MINUTES OF THE HOUSE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairperson Ralph Tanner at 9:00 a.m. on March 5, 1999 in Room 313-S of the Capitol.

All members were present except:

Representative John Ballou - Excused
Representative Bob Bethell - Excused
Representative Deena Horst - Excused
Representative Kathe Lloyd - Excused
Representative Judy Showalter - Excused
Representative Dan Thimesch - Excused

Committee staff present:

Ben Barrett, Legislative Research Department
Avis Swartzman, Revisor of Statutes
Renae Jefferies, Revisor of Statutes
Connie Burns, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Ben Barrett, Legislative Research Department, spoke on school finance. He explained through examples the following:

- Formula for computing General State Aid (Attachment 1)
- Enrollment Adjustments (Attachment 2)
- Correlation Weighting (Attachment 3)
- Transportation (Attachment 4)
- Vocational Education (Program Weight) (Attachment 5)
- Bilingual Education (Program Weight) (Attachment 6)
- At-Risk Pupil (Attachment 7)
- School Facilities (Attachment 8)
- Ancillary School Facilities (Attachment 9)
- Decreasing Enrollment Provision (Attachment 10)
- Local Effort (Attachment 11)
- General State Aid (Attachment 12)
- Local Option Budget (Attachment 13)

The meeting was opened to questions and comments.

The meeting was adjourned at 10:55 a.m.

The next meeting is scheduled for March 8, 1999.

HOUSE EDUCATION COMMITTEE
GUEST LIST
DATE: March 5, 1999

NAME	REPRESENTING
Brilla Scott	USA
Katharine Wricker	USA
Stacey Farmer	KASB
Rashel Reed	Cit.
Denise Apt	U.S.A
Chan Burnett	USD 501 #
Mark Desetti	KNEA
Jim Langford	DOB
Gary George	USD 233
Jacque Oakes	SQE
Craig Grant	KNEA

1998-99 EDITION

SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE ACT AND BOND AND INTEREST STATE AID PROGRAM

(1998-99 School Year)

SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE ACT— FORMULA FOR COMPUTING GENERAL STATE AID

STATE FINANCIAL AID	minus	LOCAL EFFORT	equals	GENERAL STATE AID

Kansas Legislative Research Department
July 1, 1998

PART A

STATE FINANCIAL AID

BASE STATE AID PER PUPIL (BSAPP)	times	ADJUSTED ENROLLMENT	equals	STATE FINANCIAL AID (SFA)

The BSAPP is $3,720. However, if the appropriation in a school year for general state aid is insufficient to pay school districts' computed entitlements, the State Board of Education will reduce BSAPP – and, therefore, SFA – as necessary to match school district entitlements with the amount of funding that is available.

STATE FINANCIAL AID: ENROLLMENT ADJUSTMENTS AND ENROLLMENT DECREASES

In addition to the regular full-time equivalent enrollment in a school district, enrollment adjustments are added in order to reflect additional costs associated with serving certain pupil populations, transporting pupils, operating smaller and larger enrollment school districts, and adding and operating new school facilities (two provisions). There is a total of nine such weights.

Also, there is a "decreasing enrollment" feature which is designed to facilitate school district financial planning in the face of declining enrollments. This feature permits a school district with an enrollment decrease to base its SFA in the current school year on its enrollment in the preceding year.

ENROLLMENT ADJUSTMENTS

1. Low Enrollment

This weight applies to school districts having unweighted full-time equivalent (FTE) enrollments of under 1,750. The weights are based on 1991-92 school district general fund budgets per pupil. More specifically, the median budgets per pupil (BPP) at three points are used for applying a mathematical formula that produces uniform weight adjustments commensurate with enrollment variations.

Low Enrollment Adjustment Categories	Basis for Computing Weights	BPP Median	Median BPP Difference	Enrollment Range for Determining Adjustment Factor	Adjustment Factor	Calculation of BPP Used in Weight Adjustment
Under 100	BPP median of 75-125	$7,337	NA	NA	NA	$7,337
100-299	linear adjustment, from median of 75-125 ... to median of 200-399	$7,337 / $5,406	$ 7,337 / -5,406 / $ 1,931	200	$\frac{\$1,931}{200}$ equals $9.655	$7,337 minus $9.655 times (E-100) equals BPP used for computing low enrollment weight
300-1,750	linear adjustment, from median of 200-399 ... to median of 1,900 and over	$5,406 / $3,426	$ 5,406 / -3,426 / $ 1,980	1,600	$\frac{\$1,980}{1,600}$ equals $1.2375	$5,406 minus $1.2375 times (E-300) equals BPP used for computing low enrollment weight

"E" denotes regular enrollment of the district.

EXAMPLES: LOW ENROLLMENT ADJUSTMENT COMPUTATIONS

EXAMPLE 1

Enrollment = 95						
$7,337.00 -3,426.00 $ 3,911.00	then	$3,911.00 $3,426.00	equals 1.141565	then	95 x 1.141565 108.448675	= low enrollment adjustment of 108.4

EXAMPLE 2

Enrollment = 200

$7,337.00 - $9.655 (E-100) equals $965.50, so

$7,337.00 - 965.50	then	$6,371.50 -3,426.00	then	$ 2,945.50 $ 3,426.00	equals	.859749	then	200 x.859749	equals	low enrollment adjustment of 171.9

Adjusted BPP $2,945.50   171.949800
   $6,371.50

EXAMPLE 3 (USED FOR GENERAL STATE AID CALCULATION LATER IN THIS ILLUSTRATION)

Enrollment = 1,400

$5,406 - $1.2375 (E-300) equals $1,361.25 so

$5,406.00 -1,361.25	then	$4,044.75 -3,426.00	then	$ 618.75 $ 3,426.00	equals	.180604	then	1,400 x.180604	equals	low enrollment adjustment of 252.8

Adjusted BPP
   $4,004.75 $ 618.75   252.8456

2-2

EXPLANATION:

LOW ENROLLMENT WEIGHT
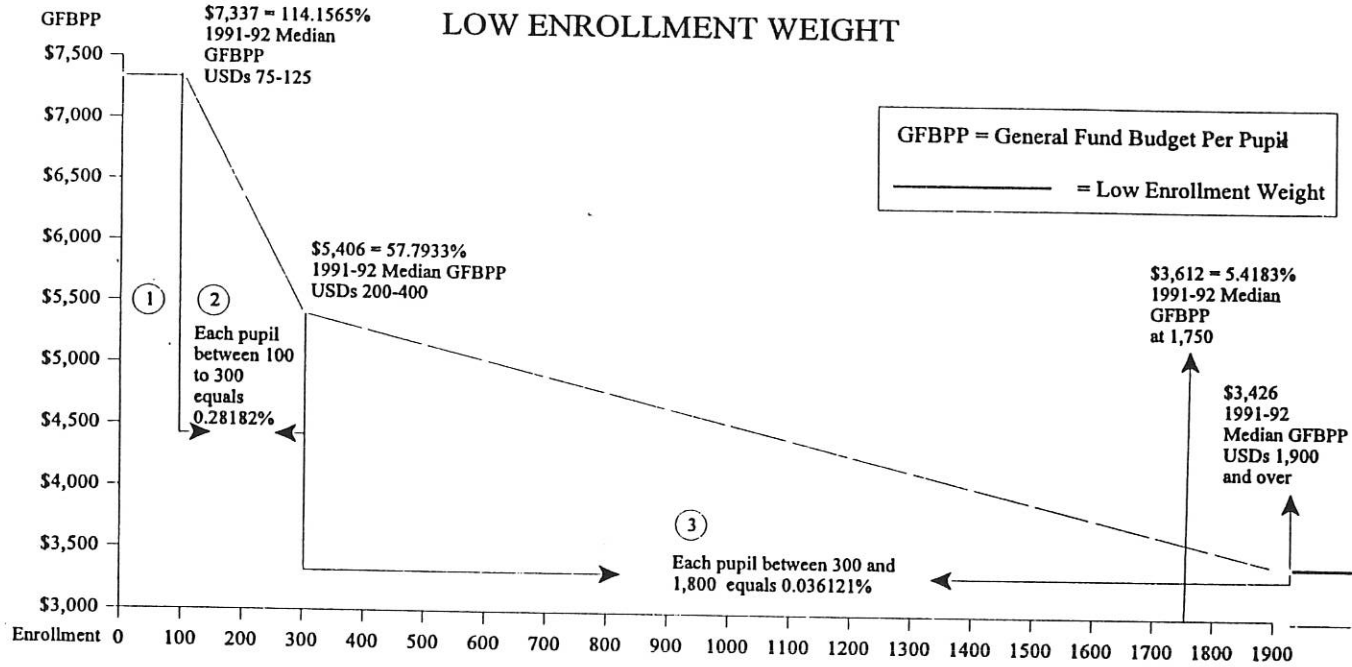
① With a Base State Aid Per Pupil (BSAPP) of $3,720, the low enrollment weight of districts having enrollments of 100 or fewer is $4,246.62 per pupil

② With a BSAPP of $3,720, the low enrollment weight of districts with enrollments of 100 to 300 ranges from $4,246.62 to $2,149.91. Each change of one pupil in this enrollment interval changes the low enrollment weight of a district by $10.48 -- down or up inversely to the enrollment change.

③ With a BSAPP of $3,720, the low enrollment weight of districts with enrollments of 300 to 1,750 ranges from $2,149.91 to $201.56. Each change of one pupil in this enrollment interval changes the low enrollment weight by about $1.34 -- down or up inversely to the enrollment change.
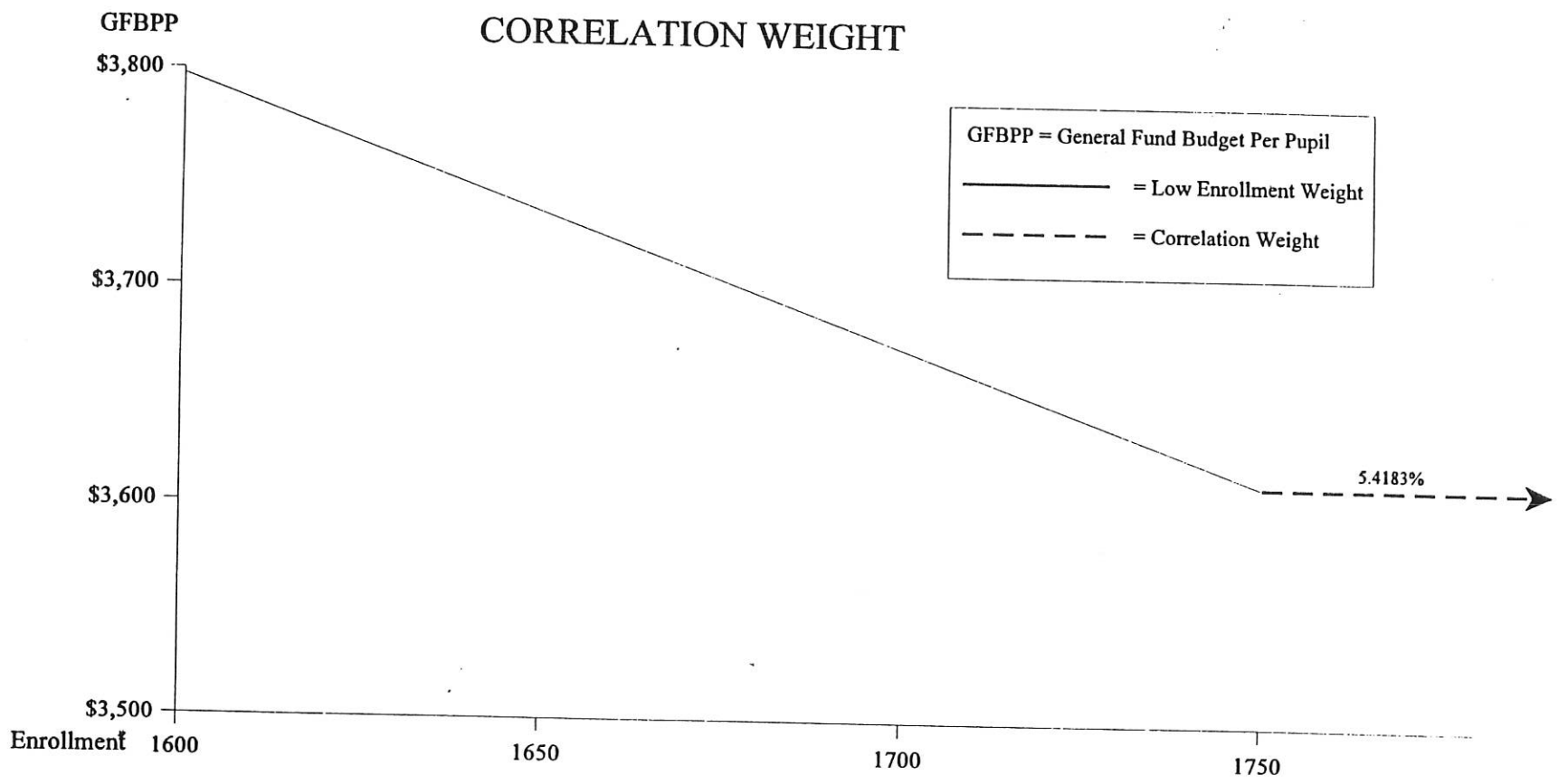
2. Correlation

This weight applies to districts having unweighted FTE enrollments of 1,750 and over. It is determined by multiplying the full-time equivalent enrollment by a factor of 0.054183.

EXAMPLE

FTE Enrollment (Sept. 20)		Factor		Correlation Weight Adjustment
5,000	times	0.054183	equals	270.9

EXPLANATION:
CORRELATION WEIGHT

GFBPP

```
$3,800 ┤
       │
       │
       │         GFBPP = General Fund Budget Per Pupil
       │
       │         ─────────────  = Low Enrollment Weight
$3,700 ┤
       │         ─ ─ ─ ─ ─ ─ ─  = Correlation Weight
       │
       │
       │
       │                                              5.4183%
$3,600 ┤
       │
       │
       │
       │
       │
$3,500 ┤
Enrollment  1600          1650          1700          1750
```

NOTE: With BSAPP of $3,720, the correlation weight is $201.56 per pupil for all districts with enrollments of 1,750 and over.

3. Transportation

This weight helps compensate school districts for providing transportation to public school pupils who reside 2.5 miles or more by the usually traveled road from the school attended.

The preceding year's cost of providing transportation to public and nonpublic school pupils, adjusted to net out costs of transporting pupils who live less than 2.5 miles from school, is determined. The resulting amount is divided by the number of public school pupils enrolled in the district who resided 2.5 miles or more by the usually traveled road from the school attended and for whom transportation was made available by the district. The result (quotient) is the per pupil cost of transportation.

The per pupil cost of transportation of each district is then plotted on a density-cost graph. A statistical technique is employed to construct a "curve of best fit" for all school districts. (This procedure recognizes the relatively higher costs of per pupil transportation in sparsely populated areas as contrasted with densely populated areas.)

Based on a district's density (number of pupils enrolled in the district who reside 2.5 miles or more by the usually traveled road from school divided by the number of square miles in the district), the point on the curve of best fit is identified for each district. This is the formula per pupil cost of transportation of the district.

The formula per pupil cost then is divided by the BSAPP and the quotient is multiplied by the number of public school pupils in the current school year who live more than 2.5 miles from the school and for whom transportation is being provided. The result is the district's transportation weight enrollment adjustment.

EXAMPLE

1. From Density-Cost Graph: Formula Per Pupil Cost of Transportation = $610

2. Number of pupils transported 2.5 miles or more in current year = 500

3. BSAPP = $3,720

THEN

| $ 618 / $3,720 | equals | .1661 | and | 500 x .1661 = 83.1 | so | weight adjustment for transportation | equals 83.1 |

4. Vocational Education (Program Weight)

This weight is determined by multiplying the FTE enrollment in vocational education programs approved by the State Board of Education by a factor of 0.5. Revenue generated by the weight must be spent for vocational education.

EXAMPLE

FTE Equivalent Vocational Education Enrollment (Sept. 20)		Factor		Vocational Education Program Weight Adjustment
60.0	times	0.5	equals	30.0

5. Bilingual Education (Program Weight)

This weight is determined by multiplying the FTE enrollment in bilingual education programs approved by the State Board of Education by a factor of 0.2. Revenue generated by this weight must be spent for bilingual education.

EXAMPLE

FTE Bilingual Program Enrollment (Sept. 20)		Factor		Bilingual Education Program Weight Adjustment
40.0	times	0.2	equals	8.0

6. At-Risk Pupil

This weight is determined by multiplying the number of pupils of a district who qualify for free meals under the National School Lunch Program by a factor of .08. A further condition is that in order for it to obtain this weight, a school district must maintain an at-risk pupil assistance plan approved by the State Board of Education. All revenue generated by this weight must be spent for at-risk pupil programs.

Pupils who receive services under the plan are determined on the basis of at-risk factors determined by the school district board of education and not by virtue of eligibility for free meals under the National School Lunch Program.

EXAMPLE

Number of Pupils Qualifying for Free Lunches (Sept. 20)		Factor		At-Risk Pupil Weight Adjustment
420	times	0.08	equals	33.6

7. School Facilities

This weight is assigned for costs associated with beginning operation of new school facilities. The enrollment in the new school facility is multiplied by a factor of .25 to produce the weight adjustment.

In order to qualify for this weight, the district must have utilized the full amount of the local option budget (LOB) authority authorized for the school year. This weight is available for two school years only—the year in which the facility operation is commenced and the following year.

EXAMPLE

Enrollment of Pupils in New School Facility (Sept. 20)		Factor		School Facilities Weight Adjustment
260	times	0.25	equals	65.0

8. Ancillary School Facilities

The law permits a school district to appeal to the State Board of Tax Appeals for permission to levy a property tax for up to two years to defray costs associated with commencing operation of a new facility beyond the costs otherwise financed under the law. To qualify for this tax levying authority, the district must have begun operation of one or more new facilities in the preceding or current school year (or both), have adopted the maximum LOB, and have had extraordinary enrollment growth, as determined by the State Board of Education. This tax levying authority may extend for an additional three years, in accord with the following requirements. The school district's board of education must determine that the costs attributable to commencing operation of the new school facility (or facilities) are significantly greater than the costs of operating other school facilities in the district. The tax that then may be levied is computed by the State Board of Education by first determining the amount produced by the tax levied for operation of the facility (or facilities) by the district in the second year of the initial tax levying authority and by adding the amount of general state aid attributable to the school facilities weight in that year. Of the amount so computed, 75 percent, 50 percent, and 25 percent, respectively, are the amounts that may be levied during the three-year period.

An amount equal to the levy approved by the State Board of Tax Appeals is converted to the ancillary school facilities weight. The weight is calculated each year by dividing the amount of the levy authority approved by the State Board of Tax Appeals by BSAPP.

EXAMPLE

Amount of Authorized Tax Levy		BSAPP		Ancillary School Facilities Adjustment
$250,000	divided by	$3,720	equals	67.2

NOTE: The school district levies the amount approved by the State Board of Tax Appeals. The proceeds are then credited to the State School District Finance Fund.

NOTE: All pupil weight adjustments are based on current year features. An exception applies when the enrollment of a district in the current year has decreased from that of the preceding year. In those instances, the low enrollment weight or correlation weight for the preceding year, whichever applies, is used.

DECREASING ENROLLMENT PROVISION

When a district's enrollment in the current school year has decreased from the preceding school year, the district may base its budget on the unweighted full-time equivalent enrollment of the preceding year.

EXAMPLE

1.	September 20 Enrollment Preceding Year	1,400
2.	September 20 Enrollment Current Year	1,390
3.	Enrollment to be used—the Greater of (1) or (2)	1,400

LOCAL EFFORT

A school district's <u>local effort</u> is, in essence, a credit against its general state aid entitlement. Local effort represents locally generated resources that are available to the school district general fund to help finance the district's educational program.

The following items are defined as local effort:

Example

$ 1,800,000	1.	proceeds of the uniform school district general fund property tax—27 mills in 1997 and 20 mills in 1998, both including the $20,000 residential exemption,
400,000	2.	motor vehicle tax receipts,[1
None	3.	rental/lease vehicle excise tax receipts,
200	4.	mineral production tax receipts,
5,000	5.	industrial revenue bond and port authority bond in lieu of tax payments,
None	6.	75 percent of federal Impact Aid, in accord with federal law and regulations (except 100.0 percent for Ft. Leavenworth),
None	7.	tuition paid on behalf of nonresident pupils for enrollment in regular education services,
3,000	8.	unexpended and unencumbered balances remaining in the general fund,
1,800	9.	unexpended and unencumbered balances remaining in the "program weighted" funds, *i.e.,*— transportation, bilingual, and vocational education funds except for the vocational fund of a district which operates a vocational school, and
None	10.	remaining proceeds of the former general fund and transportation tax levies prior to their repeal (now obsolete as this taxing authority was repealed in 1992).

TOTAL LOCAL EFFORT $ 2,210,000

NOTES:
1. This school district general fund revenue source is phased out over a five-year period. After FY 2000 there will be no receipts from this source.
2. If the sum of a district's local effort exceeds its SFA entitlement, the district receives no general state aid and the "excess" amount is remitted to the State Treasurer and is credited to the State School District Finance Fund. Revenue in this fund is used for school district general state aid.
3. Proceeds from the recreational vehicle tax, enacted in 1994 and effective January 1, 1995, which are not specified as "local effort," will appear as unexpended or unencumbered balances of the general fund (Reference: 1994 House Sub. for S.B. 191 (K.S.A., Ch. 79, Art. 21)).

PART C

GENERAL STATE AID

A district's general state aid entitlement is determined by subtracting the district's local effort from its SFA.

EXAMPLE

	$	7,215,684	SFA*
minus		2,210,000	Local Effort**
equals	$	5,005,684	GENERAL STATE AID

This example is based on a district that receives low enrollment weight. Thus, the correlation weight example is not applicable in this instance.

* $3,720 BSAPP times 1,939.7 (adjusted enrollment—includes pupil weights). However, if the appropriation for general state aid is insufficient to fund all school district entitlements, the $3,720 BSAPP is reduced to the level at which entitlements may be funded.

** Sum of local effort items.

THE LOCAL OPTION BUDGET (LOB)

The law provides that in addition to State Financial Aid (SFA) funding, a school district board may approve LOB spending in any amount up to 25.0 percent of its SFA. The LOB limitation is called the "state prescribed percentage." Certain limitations and constraints apply to use of LOB authority:

- Below average spending districts (general fund budget and LOB combined) gain LOB authority in accord with a formula applicable to them.

- Above average spending districts that had an LOB in 1996-97 are entitled to a specified percentage of the LOB authority the district was authorized to adopt in 1996-97.

- Additional LOB authority can be gained by a school board through adoption of a resolution. The resolution is subject to a 5.0 percent protest petition and election procedure (or, in one instance, a board initiated election).

- A district may operate under LOB authority adopted prior to the 1997-98 school year until the LOB authority specified in that resolution expires.

(These components of the law are discussed in the following pages.)

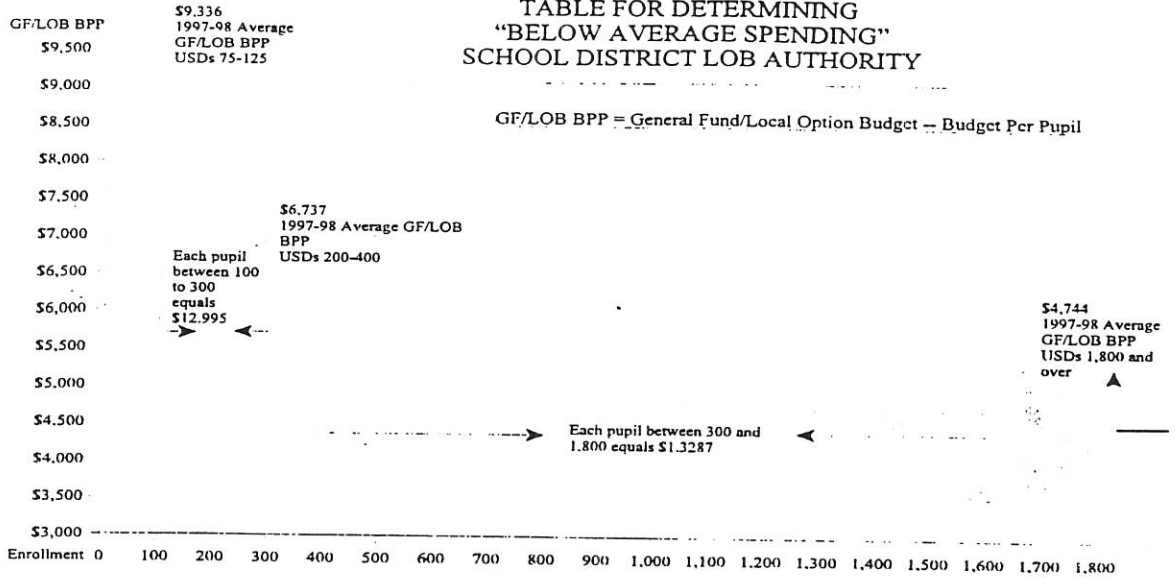## LOB Authority for Below Average Spending Districts

The board of education of a "below average spending" school district on its own motion may adopt an LOB. In this respect, the State Board of Education (SBOE) makes the following determinations:

- The average budget per full-time equivalent (FTE) pupil (unweighted) for the preceding school year is computed for each of four school district enrollment groupings—under 100, 100-299.9; 300-1,799.9; and 1,800 and over. This computation uses the combined school district general fund budget and LOB.

- The FTE budget per pupil (unweighted) of each school district for the preceding school year is determined (combined general fund budget and LOB).

- The district's FTE budget per pupil for the preceding year is subtracted from the preceding year's average budget per pupil for the district's enrollment grouping.

- If the district's budget per pupil is below the average budget per pupil for the district's enrollment grouping, the budget per pupil difference is multiplied by the district's FTE pupil enrollment in the preceding year.

- The product above is divided by the amount of the district's general fund budget in the preceding year.

The result is the LOB percentage increment that is available to the district in the next school year. This LOB authority is determined in accord with the following schedule:

- 20.0 percent of the calculated amount 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.

EXPLANATION
1998-99 SCHOOL YEAR
TABLE FOR DETERMINING
"BELOW AVERAGE SPENDING"
SCHOOL DISTRICT LOB AUTHORITY

GF/LOB BPP = General Fund/Local Option Budget -- Budget Per Pupil

GF/LOB BPP

$9,500 — $9,336 1997-98 Average GF/LOB BPP USDs 75-125

$9,000

$8,500

$8,000

$7,500

$7,000 — $6,737 1997-98 Average GF/LOB BPP USDs 200-400

$6,500 — Each pupil between 100 to 300 equals $12.995

$6,000 → ←

$5,500

$5,000

$4,500 — Each pupil between 300 and 1,800 equals $1.3287 → ←

$4,000

$3,500

$4,744 1997-98 Average GF/LOB BPP USDs 1,800 and over ▲

$3,000

Enrollment 0 100 200 300 400 500 600 700 800 900 1,000 1,100 1,200 1,300 1,400 1,500 1,600 1,700 1,800

EXAMPLE

In 1997-98, District A has an enrollment of 600 unweighted FTE students and a GF/LOB BPP of $5,833.33 (total GF/LOB Budget = $3,500,000). Under the formula, District A qualifies for LOB authority in 1998-99, as follows:

$ 6,338.39	(GF/LOB BPP computed from above table)
minus 5,833.33	(District's GF/LOB BPP—Preceding School Year)

equals $ 505.06 (Difference) times 600 FTE (Unweighted Enrollment) equals $ 303,036 (Potential LOB Authority)

then $ 303,036 / $3,500,000 equals 8.6% times 40.0% (1998-99 Adjustment Factor) equals 3.44% (Added Formula LOB Authority)

1998-99 GFB is $3,300,000 so $3,300,000 times 3.44% equals $113,520 (Incremental 1998-99 LOB Amount)

LOB Authority for Average or Above Average Spending Districts
That Had LOBs in 1996-97

The board of education of any "average" or "above average spending" school district that had an LOB in 1996-97 may adopt on its own motion 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,

- **95.0 percent in 1998-99,**

- 90.0 percent in 1999-2000,

- 85.0 percent in 2000-01, and

- 80.0 percent in 2001-02, and thereafter.

EXAMPLE

District B had 20.0 percent LOB authority in 1996-97. The LOB authority this district could adopt on its own motion in subsequent years would be:

1997-98	20.0%
1998-99	**19.0**
1999-2000	18.0
2000-01	17.0
2001-02 and thereafter	16.0
NOTE: In the event that in any year the LOB authority of the district is greater if computed under the formula applicable to "below average spending" districts than under this provision, the LOB authority under that formula applies.	

Alternative Procedure

As an <u>alternative</u> to the procedures described above, a school district board may adopt a resolution for a specified LOB percentage and number of years—which is subject to a 5.0 percent protest petition election procedure.

13-4

"Additional" LOB Authority—Subject to Protest
Petition or Direct Election

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

- The board may seek authority for continuous and permanent LOB authority, in which case, if the proposition is successful, the board in any school year may increase its LOB to any level it chooses, subject to the 25.0 percent aggregate cap.

- The board may seek temporary authority to increase the LOB by a specified percentage for a specified number of years.

If the board seeks continuous and permanent LOB authority, it has the option of either submitting the question directly to the electors or adopting a resolution that is subject to a 5.0 percent protest petition election. If the board seeks temporary LOB authority, only the protest petition election procedure is applicable.

If the district chooses a resolution that specifies an LOB percentage increase and a number of years to which the resolution applies, the district is authorized to adopt subsequent resolutions to increase its LOB authority, subject to the 25.0 percent aggregate cap. The duration of a subsequent resolution may not exceed that contained in the initial resolution. (The protest petition and election provisions described apply in these instances.)

Transitional Provision

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

- -

Districts Which Acquired LOB Authority in 1997-98 Under the "Below Average Spending" Formula and Whose LOB Authority 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 LOB authority is not perpetual and after some specified number of years this authority is lost, the district's LOB authority is 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.

13-6

FORMULA FOR COMPUTING SUPPLEMENTAL
GENERAL STATE AID FOR THE LOCAL OPTION BUDGET

District Assessed Valuation Per Pupil (Prior Year) / 75th Percentile Assessed Valuation Per Pupil (Prior Year)	subtracted from	1.0	times	District's Local Option Budget	equals	Supplemental General State Aid

Supplemental General State Aid is based on an equalization principle which is designed to treat each school district as if its assessed valuation per pupil (AVPP) were equal to that of the district at the 75th percentile of AVPP. Under this formula, districts having AVPP above the 75th percentile receive no supplemental general state aid.

EXAMPLES

DISTRICT 1	DISTRICT 2
Prior Year District AVPP $30,000 Prior Year 75th Percentile AVPP $45,758*	Prior Year District AVPP $70,000 Prior Year 75th Percentile AVPP $45,758*

so
$\frac{\$30,000}{\$45,758}$ **equals**   0.6556
 	
     then
     1.0000
minus   0.6556
equals   0.3444   State Aid Ratio
     then
$500,000 LOB
times   0.3444   State Aid Ratio
 	
equals $172,200   Supplemental General State Aid
	so
	$\frac{\$70,000}{\$45,758}$ **equals** 1.5298
	
	If the result equals or exceeds 1.0, the district receives no supplemental general state aid. 1.5298 exceeds 1.0, therefore the district receives no supplemental general state aid.

* Preliminary estimate.	