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MEMORANDUM

To: Chairman Highland and members of the House Committee on Education
From: Tamera Lawrence, Assistant Revisor of Statutes
Date: February 16, 2016
Subject: HB 2596 Creating the classroom-based funding act

House Bill 2592 enacts the classroom-based funding act to provide for the financing of K-12 public education. The bill would provide general state aid to each school district based on the average classroom cost of instruction for each congressional district.

Section 1. Citation of act.

Section 1 provides the name and act citation. It would limit the application of the act for school year 2017-2018 to the pilot program school districts selected pursuant to section 16. Full implementation of the act would begin in school year 2018-2019.

Section 2. Definitions.

Section 2 provides definitions of commonly used terms in the act. Some key terms are:

- “Classroom” means a gathering place within a school where students receive instruction from a teacher and is used for such instruction not less than 80% of the school year.
- “Curriculum” means the lessons and academic content taught in a school or in a specific course or program.
- “Instruction” means the activities dealing directly with the interaction between teachers and students and may be provided in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving co-curricular activities. Instruction also may be provided through the internet, television, radio, computer, multimedia telephone, correspondence that is delivered inside or outside the classroom and other teacher-student settings or through other approved media.

Section 3. LPA audit of average classroom cost of instruction.

The legislative division of post audit would conduct an audit to determine the average classroom cost of instruction in each congressional district beginning in January 2017 and every 10 years thereafter. The audits would focus on the actual cost of instruction in each classroom regardless of the type of classroom, curriculum, subject matter, grade level or class size. Upon completion of the audit, the audit report shall be provided to the legislative post audit committee, the house committees on appropriations, education and education budget, the senate committees on ways and means and education, the state department of education and the state board of education. The results of the audit would be used by the state board to determine the amount of general state aid for each school district pursuant to section 4.

The provisions of this section would be in effect on and after July 1, 2016.

Section 4. Classroom-based funding formula and determination of state aid.

Section 4 directs the state board of education to disburse general state aid to each school district each school year in an amount equal to the quotient obtained by dividing the total classroom cost of the school district by 60%.

$$\text{General State Aid} = \frac{\text{Total Classroom Cost}}{60\%}$$

Total classroom cost is calculated by multiplying the number of classrooms in the school district by the average classroom cost of instruction for the applicable congressional district as determined by LPA.

$$\text{Total Classroom Cost} = (\text{Average classroom cost of instruction}) \times (\text{the number of classrooms in the district})$$

School districts could allocate general state aid in any manner they saw fit. Every two years the state board would adjust the amount of general state aid by the consumer price index as determined by the U.S. Department of Labor to account for inflation.

Section 5. Distribution of general state aid.

General state aid as determined by section 4 would be distributed in accordance with appropriation acts each year. This is consistent with current practices.

Section 6. Overpayment or underpayment of general state aid.

Section 6 would direct the state board as to how to handle any overpayment or underpayment of general state aid to a school district. This is consistent with current law.

Section 7. School district report of number of classrooms and total enrollment.

Section 7 would require each school district to report to the state board on or before October 10 of each year: (1) The total number of classrooms used for instruction during the current school year in each school building of the district plus any additional classrooms in any new building or addition to an existing building that will be operational and used for instruction in the subsequent school year; and (2) the total enrollment of district.

The provisions of this section would be in effect on and after July 1, 2016.

Section 8. School district finance fund.

Section 8 would continue in existence the school district finance fund of each school district for the purpose of receiving general state aid. This is consistent with current law.

Section 9. Fund transfers and flexibility.

Section 9 would continue to allow school districts to have fund flexibility where the district could transfer moneys between funds. Excluded from this flexibility are the bond and interest fund, the special education fund, and the special retirement contributions fund. This is consistent with current law.

Section 10. Ad valorem tax levy of 20 mills.

Section 10 would require school districts to levy a 20 mill statewide property tax levy and to remit the proceeds to the state treasurer. These proceeds are used to fund the general state aid. This is consistent with law current law.

Section 11. School districts may adopt a local option budget.

Section 11 would allow school districts to adopt a local option budget (LOB) via resolution upon majority vote of the members of the school board. There would be no maximum limitation on any LOB adopted pursuant to this section. There would also be no state equalization for any LOB adopted by a school district.

Section 12. LOB ad valorem tax for curriculum.

Section 12 would allow school districts that adopt a LOB pursuant to section 11 to levy an ad valorem tax to finance such LOB for curriculum purposes. If a school districts adopts a LOB is such school district shall offer the course or courses of study for which the LOB was adopted to every other school district in the state through an electronic network or internet site and shall be responsible for the cost of the distribution to any other school district.

Section 13. LOB ad valorem tax for limited other purposes.

Section 13 would allow school districts that have adopted an LOB to levy an ad valorem tax to finance that portion of the LOB not covered by section 12 and for paying a portion of the bond and interest for any redevelopment projects for redevelopment districts established prior to January 1, 2016.

Section 14. State board accreditation system.

The state board of education would continue to be required to design and adopt a school performance accreditation system and establish curriculum standards. Such curriculum standards would be reviewed every seven years. The state board would also be required to provide for statewide assessments. This is consistent with current law.

Section 15. Rules and regulations.

Section 15 would require the state board of education to adopt rules and regulations to administer the provisions of this act. For school year 2017-2018, any such rules and regulations would only apply to pilot program school districts. For school year 2018-2019, any such rules and regulations would apply to all school districts.

The provisions of this section would be in effect on and after July 1, 2016.

Section 16. Pilot program.

Section 16 would require the act to be a pilot school finance formula for school year 2017-2018. The legislature would be required to review the act prior to full implementation for all school districts. There would be one selected pilot school district in each congressional district for school year 2017-2018. Pilot school districts would be selected first on a volunteer

basis. If there is no volunteer or more than one volunteer, the legislative coordinating council would choose the pilot school district.

The provisions of this section would be in effect on and after July 1, 2016.

Section 17. Severability clause.

The provisions of the act would be severable.

Section 44. Employer Contributions; KPERS.

Employer contributions for school districts would be disbursed in the same manner as they were prior to the block grants.

Sections 18-49. Amendatory.

Sections 18 through 49 are amendatory sections that would update references to specific provisions of the act or the entire act in existing law in other sections of law.

Section 50. Repealer

The bill would repeal the CLASS act on July 1, 2017.