761 to issue bonds.
  - School districts are not required to utilize the Kansas Development Finance authority to issue bonds.