

MINUTES

SPECIAL COMMITTEE ON SCHOOL FINANCE

July 14, 1977

The Chairman, Senator Harder presided. All members were present.

Staff present included Richard Ryan, Ben Barrett and Julie Mundy from the Kansas Legislative Research Department; Avis Badke from the Revisor of Statutes' Office; and Dale Dennis from the State Department of Education.

Morning Session

Minutes

A motion by Representative Crumbaker, seconded by Representative Reardon, was adopted unanimously approving the minutes of the June 20 and 21 meeting.

Research Project No. 3 - Budget Controls

The staff reviewed the following items, copies of which are included in the Committee notebooks:

1. A memorandum entitled "Budget Controls Under the School District Equalization Act," July 14, 1977, Kansas Legislative Research Department and Financial Services Division of State Department of Education.
2. A computer application, dated July 5, 1977, which shows school district enrollment, general fund budget, and general fund budget per pupil for the years 1972-73 through 1976-77. Also shown are the increases or decreases of each of these items from 1972-73 to 1976-77 — by amount and percent of change.
3. A table entitled "Illustration of the Principle of 'Closing the Gap' in General Fund Budgets Per Pupil — Three Selected Districts in the Same Enrollment Category", July 14, 1977, Kansas Legislative Research Department and Division of Financial Services of the Department of Education.
4. A memorandum entitled "Comparison of Selected Features of School Programs — Eleven Districts", July 14, 1977, Kansas Legislative Research Department and Division of Financial Services of the State Department of Education.
5. A summary sheet entitled "General Fund Transfers", July 14, 1977, Kansas Legislative Research Department and Division of Financial Services. (The sheet shows actual 1975-76 and budgeted 1976-77 aggregate general fund transfers to seven special funds and the amounts for 1976-77 budgeted for salaries in five special school district funds.)
6. A computer application dated July 7, 1977, showing for each school district the actual 1975-76 and budgeted 1976-77 amounts for transfer from the general fund to seven school district special funds.

Industrial Revenue Bonds. Staff reported that the 1961 Legislature passed a law which authorized municipalities to issue industrial revenue bonds (IRB's). In order to clarify the tax status of facilities established through the issuance of IRB's, the 1963 Legislature amended the law which exempts certain property from taxation. That law provided for a ten-year exemption from ad valorem taxation for property acquired and constructed by these bonds after July 1, 1963. Following are answers to four questions which had been posed by members of the Committee at the previous meeting:

1. As a general rule, the title to the property or facilities acquired through an IRB issue is held by the city. The city enters into either a lease or lease-purchase agreement with the business desiring the bond issue.

2. Under a lease-purchase agreement, the title passes to the business at the time of full retirement of the bonds or at a time specified in the agreement. In the case of subsequent bond issues, the title probably would stay with the business if the bond issue is for improvements only. If the issue is to acquire additional land or facilities for the industry, these would be titled in the city.
3. Payments in lieu of taxes by the business involved in the IRB issue are authorized by law, and it is a matter determined by negotiation between the city and the lessee. Such payments are not mandated by law.
4. Property financed by IRB issues authorized after July 1, 1963 may be exempted from ad valorem taxation for a period of not to exceed 10 years. At the end of that time, the property must be returned to the tax rolls. For those issues which occurred between 1961 and July 1 of 1963, the ad valorem tax exemption may run for the duration of the issue. The tax-exempt status of facilities or improvements financed by subsequent IRB issues may be exempted from ad valorem taxation for up to ten years. However, this is not intended to allow any extension of the tax exemption period for property or facilities financed by the initial IRB issue.

Afternoon Session

Research Project No. 6 - Transportation of Students

The staff reviewed the following items for the Committee, copies of which are included in the notebooks.

1. Two examples of the forms and procedures used under the Kansas transportation aid law to compute a school district's transportation aid allowance.
2. A document entitled "1976-77 Transportation Report for Unified School Districts", March 1977, Kansas State Department of Education.
3. An estimate of the FY 1978 fiscal effects of making certain changes in the transportation aid program. One estimate assumes no changes in the present transportation mandate, but state aid payments would be based upon students who were transported more than 1 mile, 1.5 miles, or 2 miles. Another estimate assumes that the transportation mandate was changed to require the transportation of all students who live over 1 mile, 1.5 miles, 2.0 miles, or 2.5 miles from school.
4. A memorandum entitled "Selected State Transportation Aid Programs Which Include a Measure of 'Need'," July 14, 1977, Kansas Legislative Research Department and Division of Financial Services of the Department of Education.

Other Matters

The staff was directed to add to the projects scheduled for the next meeting, the following two items.

1. A survey of state transportation program provisions relating to the distance from school beyond which students must be transported or for which transportation aid is provided.
2. A computer application showing the effects on the state aid to school districts of increasing general state aid by the amount of the income tax rebate (\$34.5 million in 1976-77). Under this proposal, the income tax rebate program would be eliminated.

The next meeting of the Committee is August 16 and 17 in Room 510 of the State House. The meeting on August 16 will begin at 9:30 a.m.

The meeting was adjourned.

Prepared by Ben F. Barrett

Approved by Committee on:

August 17, 1977
(Date)