

Approved: _____
Date

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairperson Michael R. O'Neal at 3:45 p.m. on March 27, 1997 in Room 519-S of the Capitol.

All members were present except:
Representative John Ballou - Excused

Committee staff present: Ben Barrett, Legislative Research Department
Avis Swartzman, Revisor of Statutes
Cindy Wulfkuhle, Committee Secretary

Others attending: See attached list

The committee continued its discussion on Local Option Budget. (Attachment 1)

Ben Barrett, Legislative Research Department, briefed the committee on what was included in the proposal and gave examples of each scenario. (Attachment 2)

The committee meeting adjourned at 4:30 p.m.

HOUSE SUBSTITUTE FOR SENATE BILL NO. 36

By Committee on Education

AN ACT concerning school districts; authorizing the adoption of local option budgets; providing a procedure for authorization to increase such budgets; amending K.S.A. 1996 Supp. 72-6433 and repealing the existing section; also repealing K.S.A. 1996 Supp. 72-6433a.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1996 Supp. 72-6433 is hereby amended to read as follows: 72-6433. (a) (1) The board of any district may adopt a local option budget in each school year, commencing with the 1997-98 school year, in an amount not to exceed an amount equal to the district prescribed percentage of the amount of state financial aid determined for the district in the school year. As used in this provision the term district prescribed percentage means:

(A) For any district that was authorized to adopt and that adopted a local option budget in the 1996-97 school year and to which the provisions of section 2, and amendments thereto, do not apply in the current school year, a percentage in the 1997-98 school year that is equal to the percentage specified in the resolution under which the district was authorized to adopt a local option budget in the 1996-97 school year, in the 1998-99 school year, a percentage that is equal to 90% of the percentage specified in the resolution under which the district was authorized to adopt a local option budget in the 1996-97 school year, in the 1999-2000 school year and in each school year thereafter, a percentage that is equal to 80% of the percentage specified in the resolution under which the district was authorized to adopt a local option budget in the 1996-97 school year;

(B) for any district that was authorized to adopt and that

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adopted a local option budget in the 1996-97 school year and to which the provisions of section 2, and amendments thereto, apply in the current school year, a percentage in the 1997-98 school year that is equal to the sum of the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year and 20% of the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto, a percentage in the 1998-99 school year that is equal to the sum of the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year and 40% of the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto, a percentage in the 1999-2000 school year that is equal to the sum of the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year and 60% of the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto, a percentage in the 2000-01 school year that is equal to the sum of the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year and 80% of the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto, a percentage in the 2001-02 school year and each school year thereafter that is equal to the sum of the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year and the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto;

(C) for any district that was not authorized to adopt a local option budget in the 1996-97 school year and to which the provisions of section 2, and amendments thereto, apply in the current school year, a percentage in the 1997-98 school year that is equal to 20% of the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto, a percentage in the 1998-99 school year that is equal to

the sum of the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year and 40% of the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto, a percentage in the 1999-2000 school year that is equal to the sum of the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year and 60% of the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto, a percentage in the 2000-01 school year that is equal to the sum of the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year and 80% of the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto, a percentage in the 2001-02 school year and each school year thereafter that is equal to the sum of the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year and the percentage computed for the district by the state board under the provisions of section 2, and amendments thereto;

(D) for any district to which the provisions of section 2, and amendments thereto, applied in the 1997-98 school year and to which the provisions of section 2, and amendments thereto, do not apply in the current school year, commencing with the 1998-99 school year, because an increase in the amount budgeted by the district in its local option budget as authorized by a resolution adopted under the provisions of subsection (b) causes the actual amount per pupil budgeted by the district in the preceding school year as determined for the district under provision (1) of subsection (a) of section 2, and amendments thereto, to equal or exceed the average amount per pupil of general fund budgets and local option budgets computed by the state board under whichever of the provisions (7) through (10) of subsection (a) of section 2, and amendments thereto, is applicable to the district's enrollment group, a percentage that is equal to the percentage of

the amount of state financial aid the district was authorized to budget in the preceding school year if the resolution authorized the district to increase its local option budget on a continuous and permanent basis. If the resolution that authorized the district to increase its local option budget specified a definite period of time for which the district would retain its authority to increase the local option budget and such authority lapses at the conclusion of such period and is not renewed, the term district prescribed percentage means a percentage that is equal to the percentage of the amount of state financial aid the district was authorized to budget in the preceding school year less the percentage of increase that was authorized by the resolution.

(2) The adoption of a local option budget under authority of this subsection shall require a majority vote of the members of the board and shall require no other procedure, authorization or approval.

(3) The provisions of this subsection are subject to the provisions of subsections (b) and (c).

(b) (1) The board of any district ~~may adopt~~ that adopts a local option budget under subsection (a) may increase the amount of such budget in each school year ~~for a period of time not to exceed four school years,~~ commencing with the 1997-98 school year, in an amount which together with the percentage of the amount of state financial aid budgeted under subsection (a) does not ~~to~~ exceed the state prescribed percentage of the amount of state financial aid determined for the district in the school year if the board of the district determines that ~~adoption of~~ an increase in such a budget would be in the best interests of the district.

(2) No district may ~~adopt~~ increase a local option budget under authority of this subsection until a resolution authorizing ~~adoption of~~ such a budget an increase is passed by the board and published once in a newspaper having general circulation in the district. The resolution shall ~~be published in substantial~~

compliance with the following form:

Unified School District No. _____

_____ County, Kansas.

RESOLUTION

Be It Resolved that:

The board of education of the above named school district shall be authorized to adopt a local option budget in each school year for a period of time not to exceed _____ years in an amount not to exceed _____% of the amount of state financial aid determined for the current school year. The local option budget authorized by this resolution may be adopted, unless a petition in opposition to the same, signed by not less than 5% of the qualified electors of the school district, is filed with the county election officer of the home county of the school district within 30 days after publication of this resolution. In the event a petition is filed, the county election officer shall submit the question of whether adoption of the local option budget shall be authorized to the electors of the school district at an election called for the purpose or at the next general election, as is specified by the board of education of the school district.

CERTIFICATE

This is to certify that the above resolution was duly adopted by the board of education of Unified School District No. _____, _____ County, Kansas, on the _____ day of _____, 19__.

Clerk of the board of education.

All of the blanks in the resolution shall be appropriately filled. The blank preceding the word "years" shall be filled with a specific number, not to exceed the number 4, and the blank preceding the percentage symbol shall be filled with a specific number. No word shall be inserted in either of the blanks. The percentage specified in the resolution shall not exceed the state prescribed percentage. state that the board of education of the school district shall be authorized to increase the local option

budget of the district in each school year in an amount not to exceed % of the amount of state financial aid determined for the current school year and that the percentage of increase may be reduced so that the sum of the percentage of the amount of state financial aid budgeted under subsection (a) and the percentage of increase specified in the resolution does not exceed the state prescribed percentage in any school year. The blank preceding the percentage symbol shall be filled with a specific number. No word shall be inserted in the blank. The resolution shall specify a definite period of time for which the board shall be authorized to increase the local option budget or, at the discretion of the board, the resolution may specify that the board shall be continuously and permanently authorized to increase the local option budget. If the resolution specifies a definite period of time for which the board shall be authorized to increase the local option budget, such period of time shall be expressed by the specific number of school years for which the board shall retain its authority to increase the local option budget. No word shall be used to express the number of years for which the board shall be authorized to increase the local option budget. The resolution also shall be--published--once--in--a newspaper-having-general-circulation-in-the-school-district state that the amount of the local option budget may be increased as authorized by the resolution unless a petition in opposition to such increase, signed by not less than 5% of the qualified electors of the school district, is filed with the county election officer of the home county of the school district within 30 days after publication. If no petition as-specified-above is filed in accordance with the provisions of the resolution, the board may--adopt--a is authorized to increase the local option budget of the district. If a petition is filed as provided in the resolution, the board may notify the county election officer of the date of an election to be held to submit the question of whether adoption-of-a the board shall be authorized to increase the local option budget shall-be-authorized of the district. If

the board fails to notify the county election officer within 30 days after a petition is filed, the resolution shall be deemed abandoned and no like resolution shall be adopted by the board within the nine months following publication of the resolution.

(3) The requirements of provision (2) do not apply to any district that is continuously and permanently authorized to increase the local option budget of the district. An increase in the amount of a local option budget by such a district shall require a majority vote of the members of the board and shall require no other procedure, authorization or approval.

~~(2)~~ (4) If any district is authorized to adopt increase a local option budget, but the board of such district chooses, in any school year, not to adopt or increase such a budget, or chooses, in any school year, to adopt or increase such budget in an amount less than the amount of--the--district-prescribed percentage-of-the-amount-of-state-financial--aid--in--any--school year authorized, such board of education may do so choose. If the board of any district refrains from adopting or increasing a local option budget in any one or more school years or refrains from budgeting the total amount authorized for any one or more school years, the authority-of-such-district--to--adopt--a--local option--budget--shall-not-thereby-be-extended-beyond-the-original period-specified-in-the-resolution-authorizing-adoption--of--such budget,--nor--shall--the amount authorized to be budgeted in any succeeding school year shall not be increased thereby by such refrainment, nor shall the authority of the district to increase its local option budget be extended by such refrainment beyond the period of time specified in the resolution authorizing an increase in the local option budget if the resolution specified such a period of time.

~~(3)~~ (5) Whenever an initial resolution has been adopted under this subsection, and such resolution specified a lesser percentage which together with the percentage of the amount of state financial aid budgeted under subsection (a) is less than the state prescribed percentage, the board of the district may

adopt one or more subsequent resolutions under the same procedure as provided for the initial resolution and ~~subject--to--the--same conditions~~, and shall be authorized to increase the percentage as specified in any such subsequent resolution ~~for~~. If the initial resolution specified a definite period of time for which the district is authorized to increase its local option budget, the authority to increase such budget by the percentage specified in any subsequent resolution shall be limited to the remainder of the period of time specified in the initial resolution. Any percentage specified in a subsequent resolution or in subsequent resolutions shall be limited so that the sum of the percentage authorized in the initial resolution and the percentage authorized in the subsequent resolution or in subsequent resolutions together with the percentage of the amount of state financial aid budgeted under subsection (a) is not in excess of the state prescribed percentage in any school year.

~~(4)~~ (6) (A) Subject to the provisions of subpart (B), the board of any district that has adopted a local option budget under subsection (a), has been authorized to increase such budget under this subsection, and has levied a tax under authority of K.S.A. 72-6435, and amendments thereto, may initiate, at any time after the final levy is certified to the county clerk under any current authorization, procedures to renew its the authority to adopt--a increase the local option budget subject to the conditions and in the manner specified in provision ~~(1)~~ (2) of this subsection and, at four-year subsequent intervals thereafter, may in like manner and subject to like conditions renew such authorization for successive four-year periods of time.

(B) The provisions of subpart (A) do not apply to the board of any district that is continuously and permanently authorized to increase the local option budget of the district.

~~(5)~~ (7) As used in this subsection:

(A) "Authorized to ~~adopt~~ increase a local option budget" means that a district has adopted a resolution under this

subsection, has published the same, and either that the resolution was not protested or that it was protested and an election was held by which the adoption-of authority of the board to increase a local option budget was approved.

(B) "~~District-prescribed-percentage~~" means the percentage specified in a resolution under which a district is authorized to adopt a local option budget. No such percentage shall exceed the state-prescribed percentage.

(C) "State prescribed percentage" means 25%.

~~(b)-(1) The board of any district to which the provisions of this subsection apply may adopt a local option budget in the 1997-98 school year if the board of the district determines that adoption of such a budget would be in the best interests of the district. The adoption of a local option budget in the 1997-98 school year under authority of this subsection shall require a majority vote of the members of the board and shall require no other procedure, authorization or approval. The provisions of this subsection apply to any district that is authorized to adopt and that adopts a local option budget in the 1996-97 school year and, in order to be authorized to adopt a local option budget in the 1997-98 school year, would be required by operation of this section prior to its amendment by this act to initiate procedures to renew its authority to adopt a local option budget, subject to the conditions and in the manner specified in subsection (a), after certifying to the county clerk the levy of a tax for the purpose of financing all or a portion of the local option budget adopted in the 1996-97 school year.~~

~~(2) The amount of a local option budget adopted by the board of a district in the 1997-98 school year under authority of this subsection shall not exceed an amount equal to the district prescribed percentage of the amount of state financial aid determined for the district in the school year. For the purposes of this provision, the term district-prescribed percentage means the percentage specified in the resolution under which a district is authorized to adopt a local option budget in the 1996-97~~

~~school-year.~~

~~(3) -- To the extent the provisions of subsection (a) conflict with this subsection, the provisions of this subsection shall control.~~

~~(4) -- The provisions of this subsection shall expire on June 30, 1998.~~

(c) To the extent the provisions of the foregoing subsections conflict with this subsection, this subsection shall control. Any district that is authorized to adopt a local option budget in the 1997-98 school year under a resolution which authorized the adoption of such budget in accordance with the provisions of this section prior to its amendment by this act may continue to operate under such resolution for the period of time specified in the resolution or may abandon the resolution and operate under the provisions of this section as amended by this act. Any such district shall operate under the provisions of this section as amended by this act after the period of time specified in the resolution has expired.

~~(b) (d)(1) There is hereby established in every district that adopts a local option budget a fund which shall be called the supplemental general fund. The fund shall consist of all amounts deposited therein or credited thereto according to law.~~

(2) Subject to the limitation imposed under provision (3), amounts in the supplemental general fund may be expended for any purpose for which expenditures from the general fund are authorized or may be transferred to the general fund of the district or to any program weighted fund or categorical fund of the district.

(3) Amounts in the supplemental general fund may not be expended nor transferred to the general fund of the district for the purpose of making payments under any lease-purchase agreement involving the acquisition of land or buildings which is entered into pursuant to the provisions of K.S.A. 72-8225, and amendments thereto.

(4) Any unexpended and unencumbered cash balance remaining

in the supplemental general fund of a district at the conclusion of any school year in which a local option budget is adopted shall be disposed of as provided in this subsection. If the district did not receive supplemental general state aid in the school year and the board of the district is--authorized determines that it will be necessary to adopt a local option budget in the ensuing school year, the total amount of the cash balance remaining in the supplemental general fund shall be maintained in such fund or transferred to the general fund of the district. If the board of such a district is determines that it will not authorized be necessary to adopt a local option budget in the ensuing school year, the total amount of the cash balance remaining in the supplemental general fund shall be transferred to the general fund of the district. If the district received supplemental general state aid in the school year, transferred or expended the entire amount budgeted in the local option budget for the school year, and is-authorized determines that it will be necessary to adopt a local option budget in the ensuing school year, the total amount of the cash balance remaining in the supplemental general fund shall be maintained in such fund or transferred to the general fund of the district. If such a district is determines that it will not authorized be necessary to adopt a local option budget in the ensuing school year, the total amount of the cash balance remaining in the supplemental general fund shall be transferred to the general fund of the district. If the district received supplemental general state aid in the school year, did not transfer or expend the entire amount budgeted in the local option budget for the school year, and is determines that it will not authorized be necessary to adopt a local option budget in the ensuing school year, the total amount of the cash balance remaining in the supplemental general fund shall be transferred to the general fund of the district. If the district received supplemental general state aid in the school year, did not transfer or expend the entire amount budgeted in the local option budget for the school year, and is

authorized determines that it will be necessary to adopt a local option budget in the ensuing school year, the state board shall determine the ratio of the amount of supplemental general state aid received to the amount of the local option budget of the district for the school year and multiply the total amount of the cash balance remaining in the supplemental general fund by such ratio. An amount equal to the amount of the product shall be transferred to the general fund of the district. The amount remaining in the supplemental general fund may be maintained in such fund or transferred to the general fund of the district.

New Sec. 2. (a) In each school year, commencing with the 1997-98 school year, the state board shall compute a district prescribed percentage for the purpose of determining the amount of a local option budget the board of a district to which the provisions of this section apply may adopt for the school year. The district prescribed percentage for each district to which the provisions of this section apply shall be computed by the state board as provided in this section. The state board shall:

(1) Determine the actual amount per pupil for the preceding school year of the general fund budget and the local option budget, if any, of each district;

(2) compute the average amount per pupil for the preceding school year of general fund budgets and local option budgets of districts with 75-125 enrollment in such school year;

(3) compute the average amount per pupil for the preceding school year of general fund budgets and local option budgets of districts with 200-399 enrollment in such school year;

(4) compute the average amount per pupil for the preceding school year of general fund budgets and local option budgets of districts with 1,800 or over enrollment in such school year;

(5) compute an average amount per pupil for the preceding school year of general fund budgets and local option budgets of districts with 100-299.9 enrollment in such school year by preparing a schedule based upon an accepted mathematical formula and deriving an amount for each such district from a linear

transition between the average amount per pupil computed under (2) and the average amount per pupil computed under (3);

(6) compute an average amount per pupil for the preceding school year of general fund budgets and local option budgets of districts with 300-1,799.9 enrollment in such school year by preparing a schedule based upon an accepted mathematical formula and deriving an amount for each such district from a linear transition between the average amount per pupil computed under (3) and the average amount per pupil computed under (4);

(7) for districts with 0-99.9 enrollment, compare the amount determined for the district under (1) to the average amount computed under (2). If the amount determined under (1) is equal to or greater than the average amount computed under (2), the provisions of this section do not apply to the district. If the amount determined under (1) is less than the average amount computed under (2), subtract the amount determined under (1) from the amount computed under (2), multiply the remainder by enrollment of the district in the preceding school year, and divide the product by the amount of state financial aid determined for the district in the preceding school year. The quotient is the district prescribed percentage of the district;

(8) for districts with 100-299.9 enrollment, compare the amount determined for the district under (1) to the average amount computed under (5). If the amount determined under (1) is equal to or greater than the average amount computed under (5), the provisions of this section do not apply to the district. If the amount determined under (1) is less than the average amount computed under (5), subtract the amount determined under (1) from the amount computed under (5), multiply the remainder by enrollment of the district in the preceding school year, and divide the product by the amount of state financial aid determined for the district in the preceding school year. The quotient is the district prescribed percentage of the district;

(9) for districts with 300-1,799.9 enrollment, compare the amount determined for the district under (1) to the average

amount computed under (6). If the amount determined under (1) is equal to or greater than the average amount computed under (6), the provisions of this section do not apply to the district. If the amount determined under (1) is less than the average amount computed under (6), subtract the amount determined under (1) from the amount computed under (6), multiply the remainder by enrollment of the district in the preceding school year, and divide the product by the amount of state financial aid determined for the district in the preceding school year. The quotient is the district prescribed percentage of the district;

(10) for districts with 1,800 or over enrollment, compare the amount determined for the district under (1) to the average amount computed under (4). If the amount determined under (1) is equal to or greater than the average amount computed under (4), the provisions of this section do not apply to the district. If the amount determined under (1) is less than the average amount computed under (4), subtract the amount determined under (1) from the amount computed under (4), multiply the remainder by enrollment of the district in the preceding school year, and divide the product by the amount of state financial aid determined for the district in the preceding school year. The quotient is the district prescribed percentage of the district.

(b) The provisions of this section apply to any district that budgeted an amount per pupil in the preceding school year, as determined under provision (1) of subsection (a), that was less than the average amount per pupil of general fund budgets and local option budgets computed by the state board under whichever of the provisions (7) through (10) of subsection (a) is applicable to the districts enrollment group.

Sec. 3. K.S.A. Supp. 72-6433 and 72-6433a are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

March 28, 1997

THE LOCAL OPTION BUDGET (LOB)

Current Law

Following is a listing of key facts about school district LOB authority:

- A school district is authorized to adopt an LOB in an amount of up to 25.0 percent of the district's general fund budget.
- A district's use of LOB authority is subject to a 5.0 percent protest petition election procedure.
- A district's LOB authority, if not rejected by the electors, is good for up to four years, as proposed by the local school board. During this period, additional increases in LOB authority are authorized, subject to the same protest petition election procedure. However, no LOB resolution may extend beyond the expiration date of the initial resolution. The "combined" LOB authority may not exceed 25.0 percent of the district's general fund budget.

1996 legislation applies to any school district that has an LOB in the 1996-97 school year and which, in order to adopt an LOB in 1997-98, would be required to adopt a new LOB resolution subject to the protest petition election provisions of the law. Such a district, by a majority vote of its board, is authorized to adopt an LOB for the 1997-98 school year in an amount not in excess of the percentage of the general fund budget the district's resolution authorized the board to adopt in 1996-97.

PROPOSED CHANGE

The use of LOB authority would continue to be subject to a limitation of 25.0 percent of the district's general fund budget. There would, however, be several changes in the procedures for accessing this authority.

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All School Districts

Beginning in 1997-98, a district could adopt on its own motion a specified LOB determined as follows.

The State Board of Education (SBOE) would make the following determination:

- The average budget per full-time equivalent (FTE) pupil (unweighted) for the preceding school year would be computed for each of four enrollment groupings—under 100, 100-299, 300-1,799, and 1,800 and over. This computation would use the combined school district general fund and LOB.
- The FTE budget per pupil (unweighted) of each school district for the preceding school year would be determined (combined general fund and LOB).
- The district's FTE budget per pupil would be subtracted from the average budget per pupil for the district's enrollment grouping (also, see Attachment 2).

At this stage, if the district's budget per pupil equals or exceeds the applicable average budget per pupil in the district's enrollment grouping, this provision will not apply. But, if the district's budget per pupil is less than the average, the process continues:

- The budget per pupil difference would be multiplied by the district's FTE pupil (unweighted) enrollment in the preceding year.
- The product (of multiplying the district's budget per pupil by FTE enrollment) would be divided by the amount of the district's general fund budget in the preceding year. The result would be the additional LOB percentage that will be available to the district in the next school year. This new (additional) LOB authority would be added in accord with the following schedule:

20.0 percent in 1997-98;
40.0 percent in 1998-99;
60.0 percent in 1999-2000;
80.0 percent in 2000-01; and
100.0 percent in 2001-02, and thereafter.

Any LOB percentage being used by a school district that qualifies for additional LOB authority under the above formula is recognized as perpetual authority. This includes both LOB authority gained by adoption of an LOB resolution and that gained pursuant to this formula.

Districts Whose LOB Authority First Exceeds the Average for the Enrollment Grouping After the 1997-98 School Year

If, after the 1997-98 school year, a school district has gained LOB authority under the "below average" spending formula and has obtained increased LOB authority by adoption of a resolution such that the district no longer qualifies for LOB authority under the formula applicable to below average spending districts, the LOB authority is:

- if the district is operating under an LOB with a fixed LOB percentage increase and a specified number of years to which it applies, the sum of the LOB percentage authority of the district for the preceding year and the additional LOB authority in the district's resolution; or
- if the district is operating under a resolution authorizing continuous and permanent LOB authority, the LOB percentage adopted by the board.

If the district's resolution for additional budget authority is not perpetual and, after some specified number of years, this authority is lost, the district's LOB authority would be the percentage authorization for the current school year computed under the formula as if the additional LOB authority resulting from the expired LOB resolution had not been in effect in the preceding school year.

School Districts Above the State Average Budget Per Pupil that had LOBs in 1996-97

The following provision applies to any district that had an LOB in 1996-97 and the budget per pupil of which exceeds the state average budget per pupil applicable to the district. The school district on its own motion could adopt an LOB equal to the following percentage of the district's general fund budget based upon the LOB percentage the district was authorized to adopt in 1996-97:

- 100.0 percent in 1997-98;
- 90.0 percent in 1998-99; and
- 80.0 percent in 1999-2000 and thereafter.

In the event that in any year the LOB authority of the district would be greater if computed under the formula applicable to districts with budgets per pupil less than the state average than under this provision, the LOB authority under the formula would apply.

"Additional" LOB Authority—Subject to Protest Petition Election

In addition to the LOB authority available under the foregoing provisions, beginning in 1997-98 a school district would be authorized to adopt a resolution to increase its LOB authority under one of two alternative procedures:

- The board could seek authority for permanent LOB authority, in which case, the board, in any school year, could increase its LOB to any level it chooses, subject to the 25.0 aggregate cap.
- The board could seek temporary authority to increase the LOB by a specified percentage for a specified number of years.

Under either alternative, the board must adopt a resolution that is subject to the protest petition election procedure contained in the current law.

If the district chooses a resolution that specifies an LOB percentage increase and a number of years to which the resolution applies, the district would be authorized to adopt subsequent resolutions to increase its LOB authority, subject to the 25.0 percent aggregate cap. The duration of a subsequent resolution could not exceed that contained in the initial resolution.

Transitional Provision

A district operating under LOB authority obtained prior to passage of this bill, with authority that extends to the 1997-98 school year or beyond, could either continue to operate under that resolution until its expiration or abandon the resolution and operate under the new provisions.

ATTACHMENT 1

Examples

- District A, a district with an above average budget per pupil, presently has 25.0 percent LOB authority through the 1997-98 school year. The board wants to continue this authority permanently. To do this, the board successfully adopts a resolution for authority to permanently increase its LOB authority commencing in 1998-99. The district then, on its own motion, could adopt a 25.0 percent LOB in 1998-99 and in each year thereafter.
- District B, also is a district with an above average budget per pupil, presently has 25.0 percent LOB authority through the 1997-98 school year. The board wants to continue this authority for at least four more years. The board successfully adopts an LOB resolution for an additional 2.5 percent for the 1998-99 through the 2001-02 school year. In order to continue the 25.0 percent LOB authority through 2001-02, the board later must adopt a subsequent LOB resolution for an additional 2.5 percent for three school years—the 1999-2000 year through 2001-02. This subsequent resolution is subject to protest petition election procedures of the current law.
- District C, another district with an above average budget per pupil, is in the same position as Districts A and B. However, in District C a protest petition is filed, an election is held, and the district's proposal for permanent authority to adopt an LOB is lost. The board, on its own motion, may adopt a 22.5 percent LOB in 1998-99. Absent adoption of another resolution to increase the LOB, the district could, on its own motion, adopt a 20.0 percent LOB in 1999-2000 and thereafter.
- District D has never had an LOB. For 1997-98 the district, on its own motion, could adopt an LOB under the new provision applicable to districts spending below the average. This LOB authority would be computed (based on the preceding year's data), as follows:

	Average Budget Per Pupil of District Grouping	\$ 4,500
<u>Minus</u>	Budget Per Pupil of District D	<u>4,200</u>
	Difference	\$ 300

then

$$\$300 \times 2,000 \text{ (unweighted enrollment)} = \$600,000$$

$$\$600,000 \div \$8,000,000 \text{ (District D's general fund budget)} = 7.5\%$$

This authority is fully implemented over a five-year period, so District D's LOB authority in 1997-98 is $7.5\% \times 20.0\% = 1.5\%$. This LOB authority would be perpetual authority for the district.

NOTE: In 1998-99 District D's LOB authority is the sum of the 1997-98 LOB percentage, *i.e.*, 1.5 percent, and any additional LOB percentage for which the district qualifies under the formula for 1998-99, and this combined authority would be available permanently to the district.

- District E had a 5.0 percent LOB in 1996-97. Nevertheless, the district qualifies for additional LOB authority under the formula applicable to districts spending below the average. The LOB authority would be computed (based on the preceding year's data) as follows:

	Average Budget Per Pupil of District Grouping	\$4,500
<u>Minus</u>	Budget Per Pupil of District E	<u>4,000</u>
	Difference	\$ 500

then

$$\$500 \times 1,800 \text{ (unweighted enrollment)} = \$900,000$$

$$\$900,000 \div \$7,000,000 \text{ (District E's general fund budget)} = 12.9\%$$

This authority is fully implemented over a five-year period, so District E's LOB authority in 1997-98 is 5.0% plus 12.9% x 20.0% (2.6%) or 7.6%. This LOB authority would be perpetual authority for the district.

NOTE: In 1998-99 District E's LOB authority is the sum of the 1997-98 LOB percentage, *i.e.*, 7.6 percent, and any additional LOB percentage for which the district qualifies under the formula for that year, and this combined authority would be available permanently to the district.

- District F qualifies in 1998-99 for 6.0 percent LOB authority under the formula applicable to districts spending below the average. However, District F successfully adopts a two-year LOB resolution for a 12.0 percentage point increase in the LOB commencing in 1997-98. The total LOB authority of the district in 1998-99 and 1999-2000 is 18.0 percent. District F then attempts to renew the 12.0 percentage point increase for two more years, but the electors vote down the proposal. In 2000-01 the LOB authority of District F is the percentage that would apply to the district in the current school year under the formula applicable to districts that spend below the average, computed as if the district had possessed a 6.0 percent LOB in the preceding school year.
- District G qualifies in 1997-98 for 6.0 percent LOB authority under the formula applicable to districts spending below the average. However, District G successfully has adopted a resolution for a permanent LOB authority, commencing in 1998-99. The LOB adopted by District G for 1998-99 (and thereafter) is whatever amount the local board adopts (subject to the 25.0 percent cap).

ATTACHMENT 2

- For the grouping of school districts with enrollments under 100, the average FTE amount would be determined in relation to school districts having enrollments of 75-125.
- For the grouping of school districts with enrollments of 100-299.9, the average FTE amount would be determined under a linear transition schedule beginning with the average FTE amount for districts having enrollments of 75-125 and ending with the average FTE amount of districts having enrollments of 200-399.9.
- For the grouping of school districts with enrollments of 300-1,799.9, the average FTE amount would be determined under a linear transition schedule beginning with the average FTE amount of districts having enrollments of 200-399.9 and ending with the average FTE amount of districts having enrollments of 1,800 and over.
- For the grouping of school districts with enrollments of 1,800 and over, the average FTE amount would be determined based upon the average amount for all such districts.