

Approved March 13, 1990
Date

MINUTES OF THE SENATE COMMITTEE ON SCHOOL FINANCE

The meeting was called to order by SENATOR JOSEPH C. HARDER at
Chairperson

1:30 ~~XX~~ a.m./p.m. on Monday, March 12, 1990 in room 123-S of the Capitol.

All members were present except:

v

Committee staff present:

Mr. Ben Barrett, Legislative Research Department
Ms. Avis Swartzman, Revisor's Office
Mr. Dale Dennis, Assistant Commissioner of Education
Mrs. Millie Randell, Committee Secretary

Conferees appearing before the committee:

STAFF BRIEFING ON SCHOOL FINANCE

After calling the meeting to order, Chairman Joseph C. Harder asked the Committee's pleasure regarding the minutes. Vice-chairman Frahm moved that minutes of the meetings of February 19 and March 1 be approved. Senator Karr seconded the motion, and the minutes were approved.

The Chairman informed the Committee that due to the complexity of the formula in the Kansas School District Equalization Act, he had requested staff to present an overview of the formula and to provide background information that would be germane to the Committee's consideration of the formula at a later time. He then called upon Mr. Ben Barrett, associate director, Legislative Research Department, to begin the presentation.

Mr. Barrett explained that the outline found in Attachment 1 is designed to show in simplified fashion how the school district equalization act works. He reminded the Committee that Kansas has what is generally described as a power-equalization formula designed to use the wealth of the state as a whole to equalize the ability of local school districts to operate their education programs. Responding to a question, Mr. Barrett replied that although one approach to equalization in school finance is to get all the school districts to spend the same number of dollars per child, the Kansas plan does not try to achieve that result. He noted the various enrollment categories and the different levels of expenditures of those categories.

Responding to another question, Mr. Barrett replied that if an individual district wants to be able to spend equally with another district, the mechanism to do this is in place. Mr. Barrett then provided the Committee with a detailed explanation of the Basic General State Aid Formula 1989-90, as found in Attachment 1.

Following Mr. Barrett's explanation the Chair called upon Mr. Dale Dennis, Assistant Commissioner, State Department of Education. Mr. Dennis referred the Committee's attention to Attachment 2 which he described as an example of how state aid works in actual practice for a superintendent or a business manager of a school district. He reviewed the form "Estimated U.S.D. General Fund State Aid for 1989-90" for the Committee. He stated that the sample budget has been computed under guidelines provided by the state. During explanation, Mr. Dennis pointed out that if a district spends funds above the state average, that means the local effort rate is going to be above the state average. It may mean more state aid, he said, but it also means higher property taxes. Mr. Dennis reminded members that wealth is defined by statute. He said it determines who will get the money and how much - depending on how much money the legislature decides to put into the formula.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON EDUCATION

room 123-S, Statehouse, at 1:30 ~~am~~/p.m. on Monday, March 12, 1990

Mr. Dennis then referred the Committee's attention to Attachment 3, "Wealth". Mr. Dennis explained that the valuation component is the result of averaging the adjusted valuation and assessed valuation amounts that go into the school district equalization aid formula. He noted that taxable income has increased substantially with the elimination of tax deductions. Mr. Dennis identified district wealth as the sum of the valuation average and the taxable income average, as shown in Attachment 3.

Mr. Ben Barrett was called upon to continue his presentation to the Committee. Mr. Barrett provided the Committee with Attachment 4, "Multi-Year Comparison of SDEA District Wealth Components". Mr. Barrett explained that the figures in Attachment 4 were designed to show what is happening in terms of the components of district wealth for school finance purposes as a result of certain legislative actions.

The Chairman thanked Mr. Barrett and Mr. Dennis for their presentation and announced that the Committee would continue its discussion on school finance tomorrow.

The Chairman informed the Committee that computer printouts were available for distribution and asked the Committee's pleasure. Following a brief discussion, by consensus of the Committee, the Chair requested Mr. Dennis and Mr. Barrett to hold the printouts for distribution at the meeting tomorrow.

The Chair adjourned the meeting.

SENATE EDUCATION COMMITTEE

TIME: 1:30 p.m. PLACE: 123-S DATE: Monday, March 12, 1990

GUEST LIST

<u>NAME</u>	<u>ADDRESS</u>	<u>ORGANIZATION</u>
Brandon Nett	Box 184 Canton, KS	Page
Michael Renken	RR 1 Box 186 Canton KS	Page
Jason Oliver	301 W. Allen, Box 35 Canton KS	Page
Ken Cole	Topeka	K-NEA
Nancy Galt	Topeka	City office
Ken Reag	J R E	Parola
Jim Yonally	dueland Park	USD #512
Paul E. Fleener	Manhattan	Kansas Farm Bureau
Bill Musick	Munecyde	SL Bd Ed
Conie Hessel	Topeka	SL Bd Ed
Merle Hill	"	KACC
Ann Burnett	Topeka	USD 501
Hermes	TOPEKA	BUDGET
Harold Pitts	Topeka	KRTA
James Arnold	Topeka	KUSA
Chuck Stuart	Topeka	USA
Bob Ditz	Hutchinson	USD 308
Kathryn Dysack	Wichita	USD 259
Sally Ann	"	KID
Karl Kuhn	Topeka	4th Enrollment USD's
Tony Deak	Topeka	City of Topeka
David Johnson	Cherokee	Close Up Kansas
Tim Stevens	Stilwell	Close-Up
Bobby Shepherd	6200 Heritage Ct Stilwell, KS	Close-Up

SENATE EDUCATION COMMITTEE

TIME: 1:30 p.m. PLACE: 123-S DATE: Monday, March 12, 1990

GUEST LIST

<u>NAME</u>	<u>ADDRESS</u>	<u>ORGANIZATION</u>
MARK KLOPFENSTEIN	1544 N. ROGERS #1611 Olathe KS 66062	CLOSE-UP KANSAS (USD 229)
KENT MILLER	714 W 2ND STREET LIBERAL KS 67901	LEADERSHIP LIBERAL
Joseph Black	632 W 5th Liberal, KS 67901	Leadership Liberal
Carl Meitz	709 G. Cedar Oberlin KS 67749	Closeup Kansas
Rick Johnson	312 N. Griffith Oberlin KS 67749	Close-Up KS (USD 279)
Leth Lohaeferen	Rt. 1 Box 48 Oberlin, KS 67749	Close-up KSC (USD 294)
Jim Easterling	Rt 1 Box 150 Lost Springs, KS. 66859	Close-up KS (USD 397)
Jennifer Peterson	Rt 1 Box 31 Burdick, KS 66838	Close-up KS (USD 397)
Jennifer Makover	Rt 1 Box 12 Ramona, KS. 67475	Close-up Kan (USD 397)
Amy Smith	Rt. 1 Box 39A Lincolnville, KS. 66858	Close-up KS (USD 397)
Janice Smith	Rt. 1 Box 13 Ramona, KS. 67475	Close-up KS (USD 397)
Dody Lamb	373 W Anadale Kingman, KS 67068	Close-Up KS
Tanya Tomata	427 E C Kingman KS. 67068	Close-up KS (USD 331)
Glenn Brannon	Rt 1 Box 154 Kingman KS 67068	Close-up KS (USD 331)
Bud Peterson	RR#1 Box 31 Burdick, KS. 66838	Close-Up Kansas (USD 397)
Deanna Reed	433 Lincoln #5 Kingman, KS 67068	Close-up KS
Kari Stacker	305 West A Kingman, KS 67068	Close-up KS (USD 331)
Kari Landon	311 N. York Oberlin KS 67749	Close-up KS (USD 397)
Dody Daskill	401 N. Wilson Oberlin KS. 67749	Close-up KS
Meredith Mawmont	610 N. Grand Oberlin KS 67749	Close-up KS (USD 397)
Lynette Harek	Box 65 Lost Springs, KS 66859	Close-up KS (USD 397)
Jennifer Nowak	RR 3 Box 175 Marion KS 66861	Close-up KS (USD 307)
Shane Hayes	R 1 Bx 175 Lincolnville KS 66858	Close-up Kansas U.S. D 397
Corey Kepler	Lincolnville KS. 66858	Close-up Kansas U.S. D 397

SUMMARY OF MAIN FEATURES OF THE SCHOOL DISTRICT EQUALIZATION ACT (SDEA)

The general state aid formula of the SDEA is based upon a modification of the "power equalization" principle. This approach to school finance was adopted in 1973. The formula is applied to a school district's general operating fund. A summary of the main provisions of the SDEA follows:

I. Budget Controls

USD general fund budgets are subject to statutorily imposed controls. There are no tax levy or tax rate controls for the general fund.

The law permits a USD to increase its general fund budget per pupil (BPP) to the lesser of the "determinable percentage" (6 percentage points above 103 percent, i.e., 109 percent) of the district's BPP in the preceding school year or 103 percent of the median BPP for the previous year of districts in the same enrollment category, whichever is lower. Any district may budget up to 103 percent of its BPP in the preceding year.

The budget control is reviewed each year by the Legislature; it often is modified for the succeeding school year. For 1989-90 the applicable budget control range is 102 percent to 104.5 percent, plus 1 percent subject to a 5 percent protest petition election.

Budget controls are made more flexible by other provisions of the SDEA re inordinate increases in social security, utilities (water, heat, electricity), and insurance expenditures; elections to exceed basic limitations; accumulation of unused budget authority; enrollment declines; and appeals to the State Board of Tax Appeals.

II. General State Aid Computation

A USD's entitlement of general state aid is determined by subtracting its "local effort" from the legally authorized general fund budget. Local effort consists of the sum of "district wealth" times the USD's local effort rate (LER); and amounts received in the general fund in the prior year from federal impact aid (based on federally qualified percentage), from the motor vehicle tax, and from revenue bond in-lieu payments.

1. District Wealth. District wealth is the average of the sum of the taxable income of resident individuals within a district and the assessed valuation of the district for the most recent two years for which such data are available. For 1989-90 and 1990-91, district wealth is the average of the sum of (a) taxable income of resident individuals of the district for the two most recent years for which such data are available and (b) the adjusted valuation of the district (30 percent level) for the 1988 tax year, modified by counting 50 percent of merchants and manufacturers inventory, livestock, and business machinery and equipment, and the assessed valuation of the district for the 1989 tax year.
2. Local Effort Rate (LER). The LER is a percentage which is determined by the State Board of Education in accord with legislative appropriations and applied to a specified "norm" BPP, as such norm BPPs are determined under a schedule which divides USDs into enrollment categories based upon an analysis of operating costs per pupil. The LER of a USD is more or less than the LER norm for the district's enrollment category in the same proportion that a district's BPP is more or less than the norm BPP for the enrollment category.
3. Impact Aid. Impact aid funds are federal P.L. 874 funds paid to USDs to offset the adverse effects of certain federal activities on the tax base of school districts. Impact aid funds received for major disasters and for the low-rent housing program are excluded from the local effort computation.
4. Motor Vehicle Tax. The special tax on motor vehicles based on value (in lieu of a property tax) is allocated by the county treasurer proportionately to taxing units, including school districts.
5. Revenue Bond In-Lieu Payments. In some instances, school districts receive payments in lieu of property taxes relative to properties that are off the tax rolls due to the issuance of industrial or port authority revenue bonds.

III. Hold Harmless Aid

For 1989-90 only, if a district's general state aid and income tax rebate (combined) in 1989-90 is less than the amount received in 1988-89, the district receives "hold harmless" aid equal to 93.75 percent of the difference.

IV. Income Tax Rebate

Each USD receives from the state an amount equal to 20 percent of the state individual income tax liability after all credits, except for credits for taxes paid to another state and except for withholding and estimates, of the residents of the district. The rebate increases to 23 percent for tax year 1989 and to 24 percent for tax year 1990 and thereafter.

V. Transportation Aid

State transportation aid is paid to all districts that transport pupils who live 2.5 miles or more from the school they attend. Aid entitlements are determined by a cost-density formula, which recognizes the higher costs of transporting pupils in low-density districts. This aid is based on the lesser of 100 percent of the computed actual cost or 100 percent of the amount per pupil computed under the cost-density formula. For FY 1990, the formula is funded at 96 percent.

Kansas Legislative Research Department
March 12, 1989

FORM 148

This form is to be used by school district officials and county clerks to compute the estimated general state aid. Please file one copy with the Kansas State Department of Education. Also attach one copy of this completed form to the School Budget Form to be filed with the County Clerk on or before August 25, 1989.

1. (1) Estimated Legally Adopted Budget Per Pupil (Legally Adopted Budget) 3,886,768 + 9/20/89 Enrollment 863.0 = \$ 4,503.79
 2. Local Effort Rate = Dist. Budget Per Pupil (Line 1) 4,503.79 ÷ Norm Budget Per Pupil** 4,266.13 = (2) 1,055,7086 X .2.667 = (2) \$ 2,815,5748 %
 3. (1) Legally Adopted Budget (See Line 1 above). = \$ 3,886,768
 4. Local Effort Rate (Line 2 ÷ 100) .028155748 x District Wealth (See Page 3) 55,922,168 = \$ 1,574,530
 5. Actual Receipts for P.L. 874, 7/1/88 to 6/30/89 (or receipts district was made) - 0 - x 92.4 % from page 2 = \$ - 0 -
 6. Prior year's receipts from motor vehicle tax (General Fund only - 7/1/88 to 6/30/89). = \$ 196,261
 Prior year receipts in lieu of tax payments from IRB's (General Fund only - 7/1/88 to 6/30/89). = \$ - 0 -
 8. Total deductions (Line 4 + 5 + 6 + 7) = \$ 1,770,791
 9. PROPOSED STATE AID FOR DISTRICT (Line 3 - Line 8) (Do not enter if a negative amount) = \$ 2,115,977
- GRANDFATHER CLAUSE PROVISION (HB 2085)**
10. Actual General State Aid and Income Tax Rebate for 1988-89. = \$ 2,076,385
 11. Estimated General State Aid and Income Tax Rebate for 1989-90 (Line 9 + Col. 5 of income tax printout) = \$ 2,385,621
 12. State Aid Difference (line 10 - line 11) (Do not enter if a negative amount). = \$ - 0 -
 13. PROPOSED GRANDFATHER STATE AID (LINE 12 X 93 3/4%). = \$ - 0 -
 14. **ESTIMATED STATE AID 7/1/89 TO 6/30/90 (LINE 9 + 13).** = \$ 2,115,977
 15. **ESTIMATED STATE AID FOR 7/1/90 TO 12/31/90 (40% OF LINE 9)** = \$ 846,391

Enrollment of The District	Norm Budget** Per Pupil	Adjustment	
0- 199.9	\$5116		4787 - 1.125 (863.0 - 400)
200- 399.9	\$5116	- 1.645 (E-200)*	4787 (1.125 X 463)
400-1,799.9	\$4787	- 1.125 (E-400)*	4787 - 520.88
1,800-9,999.9	\$3212		
10,000 and over	\$3470		4266.13

(1) Legally Adopted Budget Cannot Exceed Line 28, Form 9-212-150
 (2) Carry to six decimal places
 * 9-20-89 FTE Enrollment

Education
 3/12/90
 Attachment 2

WEALTH

U.S.D. #343

1988 Adjusted Valuation	\$41,912,202	
1989 Assessed Valuation	<u>20,310,670</u>	
	62,222,872	
	<u>÷ 2</u>	
		\$31,111,436
1988 Taxable Income	\$24,217,062	
1989 Taxable Income	<u>25,404,402</u>	
	49,621,464	
	<u>÷ 2</u>	
		<u>24,810,732</u>
		\$55,922,168

ADJUSTED VALUATION COMPUTATION SHEET

U.S.D. # 343

Assessed Valuations

Adjusted Valuations

Co. Jefferson

Urban R.E.	<u>1,070,250</u>	X	<u>30/8.52</u>	=	<u>3,768,486</u>
Rural R.E.	<u>3,798,365</u>	X	<u>30/2.01</u>	=	<u>16,255,484</u>
Personal	<u>2,115,218</u>			=	<u>2,115,218</u>
Oil & Gas	<u>- 0 -</u>			=	<u>- 0 -</u>
P.S.C.	<u>2,085,685</u>			=	<u>2,085,685</u>
County Total	<u>9,069,518</u>				<u>24,224,873</u>

Co. Douglas

Urban R.E.	<u>388,970</u>	X	<u>30/7.38</u>	=	<u>1,581,179</u>
Rural R.E.	<u>2,468,780</u>	X	<u>30/5.10</u>	=	<u>14,522,235</u>
Personal	<u>307,678</u>			=	<u>307,678</u>
Oil & Gas	<u>- 0 -</u>			=	<u>- 0 -</u>
P.S.C.	<u>1,276,237</u>			=	<u>1,276,237</u>
County Total	<u>4,441,665</u>				<u>17,687,329</u>

Co.

Urban R.E.		X	<u>30/</u>	=	
Rural R.E.		X	<u>30/</u>	=	
Personal				=	
Oil & Gas				=	
P.S.C.				=	

County Total

Co.

Urban R.E.		X	<u>30/</u>	=	
Rural R.E.		X	<u>30/</u>	=	
Personal				=	
Oil & Gas				=	
P.S.C.				=	

County Total

Co.

Grand Total					
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MULTI-YEAR COMPARISON OF SDEA DISTRICT WEALTH COMPONENTS (DOES NOT INCLUDE AVERAGING)

Year	Assessed Valuation	Adjusted Valuation	Taxable Income	Sum: Adj. Val. & Tax. Income	Percent of Total:		%	%	%
					Adj. Val.	Tax. Inc.	Change: Ass. Val.	Change: Tax. Inc.	Change Adj. Val.
1974	7,266,318,617	11,642,327,993	4,174,894,031	15,817,222,024	73.6	26.4	NA	NA	NA
1975	7,751,520,743	13,930,005,885	4,657,544,048	18,587,549,933	74.9	25.1	6.7	11.6	19.6
1976	8,329,499,673	16,304,468,008	4,894,022,036	21,198,490,044	76.9	23.1	7.5	5.1	17.0
1977	9,081,920,732	18,906,992,067	5,399,890,477	24,306,882,544	77.8	22.2	9.0	10.3	16.0
1978	9,361,934,414	20,694,255,311	5,815,506,258	26,509,761,569	78.1	21.9	3.1	7.7	9.5
1979	10,049,318,103	23,667,861,800	6,683,530,852	30,351,392,652	78.0	22.0	7.3	14.9	14.4
1980	10,150,953,234	25,557,048,060	7,378,119,726	32,935,167,786	77.6	22.4	1.0	10.4	8.0
1981	10,645,888,086	28,274,157,751	8,163,883,331	36,438,041,082	77.6	22.4	4.9	10.6	10.6
1982	11,335,464,659	28,750,969,616	8,814,049,944	37,565,019,560	76.5	23.5	6.5	8.0	1.7
1983	11,018,034,181	28,474,800,319	9,208,975,467	37,683,775,786	75.6	24.4	(2.8)	4.5	(1.0)
1984	11,207,988,043	28,919,387,382	9,918,041,111	38,837,428,493	74.5	25.5	1.7	7.7	1.6
1985	11,435,530,380	28,293,400,806	11,011,261,358	39,304,662,164	72.0	28.0	2.0	11.0	(2.2)
1986	11,201,043,673	26,655,306,759	10,949,056,382	37,604,363,141	70.9	29.1	(2.1)	(0.6)	(5.8)
1987	11,258,123,840	26,750,728,708	11,453,220,554	38,203,949,262	70.0	30.0	0.5	4.6	0.4
1988	11,351,403,779	26,792,663,670	14,075,492,208	40,868,155,878	65.6	34.4	0.8	22.9	0.2
1989	14,104,489,659 (1)	NA	18,189,145,825	32,293,635,484 (2)	43.7	56.3	24.3	29.2	(100.0)

NOTE: Assessed and adjusted valuations are for the year named; taxable income is for the preceding year, but is filed in the year shown.

(1 Revised from earlier version to show "final" November 1 assessed valuation.

(2 Assessed valuation plus taxable income.

Kansas Legislative Research Department and Division of Financial Services, State Department of Education.