

M I N U T E S

SPECIAL COMMITTEE ON SCHOOL FINANCE

November 21-22, 1977

Room 510 - State House

November 21

Morning Session

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

Staff in attendance included Richard Ryan and Ben Barrett, Kansas Legislative Research Department; Avis Badke, Revisor of Statutes' Office and Dale Dennis, State Department of Education.

Minutes

A motion by Representative Crumbaker, seconded by Senator Angell, was adopted approving the minutes of the October 27-28 meeting.

Proposal No. 2 - School Finance

Staff Report. Mr. Ryan reported that on November 14 and 15 he and Senator Harder attended a meeting in Tampa, Florida, called at the request of the NCSL Executive Committee to receive progress reports from the states on school finance study activities sponsored by NCSL-NIE grants. Such reports were made by the states of Kansas, Florida, Illinois, New York and Utah. It appears that Kansas and Utah have made the most progress toward meeting the terms of their grants.

According to Mr. Ryan, both Florida and Utah have adopted programs for the weighting of certain types of students for school finance purposes. Both states have encountered difficulties with their weighting programs and both are in the process of attempting to validate their weighting schedules. In Illinois, there is growing interest in the concept of a local income tax for school finance purposes.

1977-78 Monitoring Information. The staff presented several items pertaining to the School District Equalization Act, based upon data in the 1977-78 school district budgets.* These included:

1. "Selected State Aids to Unified School Districts", Legislative Research Department and Division of Financial Services, November 21, 1977.
2. "Summary of the Property Tax for Unified School Districts", Division of Financial Services and Legislative Research Department, November 21, 1977.
3. "Frequency Distribution Combined U.S.D. General Fund and County School Foundation Fund Tax Rates", Legislative Research Department and Division of Financial Services, November 21, 1977.
4. "General Fund Budget Per Pupil Increases", Division of Financial Services and Legislative Research Department, November 21, 1977.
5. "No-Aid Districts - 1977-78", Division of Financial Services and Legislative Research Department, November 21, 1977.
6. "1977-78 Grandfather Clause", Division of Financial Services and Legislative Research Department, November 21, 1977.

* A copy of this information is on file in the Kansas Legislative Research Department.

7. "District Wealth -- School District Equalization Act", Legislative Research Department and Division of Financial Services, November 21, 1977.
8. "General Fund Tax Rates - 1975, 1976, and 1977", Division of Financial Services and Legislative Research Department, November 21, 1977. (One computer application).
9. "Financial Information Concerning Special Education and Vocational Education for 1974-75, 1975-76, 1976-77, and 1977-78." Division of Financial Services, November 21, 1977. (Two computer applications.)

Estimated Effects of Land Use Appraisal on General State Aid. The following information, prepared for the Special Land Use Appraisal Committee, was submitted to the Committee. The material is contained in four computer applications dated November 7, 1977:

1. Table 16. The table was based on the assumption that use value appraisal was in effect during 1972-1975. The 1975 use value estimates served as a proxy for 1972, 1973 and 1974. The local effort rate (LER) for 1976-77 would have remained at the actual 1.77 percent. Three different capitalization rates were used - 8.50 percent, 9.25 percent, and 10.00 percent. Depending on the capitalization rate used, the estimated increased state aid under this plan would have ranged from \$22.4 million to \$26.7 million.
2. Table 17. This table was the same as Table 16, except the LER was adjusted to keep state aid at the actual 1976-77 level.
3. Table 18. This table was based on the assumption that use value appraisal was in effect during 1975 only. The local effort rate was 1.77 percent, the actual amount for 1976-77. The use value capitalization rates were 8.50 percent, 9.25 percent, and 10.00 percent. Depending on the capitalization rate used, the estimated increased state aid under the plan would have ranged from \$9.0 million to \$10.0 million.
4. Table 19. This table was the same as Table 18, except the LER was adjusted to keep state aid at the actual 1976-77 level.

All four computer applications estimated the effects on school finance of a land use value appraisal method, had it been in effect in 1976-77. The legislation proposed by the Special Committee on Use Value Assessment contains a proposed 1981 effective date. Therefore, a change to the use value appraisal method would have no effect on school finance until the 1982-83 school year. Then, unless other changes are made, it would be phased in over a four year period.

Dale Dennis explained the procedure used to insert land use value appraisals into the computation of district wealth for purposes of the computer applications.

Mr. Ryan distributed to the Committee a proposed amendment to the school finance law designed to implement the land use value appraisal concept in the School District Equalization Act. The proposed amendment is being recommended by the Special Committee on Use Value Assessment. It amends K.S.A. 1977 Supp. 72-7040. (A copy is included as Attachment I.)

Sales Ratio Study. Mr. Ryan reported that the Technical Advisory Committee on the sales ratio study has been requested to review a report it made earlier for some recommended changes in the study and to determine if such changes are still recommended or if others should be made. The Committee will report its finding to the appropriate standing committee of the 1978 Legislature.

The main recommendation the Technical Advisory Committee had proposed was to weight the various subclasses of urban and rural property in arriving at the median ratios.

Mr. Ryan plans to provide copies of this report to members of the House and Senate Education Committees.

Afternoon Session

Proposal No. 2 - School Finance (continued)

Computer Applications. A memorandum and seven computer applications* were reviewed by the Committee. These were prepared at the request of the Committee at the October meeting:

* Copies of these applications are on file in the Kansas Legislative Research Department.

1. Computer Runs 22 and 23. These two applications tested the effects, for the 1976-77 school year, of making changes in the "norm" budget per pupil (BPP) applicable to districts having enrollments of less than 400. One application showed the effects of using the median BPP in the 300-399 enrollment interval for all districts having an enrollment of less than 300. The second application applies the median BPP of districts having an enrollment of 200-399 to those districts having enrollments of less than 200. In addition, a new regression line would be created for districts with enrollments of 300-399 (Run 22) or 200-399 (Run 23).

2. Computer Runs 24-27. These applications were based on the School District Equalization Act as it applied to 1976-77, with several adjustments. Computer Run 24 included power-equalization of the levies for social security, vocational education, special education, and workmen's compensation; elimination of the levy for the county foundation fund; elimination of the grandfather clause; increase of the income tax rebate from 20 percent of tax liability of resident individuals after credits to 40 percent of such liability before credits; deduction of the rebate in computing state aid entitlements; and adjustment of the local effort rate (LER) to maintain combined general state aid and income tax rebate at the 1976-77 level (\$249.4 million). Run 25 was the same as Run 24, except the LER was adjusted to obtain a combined general aid and rebate ratio of about 46 percent. Run 26 was the same as Run 24, except taxable income was removed from district wealth and Run 27 was the same as Run 25 except for the removal of taxable income from district wealth.

3. The seventh application illustrated the effects of making certain changes in the transportation aid formula, to net out the costs of transporting pupils who reside in the district and less than 2.5 miles from school in computing transportation aid entitlements. The calculations assumed the cost of transporting pupils who lived less than 2.5 miles at (a) .50 and (b) .25 of the cost of transporting all pupils. The index of density would include only pupils who reside in the district 2.5 miles or more from school and who are provided transportation by the district.

Other Matters. The staff was requested to prepare a computer application for review on November 22 using the same assumptions as Runs 25 or 27, except taxable income would be included in district wealth at 50 percent of the actual amount.

Mr. Ryan said plans are to publish in a separate volume the school finance report. It is expected this report will be completed during December. If difficulties are encountered affecting the timing of report publication, Xeroxed copies, as necessary, will be made and distributed to NCSL, the standing Committees on Education, and legislative leaders. Bill drafts approved by the Committee will be incorporated into the report.

November 22, 1977

Morning Session

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

Proposal No. 2 - School Finance (continued)

Computer Run 28. This application, which was requested on November 21, illustrated for the 1976-77 school year the effects of power equalizing the levies for four special funds, elimination of the county foundation fund tax levy and the grandfather clause, increase of the income tax rebate from 20 percent of tax liability of resident individuals after credits to 40 percent of such liability before credits, modification of district wealth by taking into account only 50 percent (rather than 100 percent) of taxable income, and adjustment of the LER to require combined state aid of about \$264.5 million (a ratio of about 46.0 percent).

Summary of Committee Actions

1. That the Committee recommend changes in the SDEA in accord with the assumptions in Run 27. This motion by Representative Holt, seconded by Senator Meyers, failed.
2. That the Committee recommend changes in the SDEA in accord with the assumptions in Run 28. This motion by Senator Meyers, seconded by Representative Duncan, was adopted. Senator Harder was recorded as voting against this motion.

3. The Committee discussed whether a recommendation should be made to amend the SDEA by changing the median BPP applicable to school districts with enrollments of less than 400 (along the lines of the proposals in Runs 22 and 23). No specific recommendation was made on this matter, but the staff was instructed to include in the Committee's report illustrations of how the proposals reviewed by the Committee would work.
4. That the Committee recommend changes in the school transportation aid law to net out of total transportation costs amounts for transporting resident pupils who are provided transportation and who live less than 2.5 miles from school at the rate of 50 percent of the costs of providing transportation to all pupils. Further, in computing the index of density, that only resident pupils who live 2.5 miles or more from school and who are provided transportation be counted. This motion by Representative Duncan, seconded by Representative Lowther, was adopted.

Review of Bill Drafts. Bill drafts prepared by the staff to implement the policy decisions of the Committee were reviewed. These drafts were approved for pre-filing, as they reflect the decisions of the Committee, subject to certain additional changes. Amendments to the SDEA will be divided into two bills, one pertaining to the transportation aid program and the other to the remaining changes in the SDEA. (On motion of Senator Meyers, seconded by Senator Angell, and adopted.) The Committee agreed that these two bills should be recommended for pre-filing in the House. Further policy decisions of the Committee were:

1. That Section 12 of the proposed draft containing SDEA amendments (Page 13, Section 12, subsection (b)) be amended so that the income tax rebate would be increased to 40 percent of resident individual tax liability after all credits allowed against such tax. (An earlier policy decision was to change from a position of "after" credits for taxes paid to another state to a "before" credits position.) The motion by Senator Angell, seconded by Representative Lowther, was adopted.
2. That Section 13 of the proposed draft containing SDEA amendments (Page 13, Section 13) be amended to add a budget appeal reason for elementary guidance counselors. The motion by Senator Meyers, seconded by Representative Lowther, was adopted.
3. That Section 9 (Page 10, Section 9 (c)) be amended to delete the requirement that no district may budget less than \$600 per pupil. The motion by Senator Angell, seconded by Representative Lowther, was adopted.
4. The LER in Section 6 (Page 7) will be changed to 2.213 percent. This is regarded as temporary until a later determination is made by the Legislature.
5. That the bill pertaining to a broadened authority of boards of education to close attendance centers not be approved for introduction. The motion by Senator Angell, seconded by Representative Crumbaker, failed. Senators Angell, Meyers and Warren were recorded as voting in favor of the motion.

Other Matters. As soon as the draft Committee report is completed, it will be mailed to the members for review. Members will have one week to contact the staff regarding any problems or proposed changes in the report.

The meeting was adjourned.

Prepared by Ben F. Barrett

Approved by Committee on:

12-5-77
(date)

BFB/dmb

72-7040. Definitions; adjusted valuation.

(a) "State assessed property" means all real or tangible personal property assessed by the director of property valuation, the valuation of which is certified to or apportioned among various taxing districts of the state.

(b) "State ratio" means thirty percent (30%).

(c) "County urban ratio" means the average assessment ratio of all sales of urban real estate in each county for the preceding year as determined under the provisions of K. S. A. ~~1972~~ Supp. 79-1437.

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(d) "County rural ratio" means the average assessment ratio of all sales of rural real estate in each county for the preceding year as determined under the provisions of K. S. A. ~~1972~~ Supp. 79-1437.

1977

(e) "Adjusted valuation" means: (1) Of urban real estate, the assessed valuation of the preceding year multiplied by the state ratio and divided by the county urban ratio for that year; (2) of rural real estate, the assessed valuation of the preceding year multiplied by the state ratio and divided by the county rural ratio for that year; (3) of a county, the sum of the adjusted valuations of urban and rural real estate plus the assessed valuations of the preceding year of tangible personal property and state assessed property within the county; (4) of a district, the sum of the adjusted valuations of urban and rural real estate plus the assessed valuations of the preceding year of tangible personal property and state assessed property within the district. [L. 1973, ch. 292, § 11; June 1.]

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