

MINUTES OF THE HOUSE COMMITTEE ON EDUCATIONThe meeting was called to order by Chairman Denise Apt at
Chairperson3:30 ~~am~~/p.m. on January 21, 1988 in room 519-S of the Capitol.All members were present except:
Representative Charles Laird, ExcusedCommittee staff present:
Avis Swartzman, Revisor of Statutes' Office
Ben Barrett, Legislative Research
Thelma Canaday, Secretary to the CommitteeConferees appearing before the committee:
Paul Fleener, Kansas Farm Bureau
Dr. Jim Yonally, Shawnee Mission Schools, U.S.D. #512
John Koepke, Executive Director, Association of Kansas School Boards

The meeting was called to order by Chairman Apt who announced the purpose of the meeting was to hear the proposal of the Ad Hoc School Finance Committee.

Paul Fleener gave background information on the Ad Hoc Committee and stated four goals needed by any new plan for school finance in the state of Kansas.

1. A balance in revenue sources,
2. A reduction in property taxes,
3. Recognition of differing expenditure levels among school districts of various sizes, and
4. State assistance for support of a "basic" educational program for every school district in the state.

The Ad Hoc Committee proposal as given by Mr. Fleener consists of:

1. A uniform property tax levy of 15 mills.
2. A 1.5 percent tax on income on every resident in each school district, which would return to the district of origin.
3. Every school district would receive a flat grant initial state aid payment of \$400 per pupil.
4. For budget making purposes, there would be a per pupil guarantee, based on known expenditures per pupil by various enrollment categories, times district enrollment to provide a state-shared budget in each of the school districts.
5. Revenues to fund the state's portion of the Ad Hoc Committee proposal would come from:
 - A. State aid appropriation for the school years.
 - B. Uniform 15 mill property tax levy against state assessed property.
 - C. A 1.5 percent tax on taxable income of corporations, banks, savings and loan associations, insurance companies, and nonresident individuals (to the extent such income is taxable in the State of Kansas), and
 - D. An increase in the sales and compensating use tax of 1 percent. (Attachment 1)

Using a printout showing the Ad Hoc Committee plan had it been in existence for the 1986-87 school year Mr. Fleener illustrated how the plan would work in the Marmaton School District in Allen County.

Questions from the committee members followed Mr. Fleener's presentation.

Dr. Jim Yonally prefaced his remarks by saying he was speaking as a member of the Ad Hoc Committee and the proposal given was not endorsed completely

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION,

room 519-S Statehouse, at 3:30 ~~xxx~~ p.m. on January 21, 1988.

by the Shawnee Mission School district. He pointed out the broad differences that exist in the 303 school districts in the state of Kansas making it difficult to arrive at a simple formula for school finance. Dr. Yonally said we need to look at size of district, enrollment category and budgets per pupil in trying to determine what is equitable. He expressed a desire for an interim study in 1988.

John Koepke stated he had been a member of the Ad Hoc Committee since its inception, along with Paul Fleener and Dr. Yonally. He pointed out that making decisions on school finance is a crucial task of the legislative body and has increasing political liability. Mr. Koepke emphasized with the provisions in the Ad Hoc Committee proposal that there are NO no aid school districts which eliminates some of the political overtones. He suggested if a formula could be achieved to take care of funding then the real needs of education could be considered before the committee.

Mr. Koepke concluded his remarks by encouraging continued study for a satisfactory school finance plan.

Chairman Apt thanked the three conferees for their testimony.

The meeting was adjourned by the chair at 4:38.

The next meeting will be January 25 at 3:30 p.m. in Room 519-S.

DATE January 21, 1988

GUEST REGISTER

HOUSE

EDUCATION COMMITTEE

NAME	ORGANIZATION	ADDRESS
Harold C. Pitts		Topeka
Jim Yarnally	USD # 512	Shawnee Mission
John H. Luedke	KASB	Topeka
Chris Burnett	USD 501H	Topeka
Craig Grant	H-NEA	Topeka
RON CALBERT	U.T.U.	Newton
Ray Collins	H-NEA	Topeka
Ben Roggy	SQE	Paola
Dick Koertl	Division of Budget	Topeka
Carolyn Kehr	KS Federation of Teachers	Topeka
Mayleen Simon	KS LEAGUE OF WOMEN VOTERS	Topeka
Larry D. Wade	U.S.D. # 474	Haviland, Kc
Sam Anderson	USD # 300	Coldwater, Ks
W. W. Anderson	USA	Topeka
Colleen Landon	intern	
Bill Melley	USD 465	Winfield
Brilla Smith	USA	Topeka
Kara Junk	USD # 501	Topeka
Sam H. Shub	USA	Topeka
Chris Graves	ASK	Topeka
Sally Streff	AP	Topeka



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON EDUCATION

Re: Ad Hoc Committee School Finance Proposal

January 21, 1988
Topeka, Kansas

Presented by:
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Chairperson Apt and Members of the Committee:

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. I have been a member of the Ad Hoc Committee on School Finance since its inception. With the indulgence of the Chair we will provide a bit of background on the Ad Hoc Committee.

The Ad Hoc Committee on School Finance has had a membership of Legislators and non-Legislators. The non-Legislator members far outnumber Legislators who have from time to time been a part of discussions and deliberations. For the most part, we are individuals who are on the outside looking in each year when the Legislature wrestles with the topic of school finance.

We want you to know that the proposal we are advancing to you today **does not represent** what any one individual on the Ad Hoc Committee might develop for a school finance formula. Parts of the proposal are acceptable to **all the individuals** on the Ad Hoc Committee. Some parts of it, frankly, are not the ingredients that some individual members would propose. Rather, the plan is a **consensus** proposal developed after countless hours of study, discussion, debate and the general agreement that a new direction

*Attachment 1
House Ed 1-21-88*

for school finance is absolutely vital for the State of Kansas. As this plan unfolds, individual members of the Ad Hoc Committee and many others will want to describe where they agree and where they disagree with the component parts of this plan.

We have watched the Legislature grapple with the topic of school finance for several years. In recent Legislative Sessions, the School District Equalization Act (SDEA) has been the cause of increasingly acrimonious debate within Legislative Committees and on the floor of both House and Senate.

The Ad Hoc Committee on School Finance was developed when some of us began talking ... first in 1979 ... about getting together various interest groups to sit down to see if something acceptable to diverse interest could be put together. We formalized our plans to do just that. In 1980, we met for two days a month for several months before making the initial presentation of an Ad Hoc School Finance Committee proposal to an Interim Committee of the Kansas Legislature. That presentation was quite late in the deliberations of the Interim Committee, a Committee nearly ready to move with its own modifications of the SDEA. **However**, several Legislators came to us and told us that our plan had a great deal of merit. What is being presented to you today is a refinement of that proposal geared to a school finance plan for Kansas based on balanced revenue from the sources available for funding our elementary and secondary schools.

Let me now jump to 1984. The Ad Hoc Committee was meeting again. At our first meeting that year, we discussed individual and organizational philosophies. We put our biases and "hidden agendas" on the table for all members to view, to hear, to discuss

and examine. The result of those discussions was submitted for consideration in 1985 Session of the Kansas Legislature. The Legislature was still not ready to adopt major changes in the SDEA. So the Legislative debate and acrimony continued. Undaunted, the Ad Hoc Committee continued its deliberations.

Goals of Ad Hoc Proposal Described

Each year when the Ad Hoc Committee on School Finance begins its deliberations, we begin by listing strengths and weaknesses of the SDEA. We discuss the ingredients of school finance legislation that would be acceptable to most. We talk of the shortcomings of the SDEA ... shortcomings in the eyes of some. The discussions always lead to the same general conclusion. That conclusion is that there should be approximately four goals for **any new plan** for school finance in the State of Kansas. Those are as follows:

1. A balance in revenue sources,
2. A reduction in property taxes,
3. Recognition of differing expenditure levels among school districts of various sizes, and
4. State assistance for support of a "basic" educational program for **EVERY SCHOOL DISTRICT IN THE STATE.**

The first and second goals are inseparately linked. Most of the discussion within and outside of legislative halls would indicate a need to find some different sources of revenue for school finance, a need to reduce the reliance on the property tax.

The inescapable conclusion of the Ad Hoc Committee is this:

the ad valorem property tax is still used as a major source of revenue for state and local government. The major sources of revenue are, of course, the "big three" money producers: the property tax, the income tax, and the sales tax. Far and away the largest source of revenue for local units of government, **including** Unified School Districts, is the property tax. One goal, then, of the Ad Hoc Committee is to bring those figures **toward** a greater balance.

Aside from the EBF and institutional use of a small property tax levy, the State does not make a major claim on the property tax. The Ad Hoc Committee believes the State **should not derive** its revenues from the property tax.

The Ad Hoc Committee on School Finance advances a proposal which attempts to modestly fund a portion of the basic education program for every school district in the State by an initial state aid entitlement. We will describe that more fully. In the proposal being advanced to you today, there are **NO** no-aid school districts.

Ad Hoc Committee Proposal Described

The basic ingredients of the Ad Hoc Committee proposal are these:

1. There would be a uniform property tax levy of 15 mills (we call it LEP ... Local Effort Property) against urban and rural real and personal property at its assessed valuation.
2. There would be a 1.5 percent tax on income (LEI ... Local Effort Income) on every resident individual in

each school district. The tax would be against taxable income and **would return to the district of origin.**

3. Every school district would receive a **flat grant** initial state aid payment of \$400 per pupil.
4. For budget making purposes, there would be a per pupil guarantee, based on known expenditures per pupil by various enrollment categories, times district enrollment to provide a state-shared budget (SSB) in each of the school district.
5. Revenues to fund the state's portion of the Ad Hoc Committee proposal would come from:
 - A. The state aid appropriation for the school year,
 - B. A **uniform** 15 mill property tax levy against state assessed property,
 - C. A 1.5 percent tax on taxable income of corporations, banks, savings and loan associations, insurance companies, and non-resident individuals (to the extent such income is taxable in the State of Kansas), and
 - D. An increase in the sales and compensating use tax of 1 percent.

It is our understanding you have been or will be provided with a printout showing the Ad Hoc Committee Plan had it been in existence for the 1986-1987 school year. A computer printout will show you in Column 6 the state-shared budget for each school district. Succeeding columns provide additional information. Column 7A shows the proceeds of 15 mills against assessed

valuation and let us note here that we are using the very best estimate anyone has for what the valuation will be within a school district **after** reappraisal and applying the classification amendment percentages of value on each type of property in each school district.

Column 7B shows the amount of money which would be generated by a 1.5 percent tax on taxable income on each patron returned to the school district of origin. Column 7C shows the proceeds from motor vehicle, stamp tax, mineral tax, IRB properties and PL 874 monies.

Column 8 gives what we call basic aid or initial state aid. That is the \$400 per pupil, the revenues for which are derived from a one cent increase in the sales tax. Column 9 is primary state aid. That is arrived at by **deducting** local effort on property, local effort on income, the stamp, mineral, IRB, PL 874 receipts, and initial state aid (Columns 7A, 7B, 7C, and 8) from state-shared budget times a Composite Wealth Factor. That wealth factor is determined by adding together the wealth factor for valuation and the wealth factor for income per pupil in the school district, dividing by two and multiplying that factor times the sum remaining after the previously mentioned deductions.

The goal of the Ad Hoc Committee plan is to provide no less than 20 percent state aid and no more than 80 percent state aid, so the Composite Wealth Factor (CWF) table will range from 20 to 80.

Column 10 shows you a figure of unfunded state-shared budget. That amount again is multiplied times the CWF to determine supplemental aid, shown in Column 11.

Column 12 of the printout shows the total of state aid to be provided under the Ad Hoc Committee plan with one additional ingredient added ... (we can't seem to get away from calling income tax a state aid! editorial comment). Column 12 is the total of basic aid, primary aid, supplemental aid, and the **LOCAL EFFORT** known as the income tax shown in Column 7B. Other members of the Ad Hoc Committee will address other factors considered by the Committee, factors which we believe to be important to your consideration of a new formula for school finance in the State of Kansas.