

MINUTES OF THE SENATE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairperson Umbarger at 1:10 p.m. on February 14, 2001 in Room 123-S of the Capitol.

All members were present except: Senator Hensley, Senator Schodorf (excused)

Committee staff present: Ben Barrett, Legislative Research  
Avis Swartzman, Revisor of Statutes  
Judy Steinlicht, Secretary

Conferees appearing before the committee: Ben Barrett, Legislative Research Department  
Bill Frick, Shawnee Mission School District  
Gary George, Olathe School District  
Dave Benson, Blue Valley School District  
Senator Karin Brownlee

Others attending See Attached List

**SB124--Kansas council on school district finance and quality performance**

**SB134--School district finance, professional evaluation**

**SB145--School district finance, increases state prescribed percentage to 30% for local option budget purposes**

**SB234--School district finance, local option budget, base state aid per pupil increase less than CPI percentage increase**

**SB281--School District finance, local option budget, state prescribed percentage for districts experiencing declining enrollment**

**SB282--School district finance, local option budgets, increase for payment of costs of utilities and insurance premiums**

Ben offered a corrected, revised copy of the "Summary of Main Provisions of School Finance Bills" dated February 12, 2001 which was presented at yesterday's committee meeting. ([Attachment 1](#))

Ben gave an overview of the four Local Option Budget bills, **SB145**, **SB234**, **SB281** and **SB282**. These are listed are on page 2 of ([Attachment 1](#)) above.

Bill Frick, Shawnee Mission School District, offered his testimony supporting all four LOB bills. ([Attachment 2](#)) His district had a committee of about 33 people spending four months trying to reduce their budget by \$10 million. Mr. Frick stated that if funding levels had kept up with inflation, they would not be in this situation. They will be supportive of any effort to get more money for schools across the state.

Senator Karin Brownlee offered her support for **SB281**. ([Attachment 3](#)) She is concerned about how a tax increase would impact Kansas after two years of a slower economy. Money is sent to the schools in separate "silos" for the different programs. If a school does not have a particular program, then they do not qualify and do not get the money. Why not give the schools the money in the base and correlation weighting and let them decide how to best use it. Senator Vratil offered that 37% of the money that the Legislature spends on education has gone to the schools in "silos".

Gary George, Olathe School District offered testimony supporting the Local Option Budget bills.

## CONTINUATION SHEET

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(Attachment 4) They believe that the \$50 per pupil increase will raise about \$1.2 million for their district and they believe that all will be spent on increased utilities and insurance.

Dr. David L. Benson, Superintendent of Schools, Blue Valley School District, offered testimony in support of **SB145**, **SB234**, **SB181** and **SB281**. (Attachment 5) In discussion, Dr. Benson stated that they have used a large portion of their reserve account. At the end of this fiscal year, they will only have 1.5 percent of their operating budget in reserve.

Ben Barrett gave a briefing on **SB124** and **SB134** included in (Attachment 1) listed above. **SB124** is one of the recommendations of the Governor's Task Force which creates Kansas Council on School District Finance and Quality Performance. **SB134** is the legislative version of the Governor's Task Force recommendation for the study of the school finance plan.

Senator Dave Corbin passed out information that was requested a few days ago by the Committee. (Attachment 6) He will be willing to answer questions.

Dale Dennis also provided handouts of selected school data that the Committee requested a few days ago. An explanation of each column and a summary table is included with the handout. A handout was also provided giving the 2000-2001 Community College Mill Levies. Dale answered question regarding the handout. The handout will be on file in Senator Umbarger's office, 401S and in Dale Dennis's office at the Department of Education.

Chairman Umbarger acknowledged that Senator Corbin and Dale Dennis gave the Committee a lot of material to digest. He stated that he, Senators Downey, Oleen and Vratil would get together and try to work out a school finance plan. Chairman Umbarger would like to get a bill voted out of the Committee by Monday or Tuesday.

The meeting was adjourned. The next meeting is scheduled on February 15, 2001 at 1:00 p.m. in Room 514S.

**SENATE EDUCATION COMMITTEE GUEST LIST**

DATE - 02-14-01

<u>NAME</u>	<u>REPRESENTING</u>
Ben Cleaves	Sen. Pres. Office
Jim Sullinger	KC STAR
Jim Youally	self
Don Hawks	USA
Carrie Kangas	Sen. Brownlee
Stacy Farmer	KARB
Bill Brady	Schools for Fair Funding
Tom Trigg	USD #229
DAVE BENSON	USD 229 - Blue Valley
Amy Feary	Olathe Dist. Schools
Shauna Zoellner	DeSoto School District
Ed Wilcox	DeSoto School District 232
Barbara Inman	DeSoto School District - Parents & Teachers
Jamie Fink	DeSoto School District Parents as Teachers
Bee Truck	USD 512 - Shawnee Mission
Randy Watson	USD 418 McPherson
Ed O'Malley	O.P. Chamber of Commerce

## SUMMARY OF MAIN PROVISIONS OF SCHOOL FINANCE BILLS IN THE SENATE EDUCATION COMMITTEE

### Bills Affecting the Main Formula

- SB 77 Expands the four year old at-risk weight to add 436 pupils. (Task Force)  
Weights special education—adds a two-tier formula. (Task Force)
- SB 79 Broadens the at-risk definition to include those with high rates of absenteeism and those not making satisfactory progress toward high school graduation. (Task Force)
- SB 80 Increases BSAPP from \$3,820 to \$4,000. (Task Force)
- SB 81 Applies the LOB state aid formula to the school district capital outlay fund. (Task Force)
- SB 82 Increases the at-risk weight from 9 percent to 10 percent. (Task Force)
- SB 201 Modifies the declining enrollment provision—uses the highest enrollment of the preceding or second preceding school year.
- SB 202 Governor's proposed school finance changes:
- BSAPP increased from \$3,820 to \$3,870
  - Weights special education—adds two-tier formula
  - Increases at-risk weight from 9 percent to 10 percent
  - Expands the four year old at-risk weight to add 436 pupils
  - Continues the uniform property tax for two years at 20 mills/\$20,000 residential exemption
- SB 220 Increases at-risk weight from 9 percent to 10 percent and earmarks 1.0 percentage point for reading mastery by the third grade.
- SB 259 School for Fair Funding Plan
- BSAPP increased to \$5,400
  - CPI-U adjustment of BSAPP
  - Reduces low enrollment weighting (includes a property tax based hold-harmless provision)
  - Eliminates correlation weighting

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- Phases in Kindergarten FTE over a three-year period
- Increases at-risk pupil weight from 9 percent to 40 percent over a three-year period
- Provides 100 percent funding of special education excess costs
- Equalizes capital outlay at the 75<sup>th</sup> percentile of assessed valuation per pupil
- Provides for a 10.0 percent Local Enhancement Budget with equalization to the 75<sup>th</sup> percentile of assessed valuation per pupil
- Expands four year old at-risk to cover all children
- Increases from 5 percent to 25 percent the median AVPP state aid ratio for old bonds (pre-July 1, 1992)
- Modifies new facilities weight to make it apply to all school districts
- Applies "home district" weights to pupils who attend school in a nonresident school district

### Local Option Budget Bills

- SB 145 Increases the maximum LOB that may be adopted from 25 percent to 30 percent.
- SB 234 Provides for adjusting the state prescribed or district prescribed LOB cap by a percentage that is equal to the amount by which the increase in BSAPP (if any) is less than if the applicable CPI-U increase had applied.
- SB 281 Provides for adjusting the state prescribed or district prescribed LOB cap by the amount of CPI-U increase, or to any amount approved by the district's electors.
- SB 282 Provides for adjusting the state prescribed or district prescribed LOB cap by the amount of increases in utility costs or insurance premiums payments, or both.

### Other Bills

- SB 124 Creates the Kansas Council on School District Finance and Quality Performance. (Task Force)
- SB 134 Provides for a professional evaluation of school district finance. (Task Force)

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**Senate Education Committee Testimony on the Local Option Budget**  
**February 14, 2001**  
**Bill Frick, Lobbyist, Shawnee Mission USD 512**

From the beginning, the school finance law affected our district adversely. Base funding was set too low; the law provided an option for raising additional money through a local option budget; however, the local option budget was capped at 25% of the base funding.

To adequately finance existing school programs and services, many schools, including Shawnee Mission, were forced to use the local option budget to finance their on-going programs. Under current law, the Shawnee Mission District is using the maximum available local option funding.

At the same time, complicating the situation, the district, which is largely built out, is experiencing a small decline in enrollment of approximately 300 students per year. This number, which is less than 1%, does not allow the district to reduce its expenses. Legislation was passed to allow for an enrollment decline provision. This provision allows districts to budget on an average of three years of enrollment figures. This gives districts, like Shawnee Mission, time to react to a decline in enrollment, but we still have to adjust our budget. As we lose students, it is difficult to make deep cuts in our budget.

Correlation weighting, which helps mid-size and large districts, has been very important to us in helping balance the budget as we have declined. Although past increases under correlation weighting remain in the budget, additional correlation weighting remain in the budget, additional correlation weighting has only been available through special legislation.

- This year the district will experience a shortfall of approximately \$2.1 million.

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- We have reserve funding to cover the shortfall for the 2001-2002 school year.
- However, this is not a long-term solution; by the 2002-2003 school year district reserve funding will be depleted.
- Currently, approximately 86% of the Shawnee Mission District operating budget is committed to salaries and benefits for staff members. Out of that percentage, .91% is budgeted for administration in the district office and 6.15% is budgeted for principals at 58 building sites. These figures represent Shawnee Mission's position as one of the lowest in allocations to administration. Additionally, we are ranked lowest in span of control with 17.9 teachers per administrator.
- Under the present school finance formula, it is becoming increasingly difficult to attract and retain quality certified and classified personnel.
- A shrinking pool of quality candidates has required our district to step up its recruitment program. Large districts, like Shawnee Mission that employs over 2,500 certified staff and over 2,000 classified staff, are no longer able to fill employment needs with candidates from within the state. In recent years, our recruiting trips have grown from 6 to 21 trips and now encompass four states: Nebraska, Iowa, Missouri, and Oklahoma.
- While Shawnee Mission traditionally has been the highest paying district in the state, our current starting teacher's salary of \$27,953 plus \$250 per month in benefits, is not adequate to meet the competition from other states offering candidates higher starting salaries in the low 30's and substantial signing bonuses generally in the amount of \$1,000. As of August 1, Shawnee Mission has spent \$75,000 on full employment credit and signing bonuses for the hiring of teachers for the 2000-2001 school year.

- In the past, school districts have been able to recapture money from salaries when senior teachers retire by hiring younger, less experienced teachers. Today, this is no longer the case particularly in hard to fill positions like business education, technical education, foreign languages, upper division math, sciences, and special education. These positions must often be filled by experienced teachers who have retired from another district, and in order to be competitive, we must offer full experience credit and even signing bonuses.
- In addition to an increase in salary costs, the cost of insurance continues to rise. From 1995-1999, health insurance costs rose 53%, or an average annual increase of 13%. Other insurance costs, like liability and auto, have increased 21% during the same period, for an average of 5.3% annually.
- With the increase of utility costs this year, the district anticipates that we will exceed our budgeted amount by \$750,000.

Given the school district's budget situation, plans were developed to address the anticipated shortfalls.

- Assisting in this process was a twenty-six member Superintendent's Budget Review Committee comprised of representatives of key stakeholder groups. This committee provided input to the superintendent regarding the budget for the 2001-2002 school year. Every program was examined.
- In addition to reviewing the operating budget, district officials studied per pupil enrollment projections in order to make recommendations to the board of education for the closing of three elementary schools. At this time, it is unknown as to whether we can close these schools since state law allows the voters in these attendance areas to make the final decision.



After listening to the testimony of the Governor's Task Force on School Finance this summer, we have found no one who is completely happy with the school finance formula and more than half of the districts across the state, like Shawnee Mission, are experiencing declining enrollment.

In Shawnee Mission, we are not trying to take anything away from anyone. We believe that all students in Kansas have the right to an adequate and appropriate educational opportunity. On the other hand, we need the tools to save ourselves.

We in Shawnee Mission, like others across the state, do not want to see people driven out of public school systems because they feel they have no control over their school district's programs, services, and financial matters.

We strongly support Senate Bills 145, 234, 281, and 282 to increase the local option budget.



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

COMMERCE, CHAIRPERSON

UTILITIES  
ELECTIONS & LOCAL GOVERNMENT

JOINT COMMITTEES:  
LEGISLATIVE RULES & REGULATIONS  
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DURING SESSION

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OFFICE: 785-296-7358 FAX: 785-368-7119

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**SB 281**  
**Senator Karin Brownlee**

Mr. Chairman and members of the committee— thank you for allowing me to testify.

I have a few general points that I would like to make in support of raising the cap on the local option budget.

1. Local Support
  - Allows each school district to raise what they need without the state's intervention
  - Increases school quality with enhanced patron participation. (Best deal for their money.)
2. Impact on the federal equalization formula
  - Non-equalization with current weightings
3. Would limit the need of a tax increase
4. General school finance thoughts
  - Home rule
  - Separate silos for funding

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Attachment # 3

**Olathe District School USD 233  
Gary George**

**Testimony on the Local Option Budget  
February 14, 2001**

**Chairman Umbarger and members of the Committee, my name is Gary George and I represent the Olathe School District. I am here today to talk to you about the Local Option Budget. It is our belief that additional funding to raise the base is very important.**

**Our strong preference is to see the Legislature take those steps that would address raising the base amount per pupil on a statewide basis. We believe that there are other elements of school funding that also need to be addressed such as special education, correlational weighting, at-risk funding and staff development.**

**However, if there is no other way to improve funding on a statewide basis we must have an additional source of funding and, therefore, would support an increase in the local option budget. We do not believe that the protest petition should be a part of the local option budget and would recommend that if a change were adopted, that it be done in such a way that a protest petition is not involved.**

**Thank you for your time and consideration of the matter.**

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Attachment # 4

SENATE EDUCATION COMMITTEE

February 14, 2001—1:30 P.M.

Testimony Concerning Local Option Budget Bills 145, 234, 281, 281

Presentation by:

Dr. David L. Benson, Superintendent of Schools

Dr. Tom Trigg, Assistant Superintendent for Administrative Services

Blue Valley Unified School District #229

PO Box 23901

Overland Park, KS 66283-0901

My name is Dave Benson and I am superintendent of the Blue Valley Unified School District No. 229. I am here today to show my support of the concept of an increased cap on the local option budget.

I am a firm supporter of local control for school districts. I believe that local boards of education should have the ability to provide for the educational needs of the children of taxpayers who reside within their respective school districts.

Currently, local boards of education have very limited local control over the funding of schools within their jurisdiction. Allowing local boards to raise the Local Option Budget beyond the current 25% cap would be a positive step towards increased local control and a return to greater partnership between local districts and the State of Kansas in the funding of the operating budgets of school districts.

In addition, school districts need additional revenue that can be directed to the classroom level with the goal of improving teaching and learning. The two main avenues of channeling revenue that have a direct input on the classroom are the Base State Aid Per Pupil (BSAPP) including correlation weighting, and the Local Option Budget. The Blue Valley School District is extremely appreciative of the legislative efforts to increase funding for K-12 education across the state, including equalization of Local Option Budget and Capital Improvements, transportation aid and special education. However, it is time to increase the operational revenue that has the greatest input on classroom instruction.

Each of the Senate bills before you have unique characteristics. The common thread is that of an increased cap on the Local Option Budget.

Blue Valley supports each of the bills independently, or an amended bill that includes provisions from several of the bills being discussed.

Thank you for the opportunity to testify before you today. Are there any questions?

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Attachment # 5

February 13, 2001

To: Senator Dave Corbin

Office No.: 143-N

From: Chris Courtwright, Principal Analyst

Re: Various Tax Questions Arising from Senate Education Committee Discussion

This memo is in response to your request for answers to a number of tax questions which apparently arose during a discussion in the Senate Education Committee.

## School District General Fund Levy

Based on the assumption that the 20-mill levy and \$20,000 residential exemption therefrom are to be renewed, each 1 mill increase relative to that tax base would be worth an additional \$11.8 million in local effort in FY 2002; \$20.2 million in FY 2003; \$21.2 million in FY 2004; \$22.1 million in FY 2005; and \$23.0 million in FY 2006.

## Quarter Cent Sales and Use Tax Increase

A quarter cent sales and use tax increase implemented on June 1 would be expected to produce additional revenues in the following amounts: \$95.2 million in FY 2002; \$98.9 million in FY 2003; \$102.8 million in FY 2004; \$106.9 million in FY 2005; and \$111.043 million in FY 2006. I should add that these figures are based on the current Consensus estimates, which, as you know, may be revised downward in April. Also remember that for rate increases in excess of 0.5 percent, I have rolled back the pure mathematical trends for new revenue to adjust for a "slippage" factor (see enclosed memo dated January 30).

## Sin Tax "Package"

You inquired about the amount of additional revenue that could be produced from a sin tax "package" of various liquor, cigarette, and tobacco product tax increases. Looking at increases in the neighborhood of 20 percent for such taxes (liquor excise from 10 to 12 percent; strong beer and CMB gallonage taxes from \$0.18 to \$0.22; fortified wine gallonage tax from \$0.75 to \$0.90; light wine gallonage tax from \$0.30 to \$0.36; alcohol and spirits gallonage tax from \$2.50 to \$3.00; liquor enforcement tax from 8 to 10 percent; cigarette tax from \$0.24 to \$0.29 per pack; tobacco products tax from 10 to 12 percent) would be expected to generate about \$29.8 million in FY 2002; \$30.5 million in FY 2003; \$31.2 million

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in FY 2004; \$32.0 million in FY 2005; and \$32.9 million in FY 2006. These figures were produced by the Department of Revenue and do not contemplate any decrease in consumption as a result of the tax rate increases.

### Income Tax Increase History

You also asked about the last time income taxes were increased. The 1992 school finance law increased taxes for both individuals and corporations in the aggregate, though there was a progressive shift in the structure of both taxes which resulted in less liability for low-income individuals and corporations.

For joint-filing individuals, the law was changed from a two-bracket system (3.65 percent on the first \$35,000 of taxable income and 5.15 percent on income above that amount) to the present three-bracket system (3.5 percent on the first \$30,000 of taxable income; 6.25 percent on taxable income from \$30,001 to \$60,000; and 6.45 percent on income above that amount). Single individual filers also went from a two-bracket system (4.5 percent, on the first \$27,500 of taxable income and 5.95 percent above that amount) to a three-bracket system (4.4 percent, 7.5 percent and 7.75 percent) that was in place until 1997 when the Legislature set about equalizing the rates for joint and single filers by *reducing* single rates. That rate equalization was finally accomplished by 1998 legislation. (Other significant changes in 1998 that *reduced* individual income tax revenues included increases in personal exemption and standard deduction amounts and the enactment of a state earned income tax credit and the authorization of refundable credits for the food sales tax rebate program.) At the time of the 1992 school finance law, the rate changes for individual income taxes were estimated to be \$120.4 million.

The corporation income tax rates were changed in 1992 from the previous law (4.5 percent on the first \$25,000 of corporate taxable income and 6.75 percent on income above that amount) to the present law (4 percent on the first \$50,000 of corporate taxable income and 7.35 percent on income above that amount). Estimates at the time were that these changes would raise an additional \$7 million.

CC/mkl



## MEMORANDUM

January 30, 2001

To: Legislative Coordinating Council, Tax Committee Leadership  
From: Chris W. Courtwright, Principal Analyst  
Re: Sales Tax Growth "Slippage" for Large Increases

This memo is in response to various questions which have been raised about the sales tax growth "slippage" associated with any potential rate increases in excess of 0.5 percent.

I think it is certainly worth remembering that increases in the sales tax - especially large increases - can tend to produce less revenue than expected because of certain changes in consumer behavior. For one thing, consumers tend to accelerate major purchases to a time prior to the effective date of the increase. Also, any rate increase increases the relative value of the tax advantage consumers can enjoy by shopping on the Internet or even across state lines.

Looking into the past, I would note that in 1986 when the state sales and use tax was raised from 3.0 to 4.0 percent, the original forecast was that FY 1987 receipts would increase by \$201.2 million. Actual receipts for that year ended up growing by only \$166.1 million, or 17.4 percent less than had been forecast. A number of other factors beyond consumer behavior also likely influenced this shortfall, as the state was in a severe recession at the time.

Data from the rate increase from 4.25 to 4.90 percent in 1992 are somewhat harder to analyze, since there was a number of sales tax base changes occurring at the same time. Nevertheless, the original growth expectations of \$249.3 million in FY 1993 receipts were not met, and revenues in fact increased by \$228.8 million, or 8.2 percent less than had been estimated. You also may recall that the economy was enduring another recession during the summer of 1992.

I therefore have developed a methodology - which has been signed off on by the Department of Revenue and the Budget Division - to adjust for some slippage for sales tax rate increases in excess of 0.5 percent. The pure mathematical figure which has been discussed around the Statehouse at great length would suggest that a 1.0 percent sales and use tax increase would raise about \$380 million in new revenue. But based on the model I have developed, that estimate needs to be lowered to approximately \$349 million. (This equates to a reduction of about 8.3 percent from the pure mathematical forecast.)

The attached table provides the new estimates for sales tax rate changes ranging from 0.5 percent to 1.0 percent. Remember that no adjustment has been made to the 0.5 percent estimates, though it is certainly possible that those estimates could be too high for some of the reasons discussed.

**Revised Estimates for Certain Potential Sales and Use Tax Increases**

6-4

(\$ in millions)

<b>June 1, 01 increase</b>	<b>(no change) estimate for <u>0.5 percent</u></b>	<b>revised estimate for <u>0.6 percent</u></b>	<b>revised estimate for <u>0.7 percent</u></b>	<b>revised estimate for <u>0.8 percent</u></b>	<b>revised estimate for <u>0.9 percent</u></b>	<b>revised estimate for <u>1.0 percent</u></b>
FY 2002	\$190.431	\$224.709	\$257.717	\$289.455	\$319.924	\$349.124
FY 2003	\$197.888	\$233.517	\$267.819	\$300.802	\$332.465	\$362.809
FY 2004	\$205.641	\$242.671	\$278.318	\$312.593	\$345.498	\$377.031
FY 2005	\$213.704	\$252.184	\$289.228	\$324.847	\$359.041	\$391.811
FY 2006	\$222.086	\$262.069	\$300.565	\$337.581	\$373.116	\$407.170

<b>July 1, 01 increase</b>	<b>(no change) estimate for <u>0.5 percent</u></b>	<b>revised estimate for <u>0.6 percent</u></b>	<b>revised estimate for <u>0.7 percent</u></b>	<b>revised estimate for <u>0.8 percent</u></b>	<b>revised estimate for <u>0.9 percent</u></b>	<b>revised estimate for <u>1.0 percent</u></b>
FY 2002	\$174.562	\$205.665	\$235.500	\$264.064	\$291.359	\$317.385
FY 2003	\$197.888	\$233.517	\$267.819	\$300.802	\$332.465	\$362.809
FY 2004	\$205.641	\$242.671	\$278.318	\$312.593	\$345.498	\$377.031
FY 2005	\$213.704	\$252.184	\$289.228	\$324.847	\$359.041	\$391.811
FY 2006	\$222.086	\$262.069	\$300.565	\$337.581	\$373.116	\$407.170