

Approved: Carl Dean Holmes
Date 2/19/98

MINUTES OF THE HOUSE COMMITTEE ON FISCAL OVERSIGHT.

The meeting was called to order by Chairperson Carl Holmes at 9:00 a.m. on January 22, 1998 in Room 527-S of the Capitol.

All members were present except: Representative Barbara Allen - Excused
Representative Tom Burroughs - Excused
Representative Bob Grant - Excused
Representative Jim Morrison - Excused
Representative Mike O'Neal - Excused
Representative Eber Phelps - Excused

Committee staff present: Rae Anne Davis, Legislative Research Department
Pat Talbott, Committee Secretary

Conferees appearing before the committee: Gloria Timmer, Director of the Budget
Dale M. Dennis, Deputy Commissioner of Education

Others attending: See attached list

Chairperson Carl Holmes introduced Ms. Gloria Timmer, Director of the Budget for the State of Kansas, to the Fiscal Oversight Committee. Ms. Timmer's comments were on the portion of **HB2861** that was explained previously by Representative O'Connor. Ms. Timmer explained that **HB2681** was the original bill submitted by Representative O'Connor two years ago and that the new bill, **HB2379**, was a more simple and contained bill which would basically pay for itself.

Ms. Timmer asked Mr. Dale Dennis, Deputy Commissioner of Education, to explain the fiscal note for **HB2379**. Mr. Dennis noted that he was neither a proponent or an opponent of the fiscal note and he would simply explain how the note was completed.

Mr. Dennis distributed to the Fiscal Oversight Committee a document that described the content of **HB2379** and explained the fiscal note (Attachment 1). He commented that his office had attempted to compute the savings under the Kansas Parent Control of Education program each year based upon a particular formula and the number of vouchers that students would receive. Attached to the document is a calculation of costs and a summary of the bill written by the Legislative Research Department.

Mr. Dennis explained the basic child participation eligibility requirements and noted that the phase-in provisions would limit participation in the program. He said beginning in the 2002-03 school year and thereafter, there would be no family income qualification for program participation.

Mr. Dennis commented on the importance of the calculation of savings and said that item was detailed on pages two and three of the document.

The qualification of non-public schools for program participation, which includes home schooled children, was another part of the document explained by Mr. Dennis. This item is detailed on pages five and six of the attached document.

Mr. Dennis noted that the State Board of Education would be required to monitor the academic performance of program eligible children through nationally recognized standards. He said that failure to comply with the requirements would result in forfeiture of eligibility of the child to participate in the program at the school the child would be attending.

Mr. Dennis explained that there was little or no enrollment data available on non-accredited and non-public

CONTINUATION SHEET

MINUTES OF THE HOUSE FISCAL OVERSIGHT COMMITTEE, Room 527-S Statehouse, at 9:00 a.m. on January 22, 1998.

schools and because of this, it was difficult to make projections.

Representative Tim Carmody and Mr. Dennis discussed the percentage amount per grade level of a voucher and they agreed that the fiscal note reflected 150% of the first year cost. Mr. Dennis noted that the bill provided for an extra 50% for a special education student and that amount would be included in the amount per pupil per year.

Representative Kay O'Connor stated the surveys she had used included different numbers than those used by the Department of Education and asked what calculations they used. Mr. Dennis said the difference was between the number of students that may want to change schools and the free lunch students. Mr. Dennis and Representative O'Connor discussed the General Fund budget and the amount of money needed per student.

Chairperson Holmes commented on a private school in Liberal that had closed. He asked if a situation where new businesses and an increase in students would re-open a private school building, or anything similar, had been taken into consideration. Mr. Dennis responded that each school board would take their own situation into consideration and he could not comment on speculation.

Mr. Dennis noted that Kansas has many families of five in the \$7.00 per hour range and said these children would qualify for free lunch. He stated there are approximately one out of four children eligible for this program in Kansas.

Representative Joe Shriver asked if a parent refused to state the amount of his income, would a child be eligible for free lunch? Mr. Dennis responded that the child would not be eligible and the parent would have to pay in that situation because certain criteria must be met.

There were no further questions.

The meeting was adjourned. The next meeting is scheduled for January 23, 1998, at 9:00 a.m.

HOUSE FISCAL OVERSIGHT COMMITTEE
GUEST LIST

DATE: Jan. 22, 1998

NAME	REPRESENTING
Craig Grant	KNEA

Kansas State Department of Education

Home Page: <http://www.ksbe.state.ks.us>

120 S.E. 10th Avenue, Topeka, Kansas 66612-1182

February 28, 1997

TO: Gloria Timmer, Director
Division of the Budget

FROM: Dale M. Dennis, Deputy
Commissioner of Education

SUBJECT: 1997 House Bill 2379

A M E N D E D

The Kansas Parent Control of Education program permits students who are eligible for free lunches and attend a public school in the 1996-97 school year and change to a nonpublic school in the 1997-98 school year to be eligible for a voucher. In the first year, we anticipate there will be approximately 1,000 students eligible for a voucher. They will receive the voucher amount as calculated in Section 2(g). The future amounts for vouchers will be based upon savings which are calculated by a formula which is provided in Section 3(c). In the second, third, and fourth years of this program, students eligible for free and reduced price lunches will become eligible for vouchers based upon a first come first served basis.

We have attempted to compute the savings under this program each year based upon this formula and the number of vouchers that students would receive.

Attached is a calculation and a summary of the bill written by the Legislative Research Department.

The State Board of Education is required to monitor the academic performance of the program and process applications which would also increase the workload within this agency. In the beginning, we believe this program could be administered by one (1) Accountant III with the costs listed below.

Salaries and Wages	\$ 37,197
Other Operating Costs	2,500
Capital Outlay	<u>4,812</u>
TOTAL	\$ 44,509

This bill has been difficult to evaluate and estimate its fiscal effects.

Dale M. Dennis
Deputy Commissioner
Assistant Commissioner for
Fiscal Services and Quality Control
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FISCAL OVERSIGHT
1-22-98
ATTACHMENT 1

Projected Costs of State Vouchers under House Bill 2379

	1997-98 Students	
	<u>NonPublic</u>	<u>Public</u>
Est. Enroll. Accredited (prior year)	32,500	---
Est. Enroll. Nonaccredited (prior year)	20,000	---
Total Est. Enrollment (not incl. increase)	52,500	---
Est. no. of students who would go from public to private schools	1,050	---
Total Enrollment	53,550	---
Percent of free meals	---	25.4
Percent of reduced price meals	---	---
Total Eligible Students	0	1,050
Total Eligible (Public and Nonpublic)	1,050	
Est. no. of eligible regular ed. students (excluding special education)	1,024	---
Estimated no. of special education (2 1/2% of total)	26	---
TOTAL	1,050	1,050

Projected Costs of State Vouchers under House Bill 2379

	1997-98 Students		1998-99 Students	1999-2000 Students	2000-01 Students	2001-02 Students	2002-03 Students
	<u>Nonpublic</u>	<u>Public</u>	<u>Public</u>	<u>Public</u>	<u>Public</u>	<u>Public</u>	<u>Public</u>
Amount of Vouchers	\$1,305,364						
Computed State Financial Aid		\$4,596,480	\$6,286,233	\$10,423,066	\$13,815,705	\$14,739,379	\$12,681,907
Less declining enrollment provision	\$1,149,120		0	0	0	0	0
Net est. state cost	(\$2,141,996)		0	0	0	0	0
Amount available for vouchers ++	n/a		\$2,141,996	\$4,144,237	\$6,278,829	\$7,536,877	\$7,202,502
Amount per pupil							
Regular education	1,228		1,473	1,719	1,964	2,210	2,455
Special education	1,842		2,210	2,579	2,946	3,315	3,683
No. of students receiving vouchers	1,050		1,436	2,381	3,156	3,367	2,897

++ We would specifically call your attention to Section 3(d)(1) which states that during the 1998-99 school year the State Board of Education would only award vouchers to parents in the program with eligible children who attended nonpublic schools in the order in which the applications are received and until the amount of savings realized by the state due to maintenance of the program in the 1997-98 school year is depleted, which is \$2,141,996.

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BRIEF

Program Purpose

H.B. 2379 establishes the Kansas Parent Control of Education program, the purpose of which is to establish a statewide program under which parents of eligible children are empowered to exercise choice in the selection of schools for attendance by their children.

Kansas School of Choice

“Kansas school of choice” is defined as:

1. a public school operated by a school district that has opted to accept vouchers from parents of program eligible children; and
2. a nonpublic school operated by a board of education or other governing authority that has opted to accept vouchers from parents of program eligible children.

Vouchers are not available to pay the enrollment costs of a child when the child attends a public school in which the child is a resident (under K.S.A. 72-1046, as amended).

Program Administration

The principal state level administrative responsibility for the operation of the program is assigned to the State Board of Education. It is the State Board that directs both the issuance of the vouchers to parents of a program eligible child (but delivered to the school) for attendance at a school of choice or to a beneficiary (but delivered to the institution) for attendance at an eligible postsecondary institution.

Each year, the State Board will prepare a list of all Kansas schools of choice participating in the program. This list would be made available to members of the public upon request.

Basic Child Participation Eligibility Requirements

Access to the benefits of this program would be phased in over a six-year period. For this program, a "program eligible child" is a school-age Kansas resident who is eligible for enrollment in school and attendance in any of grades kindergarten through 12 and who, if enrolled in and attending a private elementary or secondary school, demonstrates academic satisfactory academic achievement and compliance with requirements of the bill providing for participation by such persons in the local school district assessment program. The phase-in provisions limit participation in the program as follows:

1. for the 1997-98 school year, the pupil must have been enrolled in a school district in the 1996-97 school year and must qualify for free meals under the National School Lunch Act;
2. for the 1998-99 school year, eligible children must qualify for free meals under the National School Lunch Act; and
3. for the 1999-2000, 2000-01, and 2001-02 school years, eligible children must qualify for free or reduced cost meals under the National School Lunch Act.

Beginning in the 2002-03 school year and thereafter, there is no family income qualification for program participation.

Special Provisions for 1998-99 and Subsequent School Years

For the 1998-99 and subsequent school years, the State Board will award vouchers to parents of program eligible children in the order in which applications are received until the amount of savings realized by the state due to maintenance of the program in the preceding school year, as computed under the law, is depleted.

Calculation of Savings

The State Board will compute savings realized by the state for the 1997-98 and subsequent school years due to maintenance of the program in the school year by:

1. determining the number of program eligible children who participated in the program in the school year and multiplying the number by the voucher amount for the school year;

2. computing the amount of state financial aid that would have been paid to school districts in the 1997-98 and subsequent school years for enrollment of such children in the school year; and
3. subtracting the product obtained under (1) from the amount computed under (2).

An audit will be conducted of the computations made by the State Board for determining the savings realized in each school year. The cost of the audit will be paid by the State Board.

Voucher Applications and Payments

School district boards must provide the parents of all known children who will be enrolling in school and who are qualified to be program eligible children with information regarding the program and the procedure to be followed in applying for participation in the program.

Voucher applications could be submitted either to the board of education of the school district in which the child resides or in which the Kansas school of choice selected for the child's enrollment is located. The district board will transmit the application to the State Board.

Upon direction by the State Board, the Director of Accounts and Reports issues a warrant to the parent of the program eligible child and causes the warrant to be delivered to the school in which the child is enrolled. The parent then uses the warrant for payment of the costs of the child's enrollment. If the child discontinues school before the end of the year, any amount for which the child would qualify as a refund, up to the amount of the voucher, would be paid by the school to the State Board. The money would then be credited to the State School District Finance Fund (SSDFF).

Amount of the Vouchers

The voucher amount is phased in over a six-year period as is shown below. The amount is linked to the amount of Base State Aid Per Pupil (BSAPP) under the School District Finance and Quality Performance Act. The scheduled voucher amount increases are as follows:

Children Enrolled In Kindergarten

1. 12.5 percent of BSAPP in the 1997-98 school year;

2. 15.0 percent of BSAPP in the 1998-99 school year;
3. 17.5 percent of BSAPP in the 1999-2000 school year;
4. 20.0 percent of BSAPP in the 200-01 school year;
5. 22.5 percent of BSAPP in the 2001-02 school year; and
6. 25.0 percent of BSAPP in the 2002-03 school year and in each year thereafter.

Children Enrolled In Grades 1-6

1. 25.0 percent of BSAPP in the 1997-98 school year;
2. 30.0 percent of BSAPP in the 1998-99 school year;
3. 35.0 percent of BSAPP in the 1999-2000 school year;
4. 40.0 percent of BSAPP in the 2000-01 school year;
5. 45.0 percent of BSAPP in the 2001-02 school year; and
6. 50.0 percent of BSAPP in the 2002-03 school year and in each year thereafter

Children Enrolled In Grades 7 or 8

1. 37.5 percent of BSAPP in the 1997-98 school year;
2. 45.0 percent of BSAPP in the 1998-99 school year;
3. 52.5 percent of BSAPP in the 1999-2000 school year;
4. 60.0 percent of BSAPP in the 2000-01 school year;
5. 67.5 percent of BSAPP in the 2001-02 school year; and
6. 75.0 percent of BSAPP in the 2002-03 school year and in each year thereafter

Children Enrolled In Grades 9-12

1. 50.0 percent of BSAPP in the 1997-98 school year;

2. 60.0 percent of BSAPP in the 1998-99 school year;
3. 70.0 percent of BSAPP in the 1999-2000 school year;
4. 80.0 percent of BSAPP in the 2000-01 school year;
5. 90.0 percent of BSAPP in the 2001-02 school year; and
6. 100.0 percent of BSAPP in the 2002-03 school year and in each year thereafter

The voucher amount for children who have been determined to be exceptional is 1.5 times the amount applicable (above).

The voucher amount for a program eligible child who attends a public school of choice in a district other than the one of residence is the same as for attendance at a nonpublic school of choice. The school district may not charge tuition in excess of the voucher amounts. Voucher amounts are deposited in the school district general fund. A pupil enrolled in and attending school in a district as a program eligible child in accordance with the provisions of the Kansas Parent Control of Education Act may not be counted for purposes of the school finance law.

Qualification of Nonpublic Schools for Program Participation

Any "Kansas nonpublic school" is eligible to participate in this program, if the school:

1. is located in Kansas;
2. is accredited by the State Board of Education or is a private elementary or secondary school (meaning a nonpublic school that complies with statutory compulsory attendance and school registration requirements);
3. has established criteria, consistent with the admissions criteria the school regularly applies, for admission of program eligible children;
4. will admit applicant program eligible children with vouchers up to the limit of the school's capacity, after reserving places for children required or entitled to be admitted to the school; (in public schools of choice, in the event there are insufficient places to serve all children requesting placement, the State Board of Education establishes criteria for equitable allocation of places for program eligible children requesting placement);

5. has provided assurance to the State Board of Education that the amount of tuition and fees charged for enrollment of a program eligible child will not exceed the amount of tuition and fees regularly charged by the school;
6. prior to the commencement of school each year, has certified to the State Board of Education the amount of the costs of enrollment to be charged for the school year; and
7. has published or otherwise made available information regarding the school's program of instruction, achievement data of children attending the school (in the aggregate by grades maintained by the school), incidence of drug abuse, and school discipline and safety.

State Monitoring of Nonpublic School Participation

The State Board of Education is required to monitor the academic performance of program eligible children attending the Kansas schools of choice and other aspects of program participation by nonpublic schools. If the State Board determines that any of the following conditions exist, the school will not be eligible to participate in the program in the succeeding school year:

1. none of the children attending the school are demonstrating academic achievement;
2. the school is charging tuition and fees for program eligible children that are higher than for other children;
3. the school is not publishing or making available information regarding the school's program of instruction, achievement data of children attending the school (aggregated by grade level), incidence of drug abuse, and school discipline and safety; and
4. the school does not certify to the State Board prior to the beginning of the school year its cost of enrollment to be charged for the year.

Role of School District Boards of Education in Assessment of Pupils Having Vouchers and Requirements Pertaining to Continued Voucher Eligibility of Such Pupils

School district boards of education must provide for participation of program eligible children who are attending a nonpublic school in the school district assessment program. In this regard, the school district determines the date, time,

place, and method of participation and provides the parent of the child at least 15 calendar days' notice of the date, time, place, and method of participation in the assessment program. The school district board will evaluate the assessment results and report them to the child's parent.

A school district assessment program is defined as a program conducted by a school district under which tests reflecting nationally recognized standards for the sole purpose of measuring individual academic achievement are administered to pupils. The program shall include, but not be limited to, utilization of such tests as the California Achievement Test, the Iowa Test of Basic Skills, the Metropolitan Achievement Test, and the Stanford Achievement Test.

Satisfactory academic achievement means scoring at or above the national average on the tests administered under this program.

Failure to demonstrate academic achievement under these provisions or failure to comply with these requirements results in forfeiture of eligibility of the child to participate in the program at the school the child is attending.

“Hold Harmless” Provision for School Districts in the 1996-97 School Year

The State Board of Education is required to establish a procedure for ensuring that no school district experiences a decrease in enrollment in 1997-98 as a result of participation by children in the voucher program in excess of 4.0 percent for districts with enrollments under 400, 7.0 percent for districts with enrollments of 400-1,999, or 10.0 percent for districts with enrollments of 2,000 or over. (Presumably, the reference here pertains to preparation of the legally adopted general fund budget of the school district for the 1997-98 school year.)

Application of “Excess” Voucher Amounts to Postsecondary Tuition and Fees

Provisions are included which create a means of establishing “savings” accounts to assist in paying postsecondary education tuition and fees when elementary and secondary school voucher amounts exceed the tuition and fees charged for attendance at Kansas schools of choice.

The bill identifies a “postsecondary education trust fund beneficiary” as a person who is:

1. a former program eligible child who was enrolled at a Kansas school of choice;

2. enrolled at an eligible postsecondary education institution; and
3. entitled to an amount held in trust by the state in the Kansas School Voucher Savings Trust Fund.

For purposes of this program, an eligible postsecondary education institution is one:

1. which qualifies as an eligible institution for federal student aid programs under Title IV of the Higher Education Act of 1965, as amended; and
2. with the main campus or principal place of operation is located in Kansas.

If the voucher amount for the school year exceeds the tuition and fees charged by a Kansas school of choice, the State Board of Education will remit the excess amount to the State Treasurer. The Treasurer then deposits the amount in the state treasury to the credit of the Kansas School Voucher Savings Trust Fund for allocation to the account of the program eligible child. This money is held in trust for the child for application toward tuition and fees charged by an eligible postsecondary education institution.

The amount paid on behalf of a trust fund beneficiary to an eligible postsecondary education institution is the amount of the total tuition and required fees of the beneficiary for the academic year or the amount credited to the account of the beneficiary, whichever is the lesser amount.

Payments may be made on behalf of a trust fund beneficiary to the eligible postsecondary institution until the amount credited to the beneficiary's account is depleted or until the beneficiary reaches 26 years of age, whichever occurs first.

Any amount remaining in the account when the beneficiary reaches age 26 or when the beneficiary dies before reaching age 26 is transferred to the SSDFF.

Payments from the trust fund to the beneficiary are be made at the beginning of the academic year upon certification by the institution that the beneficiary is enrolled and in attendance at the institution. The State Board of Education would certify to the Director of Accounts and Reports the amount due the beneficiary, and the Director would issue the warrant to the beneficiary and cause the warrant to be delivered to the institution in which the beneficiary is enrolled. The beneficiary must use the warrant for payment of tuition and fees at the institution.

If the beneficiary discontinues attendance at the institution before the end of the academic year and is entitled to a refund, the amount of the refund, up to the

amount paid by the state on behalf of the beneficiary, is paid to the State Board of Education. The Board then remits the amount to the State Treasurer for deposit in the state treasury. If the beneficiary had not reached age 26, the amount is credited to the trust fund account of the beneficiary and if the beneficiary had reached age 26, the money would be credited to the SSDFF.

Earnings on Money in the Kansas School Voucher Savings Trust Fund

Moneys received as interest earned on the investment of the trust funds would be credited to the trust fund.

Voucher Amounts Not Subject to the Kansas Income Tax

The amount of any voucher redeemed under the legislation may not be considered gross income and is not taxable for Kansas income tax purposes.

Armor Plate

The bill specifies that nothing in the act may be construed in any manner so as to:

“. . . create, effectuate, change or superinduce any power, duty or function of the state board with respect to regulation or supervision of nonpublic schools in this state”

Further, the bill states:

“Nothing in this act shall be applied or construed in any manner so as to regulate or prohibit free exercise in matters of curriculum, creed or practice of any nonpublic Kansas school of choice.”

Program Evaluation

Upon completion of the 1999-2000 school year, the State Board of Education would evaluate the program, assess the program's impact on the state's educational system, and determine the savings realized by the state from the program. The State Board would then recommend to the Governor and the Legislature whether the program should be continued or terminated.

STATE OF KANSAS



DIVISION OF THE BUDGET
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State Capitol Building
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Bill Graves
Governor

Gloria M. Timmer
Director

March 10, 1997

The Honorable Michael O'Neal, Chairperson
House Committee on Education
Statehouse, Room 170-W
Topeka, Kansas 66612

Dear Representative O'Neal:

SUBJECT: Fiscal Note for HB 2379 by Representatives O'Connor, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2379 is respectfully submitted to your committee.

HB 2379 would require the State Board of Education to establish a program under which the parent of any eligible child may apply for and receive a voucher to be redeemed for payment of the costs of enrollment of the child at a Kansas school of choice selected by the child's parent. "Schools of choice" include public and nonpublic schools that have opted to accept vouchers. Nonpublic schools include both accredited and nonaccredited elementary and secondary schools. The program would be phased in beginning in FY 1998 and fully implemented by FY 2003.

Eligible children include students who choose to attend nonpublic schools or public schools located outside the student's school district, including (1) in school year 1997-98, students who attended public schools in 1996-97 and are eligible for free meals; (2) in school year 1998-99, all students eligible for free lunches regardless of whether they were last enrolled in public or nonpublic schools; (3) in school years 1999-2000, 2000-2001 and 2001-2002, all students eligible for free or reduced cost lunches; (4) in school years beginning with 2002-2003, all students regardless of eligibility for free or reduced price meals. Students attending a private school would be required to demonstrate satisfactory academic achievement according to tests which reflect "nationally recognized standards" administered by the local school district to the voucher students.

FISCAL OVERSIGHT
1-22-98
ATTACHMENT 1-13

The bill provides that the amount of the vouchers would be equal to a percentage of the base state aid per pupil (BSAPP) and that vouchers for special education students would be 1.5 times as much as the vouchers for regular education students. The voucher amount would not be taxable for Kansas income tax purposes. Calculating from the base state aid per pupil of \$3,670 recommended by the Governor for FY 1998, the voucher amounts over the next six years would be as follows:

Children Enrolled in Kindergarten

<u>Fiscal Year</u>	<u>Percent of BSAPP</u>	<u>Regular Students</u>	<u>Spec. Ed. Students</u>
1998	12.5	\$458.25	\$ 688.13
1999	15.0	550.50	825.75
2000	17.5	642.25	963.38
2001	20.0	734.00	1,101.00
2002	22.5	825.75	1,238.63
2003	25.0	917.50	1,376.25

Children Enrolled in Grades 1 through 6

<u>Fiscal Year</u>	<u>Percent of BSAPP</u>	<u>Regular Students</u>	<u>Spec. Ed. Students</u>
1998	25.0	\$ 917.50	\$1,376.25
1999	30.0	1,101.00	1,651.50
2000	35.0	1,284.50	1,926.75
2001	40.0	1,468.00	2,202.00
2002	45.0	1,651.50	2,477.25
2003	50.0	1,835.00	2,752.50

Children Enrolled in Grades 7 or 8

<u>Fiscal Year</u>	<u>Percent of BSAPP</u>	<u>Regular Students</u>	<u>Spec. Ed. Students</u>
1998	37.5	\$1,376.25	\$2,064.38
1999	45.0	1,651.50	2,477.25
2000	52.5	1,926.75	2,890.13
2001	60.0	2,202.00	3,303.00
2002	67.5	2,477.25	3,715.88
2003	75.0	2,752.50	4,128.75

Children Enrolled in Grades 9 through 12

<u>Fiscal Year</u>	<u>Percent of BSAPP</u>	<u>Regular Students</u>	<u>Spec. Ed. Students</u>
1998	50.0	\$1,835.00	\$2,752.50
1999	60.0	2,202.00	3,303.00
2000	70.0	2,569.00	3,853.35
2001	80.0	2,936.00	4,404.00
2002	90.0	3,573.00	5,359.50
2003	100.0	3,670.00	5,505.00

Students would have to show individual satisfactory academic achievement to continue to receive a voucher. Enrollment costs at schools of choice could not be greater than the amount regularly charged other students. If the voucher amount is in excess of the costs of enrollment, the State Board is to remit the excess to the State Treasurer for deposit into a trust fund to be used to pay the tuition and fees of the child at a Kansas postsecondary institution.

The bill also specifies that in FY 1999 and subsequent school years, the State Board would award vouchers to parents of eligible children who attended nonpublic schools in FY 1998 in the order in which applications are received and only until the amount of savings realized by the state from maintenance of the program in FY 1998 is depleted. In FY 1998, the first year of the program, the State Board is to establish a procedure for ensuring that no school district experiences an enrollment reduction greater than the percentage specified in the bill according to the size of the district. In addition, the State Board in 1999-2000 school year is to evaluate the program and recommend to the Governor and the Legislature whether the program should be continued or terminated.

The FY 1998 fiscal impact of HB 2379 involves three issues as follows:

1. Paying for vouchers for eligible students who either currently attend public school outside their home district or would transfer to a school in a different district. The bill creates an incentive to transfer by offering to deposit any portion of the voucher amount not used to pay the costs of enrollment into a trust fund to pay postsecondary school expenses.
2. Paying for vouchers for eligible students who currently attend public schools but who would transfer to nonpublic schools. This issue also involves a reduction in state aid to public schools for students who choose to transfer.
3. Paying for vouchers for eligible special education students at 1.5 times the regular education students who currently attend public schools but who would transfer to nonpublic schools. The bill addresses the school finance

The Honorable Michael O'Neal, Chairperson

March 10, 1997

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formula for regular education students and the accompanying reduction in state aid, but the special education program is outside of the formula. Special education is calculated based on teacher units and transportation costs. In addition, the school district is required to provide services to nonpublic students as well as public education students and allowed to include these costs for the amount of time devoted by the special education teachers in the special education formula.

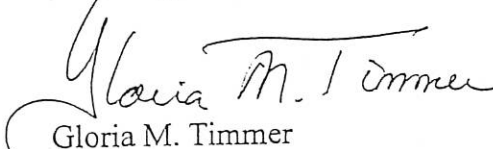
An additional issue arises beginning in FY 1999 when vouchers begin to be provided for eligible students who currently attend nonpublic schools.

The Department of Education indicates that determining the fiscal impact of this bill is very difficult. However, the agency's estimated state fiscal impact of HB 2379 is to decrease State General Fund expenditures by \$2.1 million in FY 1998 and to provide vouchers in the amount of \$2.1 million, the amount of savings from the previous year, in FY 1999; \$4.1 million in FY 2000, \$6.3 million in FY 2001, \$7.5 million in FY 2002, and \$7.2 million in FY 2003. Attached are two worksheets that the Department of Education included explaining the calculations for the fiscal impact of the bill.

The amount of increase or decrease from the State General Fund cannot be determined for FY 1999 through FY 2003 because the voucher amounts are limited to the prior year's savings and the vouchers would be distributed on a first come, first serve basis. Therefore, students who are in the program during one year may not be included the next year, and a reasonable assumption cannot be made at this time of who would return to public or private schools, or the number that could remain in the program. In addition, as the voucher amounts increase, the number of vouchers available for the program would decrease, and this impact should begin in the sixth year of the program.

Finally, the Department of Education does estimate that the agency would require 1.0 FTE Accountant III position at a State General Fund cost of \$44,509 (\$37,197 for salaries and wages and \$7,312 for other operating costs associated with the new position). The new position would be required to monitor the academic performance of the program and process applications. Any effect arising from the passage of this bill would be in addition to amounts included in *The FY 1998 Governor's Budget Report*.

Sincerely,



Gloria M. Timmer
Director of the Budget

cc: Dale Dennis, Education

Projected Costs of State Vouchers
Under House Bill 2379

	1997-1998 Students	
	<u>Public</u>	<u>Nonpublic</u>
Est. enroll. accredited (prior year)	32,500	--
Est. enroll. nonaccredited (prior year)	20,000	--
Total est. enrollment (non including increase)	52,500	--
Est. number of students who would go from public to private schools	1,050	--
Total enrollment	53,550	--
Percent of free meals	--	25.4
Percent of reduced price meals	--	--
Total eligible students	--	1,050
Est. number of eligible regular ed. students (excluding special education)	1,024	--
Estimated number of special education (2.5 percent of total)	26	--
Total	1,050	1,050

Projected Costs of State Vouchers under House Bill 2379

	1997-98 Students	1998-99 Students	1999-2000 Students	2000-2001 Students	2001-2002 Students	2002-2003 Students
Amount of Vouchers	\$1,305,364	--	--	--	--	--
Computed State Financial Aid	(\$4,596,480)	\$6,286,233	\$10,423,066	\$13,815,705	\$14,739,379	\$12,681,907
Less declining enrollment provision	\$1,149,120	--	--	--	--	--
Net est. state cost savings	(\$2,141,996)	--	--	--	--	--
Amount available for vouchers++	n/a	\$2,141,996	\$4,144,237	\$6,278,829	\$7,536,877	\$7,202,502
Amount per pupil						
Regular education	1,228	1,473	1,719	1,964	2,210	2,455
Special education	1,842	2,210	2,579	2,946	3,315	3,683
Number of students receiving vouchers	1,050	1,436	2,381	3,156	3,367	2,897

++Specific attention is called to Section 3(d)(1), which states that during the 1998-99 school year the State Board of Education would award vouchers only to parents in the program with eligible children who attended nonpublic schools in the order in which the applications are received. The vouchers would be awarded until the amount of savings realized by the state in the maintenance of the program in the 1997-98 school year are depleted, which are \$2,141,996.