

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION K-12.

The meeting was called to order by Chairperson Kathe Decker at 9:00 a.m. on January 22, 2003 in Room 313-S of the Capitol.

All members were present except: Representative Dan Williams

Committee staff present: Carolyn Rampey, Legislative Research Department
Kathie Sparks, Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Ann Deitcher, Committee Secretary

Conferees appearing before the committee: Dale Dennis, Kansas Dept. of Education
Mark Tallman, Ks. Assoc. of School Boards

The Chair introduced Kathie Sparks who, with the assistance of Dale Dennis, gave an overview of School District Finance. This was information that dated from 1992 to the present. (Attachments 1, 2, 3 and 4).

The presentation was followed by a question and answer session.

HB 2004 - concerning schools; relating to the resolution of conflicts.

Representative Horst moved and Representative Beggs seconded the motion that this bill be passed and placed on the consent calendar. The motion passed on a voice vote.

HB 2006 - concerning the state in-service education opportunities act; renaming the act the education professional development act.

The Chair recommended that this be held back until following the presentation of the National Council of State Legislators on this issue.

Chairperson Decker asked for passage of a bill to change the law to read that 75% of students would be provided a seat on school buses.

It was moved by Representative Yonally and seconded by Representative Horst that this bill be introduced as a committee bill. The motion carried on a voice vote.

Mark Tallman offered a request for bill introductions. (Attachment 5).

A motion was made by Representative Morrison and seconded by Representative Craft to introduce "Expediting Teacher Due Process". The motion passed on a voice vote.

It was moved by Representative Beggs and seconded by Representative Yonally to introduce "Employment Contracts After Budget Reductions". The motion passed on a voice vote.

The Committee was reminded that Monday committee meetings would convene at 9:30 a.m.

The meeting adjourned at 10:50. The next meeting is scheduled for Monday, January 27, 2003.

June 4, 2002

SUMMARY OF THE SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE ACT AND THE SCHOOL DISTRICT CAPITAL IMPROVEMENTS STATE AID PROGRAM (AS AMENDED THROUGH 2002)

The 1992 Kansas Legislature enacted Senate Sub. for Senate Sub. for HB 2892, the School District Finance and Quality Performance Act (SDFQPA) which on July 1, 1992, replaced the School District Equalization Act as the principal public school aid distribution program. The 1992 Legislature also enacted HB 2835, a new program designed to provide state aid to assist school districts in meeting their bond and interest payment obligations.

The main provisions of these laws, as amended through 2002, are summarized below.

PART I—DISTRIBUTION/FINANCIAL PROVISIONS

Primary Funding Program

State Financial Aid

In 1993-94 and thereafter, the State Financial Aid (SFA) of a school district is determined by multiplying the base state aid per pupil (BSAPP) of a district by the district's adjusted enrollment.* Beginning in 2002-03, the BSAPP is \$3,890. However, if appropriations in any school year for general state aid to school districts are not sufficient to pay districts' computed entitlements, the State Board of Education will reduce the BSAPP to the amount necessary to match general state aid entitlements of districts with the amount of general state aid available. The law also provides explicitly that the BSAPP is subject to

* For 1992-93 only, SFA was the lesser of "formula" SFA or "transitional" SFA. Formula SFA was a district's BSAPP times its adjusted enrollment, and transitional SFA was a district's 1991-92 operating budget plus its state transportation, bilingual education, and vocational education aid and the proceeds of any 1991 transportation tax levy, the sum of which was increased by 10 percent plus the percentage equivalent of any enrollment increase in 1992-93 over 1991-92.

reduction in proportion to any reduction in the amount of the appropriation from the State General Fund for general state aid under an executive order designed to maintain State General Fund ending balances of \$100 million.

Adjusted enrollment is calculated by adding to the enrollment of a district (that is, the September 20 count of full-time equivalent pupils* regularly enrolled in the district or, for districts operating on a quarterly or trimestral basis, the September 20 count plus the February 20 count less September 20 duplications) the "program," "low enrollment," "correlation," "transportation," "at-risk pupil," "school facilities" and "ancillary school facilities" weightings.

Decreasing Enrollment. When its full-time equivalent enrollment in the current school year has decreased from the preceding school year, the district uses the greater of the enrollment of the preceding school year or a three-year average enrollment (the current school year and the two preceding school years) for budgeting purposes. A further adjustment applies when the district participates in the preschool aged (four year old) at-risk pupil program. The preschool aged at-risk children who received services in prior years are netted out of these enrollment counts and the number of these children being served in the current year is added to the enrollment used for the current year's budget purposes. (The low enrollment and correlation weights used for budget preparation by such districts also are those applicable in the preceding year. All other weights are determined on a current year basis.)

A special provision is that if the State Board of Education determines the enrollment of a school district in the preceding school year had decreased from the enrollment in the second preceding school year and that a disaster had contributed to the decrease, the enrollment of the district in the second school year following the disaster will be determined on the basis of a four-year average of the current school year and the preceding three school years, adjusted for the enrollment of pre-school aged at-risk pupils in those years, except that the enrollment decrease provisions of the general law (above) will apply if they are more beneficial to the district than the four-year average. For this purpose "disaster" means the occurrence of widespread or severe damage, injury, or loss of life or property resulting from flood, earthquake, tornado, wind, storm, drought, blight, or infestation.

Program Weight. This weight is provided for pupil attendance in certain educational programs which differ in cost from regular programs. The programs so identified are bilingual education and vocational education. To obtain the enrollment adjustment attributable to these programs, the State Board of Education computes the full-time equivalent enrollment in each such program and multiplies the bilingual education enrollment by 0.2 and the vocational education enrollment by 0.5. The sum of these two products is the program weight enrollment adjustment of the district. The amount produced by each such weight must be expended for bilingual education or vocational education, as the case may be. (Categorical state aid programs previously directed toward bilingual and

* See Attachment I for "pupil" definition.

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secondary vocational students were eliminated in connection with adoption of this weight methodology.)

Low Enrollment Weight. The enrollment adjustment produced by this weight is assigned to school districts having enrollments of under 1,725 in order to recognize the higher costs attributable to the operation of low enrollment districts.

The low enrollment weight is determined by constructing linear transitions between the 1991-92 median budget per pupil (BPP) of districts having enrollments of 75-125 and 200-399 and between the 1991-92 median BPP of districts having enrollments of 200-399 and 1,900 or more. This procedure provides the basis for determining a "schedule amount" for each school district which qualifies for the low enrollment weight. The 1991-92 median BPP of districts having 75-125 enrollment serves as the schedule amount for districts having enrollments of less than 100. For districts with enrollments of more than 100, the schedule amount is determined from the linear transition schedule based upon the district's enrollment in the current school year. (The increments in the linear schedule for districts having enrollments of 100 to 299 vary from the increments in the schedule for districts having enrollments of more than 300.) The amount of the median BPP of districts having enrollments of 1,900 or more is subtracted from the schedule amount determined for each district entitled to low enrollment weight. The result is divided by the median BPP of districts having enrollments of 1,900 or more and the quotient so derived is applied to a district's current year enrollment to produce the low enrollment weight.

Correlation Weight. The enrollment adjustment produced by this weight is assigned to the larger enrollment school districts as a correlate to the low enrollment weight. Beginning in the 1999-2000 school year, the correlation weight is applied to all school districts having enrollments of 1,725 and over. The correlation weight adjustment is 6.3211 percent.

Transportation Weight. The State Board of Education determines the expenditures in the preceding year for transporting public and nonpublic school pupils on regular school routes. Calculations are then made to net out a portion of these costs designed to represent 50 percent of the costs of transporting pupils who reside less than 2.5 miles from school. The remaining amount is divided by the number of pupils enrolled in the district who were residing 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 to which a statistical technique is applied to construct a "curve of best fit" for all school districts. This procedure recognizes the relatively higher costs per pupil of transportation in sparsely populated areas as contrasted with densely populated areas. Based on the school district's density (number of resident pupils enrolled in the district who reside 2.5 miles or more by the usually traveled road from the school attended divided by the number of square miles of territory 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. This figure is divided by the BSAPP and the quotient is multiplied by the number of resident pupils in the current school year who live more than 2.5 miles from school and for whom

transportation is being provided. This produces the district's transportation weight enrollment adjustment. (The former transportation categorical aid program was abolished.)

At-Risk Pupil Weight. The enrollment adjustment attributable to this weight is determined on the basis of the number of pupils of a district who qualify for free meals under the National School Lunch Program and for whom a district maintains an approved at-risk pupil assistance program. To obtain this weight for a district which maintains an at-risk pupil assistance plan, the State Board of Education multiplies the number of pupils who qualify for free meals under the federal program by 0.10. Amounts attributable to this weight must be expended on at-risk pupil assistance programs. When the 2001 Legislature increased this weight from 0.09 to 0.10, it also directed that an amount equal to 0.01 be used by the district for achieving mastery of basic reading skills by completion of the third grade in accordance with standards established by the State Board of Education. A school district must include information in its at-risk pupil assistance plan as the State Board of Education requires about the district's remediation strategies and its results in achieving the State Board's third grade reading mastery standards. A school district's report must include information documenting remediation strategies and improvement made by pupils who performed below the expected standard on the State Board's second grade diagnostic reading test. A school district whose third grade pupils substantially meet the State Board standards for mastery of third grade reading skills, upon request, may be released by the Board from the requirement to dedicate a specific portion of the at-risk weight to this reading initiative.

School Facilities Weight. This weight is assigned to enrollment of districts for costs associated with beginning operation of new facilities. In connection with operation of a new facility, the weight is available for two school years—the year in which the facility operation is commenced and the following year. The enrollment adjustment factor is 0.25 for each pupil who is enrolled in the district and is attending the new school facility. This weight is available only if a district has utilized the full amount of the local option budget authority authorized for the school year. (See subsequent discussion of the local option budget.)

For the 1996-97 school year only, the school facilities weight was increased from 0.25 to 0.33 for districts that qualify for the weight and which, in addition, (1) were experiencing extraordinary growth as determined by the State Board of Education and (2) had received approval from the State Board of Tax Appeals (SBOTA) to levy a tax for the purpose of financing costs associated with operation of new facilities. The additional amount of the weight (0.08) served to offset a like amount of additional local option budget authority that had been approved by SBOTA—applicable only to Blue Valley (USD 229) and Olathe (USD 233).

Ancillary School Facilities Weight. Beginning in 1997-98, an amount equal to the levy approved by SBOTA to defray costs associated with commencing operation of a new facility is converted to a pupil weight called "ancillary school facilities weighting," this weight to be calculated each year by dividing the amount of the levy authority approved by SBOTA by BSAPP. (The school district levies a property tax for the amount approved by SBOTA. See "Special Taxing Authority for Operating Costs Associated with the Opening of New

Facilities" (page 12).) The proceeds of the tax levy are forwarded to the State Treasurer who credits the money to the State School District Finance Fund (SSDFF). Effectively, there was no change in the previous policy that this element of new facilities spending authority be supported entirely by the property taxpayers of the school district. The main differences are that this spending authority becomes a part of the school district general fund rather than additional LOB authority and the proceeds of this school district tax levy are credited to the SSDFF rather than to the district's supplemental general fund.)

Special Education and Related Services Weight. The amount of state special education services categorical aid a school district receives during the current school year, including the "catastrophic" special education state aid, is converted to a pupil weight. This is accomplished by dividing the amount of state special education services aid the district receives by BSAPP and treating the result as an additional number of weighted pupils of the district. In turn, an amount equal to the amount attributable to the weight is defined as "local effort" and, therefore, as a deduction in computing the general state aid entitlement of the district.

The amount of state special education services aid the district receives is deposited in the school district general fund and then is transferred to the district's special education fund. (This procedure is aimed at increasing the size of a school district's general fund budget for purposes of the LOB calculation.)

Local Effort

A district's "local effort" is, in essence, a credit against its SFA entitlement. Local effort is defined as the sum of the following revenues received in the current school year:

- Proceeds of the school district general fund property tax levy, (20 mills in 1999 and 2000—with \$20,000 residential exemption);
- Special education state aid under KSA 2001 Supp. 72-979 and KSA 2001 Supp. 72-983 and amendments;
- 75.0 percent federal Impact Aid in accord with federal law and regulations;
- Unexpended and unencumbered balances remaining in the general fund (except for revenues specifically characterized by law as not being operating expenses);
- Unexpended and unencumbered balances remaining in the program-weighted funds (except amounts in the vocational fund of a district which is operating an area vocational school);
- Amounts credited to the school district general fund from industrial revenue bond and port authority bond in lieu of tax payments;

- Mineral production tax receipts;
- Tuition a school district receives for enrollment of nonresident students in "regular" education services;
- Motor vehicle and recreational vehicle tax receipts (school district portion phased out in FY 2000);
- Rental/lease vehicle excise tax receipts (school district portion phased out in FY 2000);
- Remaining proceeds of the former general fund tax levy prior to its repeal; and
- Remaining proceeds of the former transportation fund tax levy prior to its repeal.

General State Aid/Remittance of Excess Local Effort Amounts

In each school year, the State Board of Education determines each district's general state aid entitlement. This is done by subtracting the district's local effort from its SFA. The distribution of general state aid is made in accord with appropriation acts.

If a district's local effort exceeds its SFA, the district is entitled to no general state aid and the excess amount is remitted to the State Treasurer for deposit in the State Treasury. These funds are credited to the State School District Finance Fund. This remittance by the school district occurs on June 1 of the school year.

The law specifies that in each of the months of July through May, the State Board of Education determines the amount of general state aid that will be required by each district to maintain operations for that month. In making this determination, the State Board takes into account each district's access to local effort sources and the obligations of the district's general fund that must be satisfied. In June, the balance of a school district's general state aid entitlement is paid. These payments are deposited in the school district general fund. In the 2001-02 school year, the following procedure was in effect: in July and August school districts were to receive amounts of state aid they requested in order to meet their obligations; on September 1, 8.5 percent of the district's prior year general state aid entitlement; on October 1, November 1, and December 1, 9.0 percent of the district's current year general state aid entitlement; on January 3, 10.0 percent of the current year general state aid entitlement; on February 1, 18.0 percent of the remaining amount of the current year general state aid entitlement; on March 1, 20.0 percent of the remaining entitlement; on April 3, 25.0 percent of the remaining entitlement; on May 1, 50.0 percent of the remaining entitlement; and on June 15, the final payment of any remaining entitlement.

The Board certifies the general state aid amounts to the Director of Accounts and Reports. This certification and the amount of general state aid paid from the State General Fund must be approved by the Director of the Budget. The Director of Accounts and Reports prepares warrants payable to school districts based upon vouchers approved by the State Board.

General Fund

The general fund of a district is the fund from which operating expenses are paid and to which is deposited general state aid, proceeds from the levy at the uniform general fund tax rate, payments relating to transfers of territory, federal Impact Aid funds (except for major disaster amounts and amounts received under the low-rent housing program), and other moneys specified by law.

“Operating expenses” are the expenditures and lawful transfers from the general fund, except for expenditures specified in KSA 2001 Supp. 72-6430, as amended. These latter expenditures include nongeneral fund payments pertaining to changes of school district boundaries; reimbursed student activities; educational services for pupils of the Flint Hills Job Corps Center and pupils confined in a juvenile detention facility for which state reimbursement grants are provided; lawful nongeneral fund expenditures; and certain federal Impact Aid expenditures.

If a school district’s expenditures in a school year exceed the general fund budget, the excess amount is deducted from the general state aid entitlement of the district in the next school year.

Contingency Reserve Fund

A contingency reserve fund is created in each school district. This fund consists of money deposited therein or transferred thereto according to law. A district is authorized to transfer money from its general fund to the contingency reserve fund, subject to the limitation that the amount in this fund may not exceed 4.0 percent of the amount of the general fund budget of the district in the current school year. If the amount in the fund exceeds the statutory cap due to a decrease in enrollment, the district may maintain the “excess” amount in the fund until the amount is depleted by expenditures from the fund. Money may be spent from this fund for financial contingencies as determined by the school district board of education.

Other Special Funds

The law identifies two categories of special operating funds (excluding the contingency reserve fund). These are “program weighted funds” and “categorical funds.” The program weighted funds include the transportation, vocational education, and bilingual education funds. The categorical funds include the special education, food service, driver training, adult education, adult supplementary education, area vocational school, inservice

education, parent education, summer program, extraordinary school program, and educational excellence grant program funds. (The technology education fund was continued and other special funds of school districts as previously had been authorized by law were not affected by the 1992 enactment.)

Transfers From the School District General Fund

A transfer from a district's general fund to any other fund is an operating expense in the year the transfer is made. Transfers may be made from the general fund of a district to any categorical fund of the district in any school year. Similarly, money may be transferred to a program weighted fund or to the technology education fund, subject to the following conditions:

- The transfer may not be made before the money in the program weighted fund is needed; and
- The transfer amount may not exceed the obligation which is the object of the transfer.

As noted above, a school board may transfer money to the contingency reserve fund.

The board may transfer money to the capital outlay fund subject to the following conditions: the district must be levying at least 3.5 mills or the amount that would have been produced by a 3.5 mill levy in 1988-89, whichever is the greater amount; no transfer may be made prior to June 1 of any school year; and the amount of any such transfer may not exceed 1 percent of the general fund budget in districts with 10,000 or more enrollment nor more than 2 percent in other districts.

With regard to capital outlay, it should be noted that school districts are authorized to make general fund expenditures for acquiring equipment and repairing school buildings.

Districts are authorized to transfer back to the general fund amounts transferred to other funds during the same school year.

Miscellaneous Revenue

Miscellaneous revenue a district receives, such as interest on idle funds, which is not required by law to be deposited in some specific fund may be credited to any program weighted fund, categorical fund, or the capital outlay fund. Such revenues may be deposited in the district's general fund in years in which an allotment system is applied to State General Fund appropriations or when a portion of previously appropriated general state aid is lapsed by the Legislature, but amounts so deposited may not exceed the amount of general state aid lost due to the allotment or lapse. (The provisions described in the preceding sentence, carried forward from former law, probably have no practical application under the current school finance law.) Under certain circumstances, payments to school

districts by the federal government for mineral rights may be deposited in a district's bond and interest fund. (This also is a continuation of previous school finance policy.)

Property Tax Levy

School districts must levy a general fund property tax on the district's assessed valuation of 20 mills in 2001 and 2002.* For both years, \$20,000 of the appraised valuation of residential property is excluded in the application of the uniform property tax levy. The revenue produced from this levy is used to fund a district's SFA. It is treated as a part of a school district's local effort (see previous discussion of "local effort").

Local Option Budget/Supplemental General State Aid

Local Option Budget (LOB)

As a general principle, the law provides that, in addition to the 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." However, certain limitations and constraints on the LOB authority, discussed below, are applicable.**

All School Districts. Beginning in 1997-98, the board of education of a "below average spending" school district on its own motion could 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. (See "Enrollment Groupings—Determination of Averages" below.)

* The original law imposed a school district property tax levy of 32 mills in 1992, 33 mills in 1993, and 35 mills in 1994 and thereafter. In December of 1993, a Shawnee County District Judge opined that the school district uniform property tax was a "state" levy. As such, in accord with the *Kansas Constitution*, the levy could not be imposed for a period in excess of two years. This finding was not contested in the appeal of the District Court decision to the Kansas Supreme Court. Subsequently, the 1994 Legislature amended the law to impose the uniform school district general fund tax rate of 35 mills for 1994 and 1995.

** In the 1992-93 school year, a district could not use LOB authority if its formula SFA equaled or exceeded its transitional SFA. If the transitional SFA was greater than the formula SFA, the district could adopt an LOB which was the lesser of 25 percent of the district's SFA or the difference between the amount of formula SFA and the transitional SFA for the district. (See discussion of "formula" and "transitional" SFA in the footnote on page 1 of this memorandum.)

- 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. (If the district's budget per pupil exceeds the average for the enrollment grouping, this procedure does not apply.)
- The product (of multiplying the district's budget per pupil difference by FTE enrollment) 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.

If a district was authorized to adopt and did adopt an LOB in 1996-97 and qualified for LOB authority as a "below average spending" district, calculated as described above, the LOB percentage of the district is the sum of the LOB percentage the district was authorized to budget in that year and the percentage for which the district qualifies under the formula. If the district was not authorized to adopt an LOB in 1996-97, the district qualifies for the LOB authority calculated under the formula. In subsequent years, the district's LOB authority is calculated in the same manner as applies to a district that had an LOB in 1996-97 and that also qualified for LOB authority as a "below average spending" district.

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

Enrollment Groupings—Determination of Averages. For the grouping of school districts with enrollments under 100, the average FTE amount is the average amount for school districts having enrollments of 75-125; for the grouping of school districts with enrollments of 100-299.9, the average FTE amount is 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 is 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; and for the grouping of school districts with enrollments of 1,800 and over, the average FTE amount is the average amount for all such districts.

School 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 80.0 percent of the district's general fund budget based upon the LOB percentage the district was authorized to adopt in 1996-97.

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 additional LOB authority under that formula applies in determining the total LOB authority of the district.

Alternative Procedure. As an alternative to the procedures described above, a school district board of education may adopt a resolution for a specified LOB percentage that is subject to a 5.0 percent protest petition election. In the resolution the board will include the number of years for which the LOB authority is sought. The resolution must be published once in a newspaper having general circulation in the district. The protest petition must be filed with the county election officer of the home county of the school district within 30 days after the publication. If no resolution is timely filed, the board may adopt the LOB. If a petition is filed and the resolution is abandoned, such a resolution may not again be adopted for nine months following the publication of the resolution. Subsequent resolutions to increase this authority (always subject to the aggregate 25.0 percent cap) also are authorized. The duration of subsequent resolutions may not exceed that of the original resolution.

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 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.

"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 is authorized to adopt a resolution to increase its LOB authority under one of two alternative procedures:

- A school district board of education 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. When the question is submitted directly to the electors and the proposal fails, the question may not again be submitted for nine months. When the protest petition election provision applies there is no specific time limitation imposed upon the interval between elections when LOB proposals are lost. There is, however, a nine-month limitation when a resolution is abandoned. Under the protest petition election procedure, the board is required to publish the resolution once in a newspaper having general circulation in the district. Unless the resolution is abandoned (as described above), an election on the question is required if a petition signed by 5.0 percent of the qualified electors of the district is filed with the county election officer within 30 days after the publication.

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.)

(These provisions do not apply to a district that already has continuous and permanent authority to increase its LOB.)

2002-03 and 2003-04 LOB "Hold Harmless" Provisions. A "hold harmless" provision applies to school districts which in the 2001-02 school year sponsored a special education cooperative. If such a district adopted a 25.0 percent LOB for the 2002-03 school year and if the amount of the LOB is less than the amount of the LOB in 2001-02, the district is permitted to add to its 25.0 percent LOB in 2002-03 two-thirds of the difference between the 2001-02 and 2002-03 amounts. Using the 2001-02 school year as the base, the same provision applies in the 2003-04 school year, but the add-on amount is one-third of the difference. A second "hold harmless" provision applies to school districts which sponsored a special education cooperative in the 2001-02 school year and which adopt an LOB equal to the district prescribed percentage of the district in the 2002-03 school year. If the district's LOB in the 2002-03 school year is less than the 2001-02 school year amount, one-third of the difference may be added to the 2002-03 LOB.

Revenue for LOB

School districts are authorized to levy property taxes to fund their portion of the LOB. State aid is provided for the purpose of equalizing the ability of a district to utilize this provision.

Supplemental general state aid is based on an equalization feature designed to treat each district as if its assessed valuation per pupil (AVPP) were equal to that of the district at the 75th percentile of AVPP. For each school district that uses all or a portion of its LOB, the State Board divides the district's AVPP* in the preceding year by the 75th percentile AVPP and subtracts the ratio so determined from 1.0. If the ratio resulting from this calculation equals or exceeds 1.0, the district is entitled to no LOB supplemental general state aid. (This is because the district's AVPP equals or exceeds the AVPP at the 75th percentile.) If the ratio resulting from the calculation is less than 1.0, the district's adopted LOB is multiplied by such ratio to determine the district's LOB supplemental general state aid entitlement.

A proportional proration provision applies in the event the state appropriations for this aid are not sufficient to fully fund school district entitlements.

School districts also receive a share of the motor vehicle tax, rental/leased vehicle sales tax, recreational vehicle tax, and industrial revenue bond payments in lieu of taxes as resources to the supplemental general fund.

Authorized LOB Expenditures

With one exception, school districts may spend LOB revenues for any purpose for which expenditures from the general fund are authorized or these revenues may be transferred to the general fund of the district or to any program-weighted or categorical fund of the district. The exception is that school district boards are prohibited from making LOB expenditures or transfers to the general fund for a lease-purchase agreement involving acquisition of land or buildings under KSA 72-8225, as amended.

LOB Balances

Any unexpended and unencumbered cash balance remaining in the supplemental general fund at the conclusion of any school year is treated as follows:

- If the district received no supplemental general state aid for its LOB in the current school year and if the district is authorized to adopt an LOB in the

* Where Kansas Neighborhood Revitalization Act tax increment financing rebates are involved, the county clerk submits to the Commissioner of Education an adjustment (reduction) in the district's assessed valuation, determined by dividing the total of tax increment rebates paid by the district during the preceding 12 months by the total of the ad valorem levy rates of the district in the previous year.

ensuing school year, the cash balance remaining in the supplemental general fund at the end of the school year must be maintained in that fund or transferred to the general fund. However, if such a district is not authorized to adopt an LOB in the ensuing school year, the cash balance in the supplemental general fund must be transferred to the district's general fund.

- If the district received supplemental general state aid in the current school year, transferred or expended the entire amount of the budgeted LOB for the school year, and is authorized to adopt an LOB in the ensuing school year, the cash balance remaining in the supplemental general fund must be maintained in that fund or transferred to the general fund. However, if such a district is not authorized to adopt an LOB in the ensuing year, the total cash balance remaining in the supplemental general fund must be transferred to the general fund.
- If the district received supplemental general state aid in the current school year, did not transfer or expend the entire amount budgeted in the LOB for the school year, and is authorized to adopt an LOB in the ensuing school year, the State Board will determine the ratio of the amount of supplemental general state aid received to the amount of the district's LOB for the school year and multiply the total amount of cash balance remaining in the supplemental general fund by that ratio. An amount equal to the amount of the product must be transferred to the general fund of the district. The amount remaining in the supplemental general fund must be maintained in that fund or transferred to the general fund. However, if such a district received supplemental general state aid in the school year, did not transfer or expend the entire amount budgeted in the LOB for the school year, and is not authorized to adopt an LOB in the ensuing school year, the total amount of the cash balance remaining in the supplemental general fund must be transferred to the general fund.

Supplemental General State Aid Payments

Supplemental general state aid payments are made at times determined by the State Board. The State Board certifies to the Director of Accounts and Reports the amount due to each district and the Director prepares the warrants. The aid is deposited in the district's supplemental general fund. The practice is that this aid is paid in three installments during the school year as follows: October 1, 40.0 percent of the entitlement; February 1, 40.0 percent; and June 15, 20.0 percent, with any necessary adjustments.

Special Taxing Authority for Operating Costs Associated With the Opening of New Facilities

New School Facilities—Special Taxing Authority

A school district is authorized to seek approval from SBOTA for authority to levy a property tax to pay certain costs associated with commencing operation of new school facilities. In order to seek this authority, the school district must have begun operation of one or more new school facilities in the preceding or current school year, or both; have adopted the maximum 25 percent LOB; and have had extraordinary enrollment growth, as determined by the State Board of Education.

Under the procedure, the school district applies to SBOTA for authority to levy a property tax for an amount equal to the cost of operating the new facility that is not financed from any other source provided by law. (This amount may be adjusted for any year to reflect the inapplicability in that year of the school facilities weighting adjustment.) SBOTA may authorize the district to levy an amount not in excess of the costs attributable to commencing facility operation above the amount provided for this purpose under the school finance law. The separate tax levying authority is for a period of not to exceed two years. The proceeds of the special tax are forwarded to the State Treasurer who credits the money to the SSDFF. The district then receives "ancillary school facilities weight" in the amount of the levy authority approved by SBOTA. (See "Ancillary School Facilities Weight" earlier in this memorandum.)

This tax levying authority may be extended beyond the initial two-year period 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 the amount 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. The proceeds of the levy, forwarded to the State Treasurer and credited to the SDDFF, also produce ancillary school facilities weight for the district.

Other Matters

State Funding Sources for the School District Finance and Quality Performance Act

State funding for school districts under the law is from State General Fund appropriations for general state aid (as part of the state portion of SFA) and for supplemental general state aid (LOB), from the Children's Initiative Fund in the form of general state aid for a portion of the four-year-old at-risk program, and from the State School District Finance Fund (SSDFF) for general state aid (as part of the state portion of SFA). The SSDFF is a "no limit" appropriation. Revenue credited to this fund is from:

- Remitted excess local effort (see "General State Aid/Remittance of Excess Local Effort Amounts" herein);
- Remitted state aid overpayments under this law (see "Adjustments for Overpayments and Underpayments" herein);
- Remitted school district property taxes levied upon approval of SBOTA for the excess costs of operating new facilities (see "Ancillary School Facilities" and "Special Taxing Authority for Operating Costs Associated with the Opening of New Facilities" herein); and
- Any other amount transferred to the fund.*

Adjustments for Overpayments and Underpayments

If a school district is paid more than it is entitled to receive under any distribution pursuant to this law (or laws repealed by this act), the State Board notifies the district of the amount of the overpayment and the district remits the amount to the State Board. Any such amounts are then remitted to the State Treasurer and are credited to the SSDFF. If a district fails to remit the amount due, the amount is deducted from future payments due the district. If a district is paid less than its entitlement, the State Board makes the payment during the current school year or within 60 days after the end of the school year.

Other Miscellaneous 1992 Changes

- Separate treatment of the Fort Leavenworth school district was discontinued. The district was brought within the general school finance law.

* See Attachment II for summary of 1992 income and sales and use tax enhancements the proceeds of which initially were earmarked for school finance purposes as demand transfers from the State General Fund to the SSDFF.

- The separate tax levying authorities for technology education and mandated transportation were abolished. Separate funds for technology education and transportation were continued. Expenditures for these purposes continue to be made from these funds.
- The following special funds of school districts were repealed and reestablished: special education fund, vocational education fund, driver training fund, food service fund, and transportation fund. The policies with respect to such funds and the purposes therefor were not changed.
- A new area vocational school fund was established in each school district which operated an area vocational school. State and federal moneys for vocational education are deposited in this fund, as are tuition and fees or charges received for vocational education courses. The expenses directly attributable to the operation of the area vocational school are paid from this fund.
- The State Board of Education was authorized to make necessary revisions to accommodate establishment of a new school district or district boundary are changes.
- Several sections of law were amended to conform existing statutes with provisions and terminology in the SDFQPA, and statutes pertaining to the School District Equalization Act made obsolete by the SDFQPA were repealed.

HISTORICAL NOTE

1992-93 Expenditure Cap

Notwithstanding the general SFA and LOB provisions, in the 1992-93 school year only, a school district could not increase its SFA or SFA and LOB (combined) by more than 10 percent (plus enrollment growth) over the adjusted "operating" expenditures in the 1991-92 school year (the sum of the 1991-92 legally adopted budget of operating expenses, state transportation aid, bilingual education aid, vocational education aid, and proceeds of any special transportation tax levy).

PART II—SCHOOL REFORM

Accreditation of Schools

The State Board of Education must design and adopt a school performance accreditation system. This system must be based on improvement in performance that reflects high academic standards and is measurable.

Academic Standards and Assessments

The State Board will provide for assessments in the core academic areas of mathematics, science, reading, writing, and social studies. These assessments will be administered at three grade levels, as determined by the State Board. The State Board also must establish curriculum standards for mathematics, science, reading, writing, and social studies. These must be equal to the best standards. The standards must be reviewed at least every three years. Compatibility between the statewide assessments and the curriculum standards must exist.

The State Board determines performance levels on the statewide assessments, the achievement of which represents excellence in the academic area at the grade level to which the assessment applies. The State Board specifies the measure of excellence both for individual performance and school performance on the assessments.

The provisions requiring the State Board to provide for an assessment program, develop curriculum standards in specified academic areas, and ensure coordination between curriculum standards and assessments are not to be construed as impinging upon any school district's authority to determine its own curriculum.

School Site Councils

Each school in every district is required to establish a school site council composed of the principal and representatives of teachers and other school personnel, parents of pupils attending the school, the business community, and other community groups. Site councils provide advice and counsel in evaluating state, school district, and school site performance goals and objectives, and in determining the methods that should be employed at the school site to meet these goals and objectives.

Public Education Performance Report Card

On or before January 1, 1997, the State Board will prepare a public education performance report card consisting of statewide aggregated data pertaining to performance on statewide assessments and other measurable performance indicators specified by the State Board as part of the school performance accreditation system. The "report card" will show comparative data over multiple years, as determined by the State Board. Also, on or

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before January 1, 1997, the State Board will prepare a report card for each school building operated by a school district and provide the school district board with information showing, for multiple years, both the statewide and school building data.

Study of Impact of the School Accreditation System

Under the direction of Kansas Inc. a study was made of changes in pupil performance attributable to the school accreditation system. The main purpose of the study was to ascertain, through evaluation of the 48 school districts that began school performance accreditation implementation in 1991-92, the extent to which pupil academic performance has changed under the school accreditation system and to provide an explanation of the factors that had contributed materially to the changes that occurred. In carrying out its responsibility, Kansas Inc. was directed to convene an advisory committee (7-11 members) to assist in designing the research plan, giving direction to the party conducting research, analyzing research findings, and preparing the report of the results. The advisory committee was to be representative of the State Board of Education, teachers, school administrators, school district boards of education, business, and the public. The study was to be conducted between July 1, and November 30, 1997, based on data for the 1996-97 school year, and was to be reported to the Legislature at the commencement of the 1998 Session.

The study *A Report on Results Achieved by Schools That Piloted the Kansas Quality Performance Accreditation System* (two volumes), was presented to the 1998 Legislature by the principal investigator, Dr. Arie van der Ploeg of the North Central Regional Education Laboratory.

PART III—COMMITTEE ON SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE (SDFQP)

SDFQP Committee

A 16-member SDFQP Committee was established. Twelve of the members include the following persons or their designees: chairperson and ranking minority member of the House Committees on Education, Taxation, and Appropriations and the Senate Committees on Education, Assessment and Taxation, and Ways and Means. The remaining four members are representatives of the general public, two each of whom are appointed by each the Governor and the State Board of Education. These members serve at the pleasure of the appointing authority.

The Committee, which functions until June 30, 1994 when it is abolished, organizes annually and elects a chairperson and vice chairperson. Any action of the Committee requires a majority vote (nine) of all the members.

The Committee may meet at any time upon the call of the chairperson. (Nine members constitutes a quorum.) Professional staff services are provided to the Committee pursuant to Legislative Coordinating Council direction. Committee members receive compensation, subsistence, and mileage in accord with KSA 75-3223, as amended.

The responsibility assigned to the Committee is to:

- Monitor implementation and operation of the SDFQP law and the QPA system;
- Evaluate the SDFQP law and determine if there is a fair and equitable relationship between the costs of weighted components and the assigned weights;
- Determine if additional school district operations should be weighted;
- Evaluate the effect of the act and system on local control;
- Determine if the act impedes successful accomplishment of the mission for Kansas education;
- Evaluate the reform and restructuring components of the law and assess their impact;
- Evaluate the system of financial support, reform, and restructuring of public education in Kansas and in other states to ensure that the Kansas system is the most efficient and effective;
- Review the amount of the BSAPP and determine if the amount of SFA for school districts is sufficient to provide quality educational opportunities for Kansas children;

- Explore ways of decreasing LOB spending authority in conjunction with increases in the amount of the BSAPP, by adjusting any weighted component of the act, or by weighting any additional school district operation;
- Explore alternative funding sources; and
- Evaluate the state policy regarding qualification of educational programs for categorical state aid and whether entitlement formulas are equitable.

The Committee was required to be familiar with the activities of the Kansas Commission on Education Restructuring and Accountability and consult with the Commission and consider its reports and recommendations. (The Commission expired February 1, 1993.)

The Committee must make an annual report, including proposed legislation, concerning school finance and restructuring to the Legislature, the Governor, and the State Board of Education.

The SDFQP Committee expired on June 30, 1994.

PART IV—SCHOOL DISTRICT BONDS AND INTEREST STATE AID

School District Capital Improvements State Aid Program

A program newly enacted in 1992 provides state aid, based on an equalization concept, to school districts in making bond and interest payments. Eligibility for this state aid is contingent upon the district's general obligation bonds having been issued pursuant to approval of the electors by election*. The law creates the new School District Capital Improvements Fund in the State Treasury.

Each school year, any school district that is obligated to make payments from its bond and interest fund is entitled to receive state aid inversely to its assessed valuation per pupil (AVPP). The State Board of Education administers this program. Each year, the State Board determines each school district's AVPP**, rounded to the nearest \$1,000; determines the median AVPP of all districts in the state; assigns a percentage factor (called the "state aid computation percentage") to the median AVPP; and, for each \$1,000 of AVPP above or below the state median AVPP, changes the factor by 1.0 percentage point inversely to AVPP. The percentage assigned to a district is its "state aid percentage factor." A district's factor may not exceed 100.0 percent. The state aid computation factor is 5.0 percent for contractual bond obligations incurred by school districts prior to July 1, 1992 and 25.0 percent for contractual bond obligations incurred on or after July 1, 1992.

The school district's entitlement of state aid each year is determined by applying its state aid percentage factors (as applicable) to the bond and interest fund payment obligations for that year.

This program is funded by a demand transfer from the State General Fund to the School District Capital Improvements Fund. Each year, the State Board of Education certifies the school district entitlements under this program to the Director of Accounts and Reports who then executes the transfer. This demand transfer amount is exempted from across-the-board reductions based on executive orders designed to maintain a \$100 million State General Fund ending balance.

Aid payments are to be made at times determined by the State Board of Education to be necessary in order to assist school districts in making scheduled payments pursuant to contractual bond obligations.

* 1999 HB 2489, Sec. 7(i), limits these payments to bonds approved by the voters under KSA 72-6761, as amended. This provision applies only to FY 2000. 2000 House Sub. for SB 326, Sec. 35(b) contained this policy for FY 2001.

** Where Kansas Neighborhood Revitalization Act tax increment financing rebates are involved, the county clerk submits to the Commissioner of Education an adjustment (reduction) in the district's assessed valuation, determined by dividing the total of tax increment rebates paid by the district during the preceding 12 months by the total of the ad valorem levy rates of the district in the previous year.

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ATTACHMENT I

"PUPIL" DEFINED

- A person regularly enrolled in a district and attending kindergarten or any of grades 1-12 maintained by the district.
- A person regularly enrolled in a district and attending kindergarten or any of grades 1-12 in another district in accord with an agreement under KSA 72-8233, as amended.
- A person regularly enrolled in a district and attending special education services provided by the district for preschool-aged exceptional children.
- A preschool-aged at-risk pupil (as defined below).

EXCEPT AS PROVIDED BELOW, A PUPIL'S ATTENDANCE FULL-TIME IS TO BE COUNTED AS 1.0 PUPIL:

A pupil attending part-time is counted as that proportion of one pupil (to the nearest 1/10) that the pupil's attendance bears to full-time attendance, except that:

- A pupil attending kindergarten is counted as $\frac{1}{2}$ pupil.
- A pupil enrolled in and attending a postsecondary education institution that is authorized under Kansas law to award academic degrees is counted as 1.0 pupil if the pupil's enrollment and attendance together with the pupil's enrollment in grades 11 or 12 is at least $\frac{5}{6}$ time. Otherwise, the pupils concurrent (combined) enrollment is counted to the nearest 1/10 of full-time attendance.
- A pupil enrolled in and attending an area vocational school, area vocational-technical school, or approved vocational education program is counted as 1.0 pupil if the pupil's vocational education enrollment and attendance together with the pupil's attendance in any of grades 9-12 is at least $\frac{5}{6}$ time. Otherwise, the pupil's concurrent enrollment (combined) is counted to the nearest 1/10 of full-time attendance.
- A pupil enrolled in a district and attending special education services provided by the district, except special education services for preschool-aged exceptional children, is counted as 1.0 pupil.
- A pupil enrolled in a district and attending special education services provided by the district for preschool-aged exceptional children is counted as $\frac{1}{2}$ pupil.
- A pupil in the custody of the Secretary of Social and Rehabilitation Services and enrolled in USD 259 (Wichita) but who is housed, maintained, and is receiving educational services at the Judge James V. Riddel Boys Ranch is counted as 2.0 pupils.
- A pupil enrolled in a district but housed, maintained, and receiving educational services at a state institution may not be counted.

- A pupil residing at the Flint Hills Job Corps Center may not be counted.
- A pupil confined in and receiving educational services provided by a district at a juvenile detention facility may not be counted.

“PRESCHOOL-AGED AT-RISK PUPIL” DEFINED

- A preschool-aged at-risk pupil is an at-risk pupil who is 4 years old, is under the age of eligibility for attendance at kindergarten, and has been selected by the State Board of Education in accordance with guidelines consonant with guidelines for selection of pupils in head start programs. Participation is limited to 3,756 children in 2001-02 and to 5,510 children in the 2002-03 school year and thereafter.

A preschool-aged at-risk pupil enrolled in a district and receiving services under an approved at-risk pupil assistance plan maintained by the district is counted as 1/2 pupil.

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ATTACHMENT II

This Attachment contains the school reform elements of the 1992 School District Finance and Quality Performance Act. No changes were made in these provisions by the 1993 and 1994 legislatures. Major amendments occurred in 1995. For a description of the present law, see "Part II—School Reform," herein.

Quality Performance Accreditation System Required/Schedule for School Participation

The State Board of Education is directed to design and adopt a quality performance accreditation (QPA) system for Kansas schools. This system will be based upon goals for schools that are framed in measurable terms and will define the following outcomes:

- Teachers establish high expectations for learning and monitoring pupil achievement through multiple assessment techniques;
- Schools have a basic mission which prepares the learners to live, learn, and work in a global society;
- Schools provide planned learning activities within an orderly and safe environment which is conducive to learning;
- Schools provide instructional leadership which results in improved pupil performance in an effective school environment;
- Pupils have the communication skills necessary to live, learn, and work in a global society;
- Pupils think creatively and solve problems in order to live, learn, and work in a global society;
- Pupils work effectively both independently and in groups in order to live, learn, and work in a global society;
- Pupils have the physical and emotional well-being necessary to live, learn, and work in a global society;
- All staff engage in ongoing professional development; and
- Pupils participate in lifelong learning.

In the 1994-95 school year, at least one school in every school district must participate in the QPA system and in the 1995-96 school year, every school in every district must participate in the system. In order for a school district to continue to be eligible for general state aid in the 1996-97 school year and thereafter, a district must evaluate its progress toward achieving defined outcomes and submit an annual report thereon to the State Board of Education.

State Board of Education QPA System Standards in Mathematics, Science, Communications, and Social Studies

As part of the QPA program, the State Board of Education is required to develop outcomes, standards, and means of assessment for a minimum of three benchmark levels in grades kindergarten through 12 in the skills domains of mathematics, science, communication (reading, writing, speaking, and listening), and social studies (American history and geography). The standards must be established by July 1, 1993. They are required to be reviewed at least in three year intervals.

The State Board of Education was directed to engage consultative services in order to ensure that the academic standards the State Board established equaled or exceeded those of other states and other parts of the world and that higher order thinking skills were emphasized.

School Site Councils as Part of the QPA System

As part of the QPA system, each school in every district which operates more than one school must establish a school site council. The mandate does not apply in a school district in which there is only one school. In such a district, the board also serves as the council, but, in the alternative, the board may elect to establish a school site council. The council will provide advice and counsel in evaluating state, school district, and school site performance goals and objectives and in determining the methods that should be employed at the school site to meet those goals and objectives.

School site councils were required to be established by January 1, 1993. The membership of each council is determined at the school site level, but is required to include appropriate representation from among teachers and other school personnel, the principal, parents of pupils attending the school, the business community, and other community groups.

The State Board of Education will evaluate the work of the school site councils and their effectiveness in facilitating education improvement and restructuring and publish an evaluation report thereon as of July 1, 1995.

The statutory mandate for school site councils expires at the conclusion of the 1995-96 school year, unless extended by the 1996 Legislature.

Extension of the School Term

As of the 1991-92 school year, the law which established the minimum school term required for grades 1-11 a minimum of 180 six-hour days; for grade 12, a minimum of 175 six-hour days; and for kindergarten, a minimum of 180 two and one-half hour days. In the alternative, a school district could opt for a schedule based on a minimum number of

hours—1,080 hours for grades 1-11, 1,050 hours for grade 12, and 450 hours for kindergarten.

The law made the following changes:

- 1992-93 school year: grades 1-11, 181 six-hour days; grade 12, 176 six-hour days; and kindergarten, 181 two and one-half hour days. In addition to the minimum school term requirement, in connection with the school reform elements of the act, at least two days of inservice education for district personnel must be provided. (Hours alternative: grades 1-11, 1,086 hours; grade 12, 1,056 hours; and kindergarten, 452.5 hours.)

- 1993-94 school year: grades 1-11, 183 six-hour days; grade 12, 178 six-hour days; and kindergarten, 183 two and one-half hour days. In addition to the minimum school term requirement, in connection with the school reform elements of the act, at least three days of inservice education for district personnel must be provided. (Hours alternative: grades 1-11, 1,098 hours; grade 12, 1,068 hours; and kindergarten, 457.5 hours.)

- 1994-95 school year and thereafter: grades 1-11, 186 six-hour days; grade 12, 181 six-hour days; and kindergarten, 186 two and one-half hour days. No specific number of inservice days are specified beyond the minimum school term requirement. (Hours alternative: grades 1-11, 1,116 hours; grade 12, 1,086 hours; and kindergarten, 465 hours.)

ATTACHMENT III

Summary of State Level Tax Enhancements That Were Earmarked in the 1992 Legislature for Use as General State Aid to School Districts

Legislation enacted in 1993, effective beginning in FY 1993, eliminated the earmarking of the 1992 state revenue enhancements. Two FY 1993 transfers from the State General Fund to the SSDF, totaling \$170,005,000 were made under the original law.

Sales and Use Tax

Rate Increase. The statewide sales and compensating (use) taxes were increased from 4.25 percent to 4.90 percent, effective June 1, 1992, except that the rate increase did not apply to the furnishing of tangible personal property pursuant to certain written contracts for construction or improvements which were entered into prior to May 15, 1992.

Exemptions. The bill repealed six sales tax exemptions, effective June 1, 1992. The following previously exempt sales became taxable at the new 4.90 percent rate:

- Interstate telephone and telegraph services, except that an exemption is maintained for: certain wide area services entitling subscribers to an unlimited number of communications, certain private communications services entitling purchasers to exclusive or priority use of communications channels, certain value-added nonvoice services utilizing computer processing applications, certain telecommunication services purchased by providers of such services, and all such services and transactions among entities classified as members of an affiliated group;
- Residential intrastate telephone and telegraph services;
- Trade fixtures and equipment previously installed when sold by a person ceasing business; and
- Hotel and motel rooms rented for more than 28 consecutive days.

The following previously exempt sales became taxable at a 2.50 percent rate:

- Electricity, gas, and water consumed in the production or manufacture of tangible personal property*; and
- Original construction services, except that an exemption is maintained for: oil and gas wells, community housing development projects sponsored by nonprofit community housing development organizations, and certain services furnished in connection with written contracts entered into prior to May 15, 1992, if the contractors provide proof of the contracts to the Director of Taxation by July 10, 1992.

* In 1994, the Legislature reinstated the exemption for utilities consumed in the severing of oil.

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[NOTE: 1995 Legislation re-established these two exemptions.]

Implementation of Sales Tax Changes—Effect on Other Sales Tax Funded Programs

To assure that additional sales and use tax receipts attributable to the act were available for school finance, existing demand transfers from the State General Fund to the State Highway Fund (SHF), Local Ad Valorem Tax Reduction Fund (LAVTRF), and County-City Revenue Sharing Fund (CCRSF) were adjusted so that those funds would receive approximately the same amount of money as they would have received under prior law. The LAVTRF transfers based on CY 1992 sales and use tax receipts became 4.03 percent, and became 3.63 percent based on receipts in CY 1993 and each year thereafter. The CCRSF transfers based on CY 1992 sales and use tax receipts were 3.134 percent, and became 2.823 percent based on receipts in CY 1993 and each year thereafter. The last three quarterly transfers to the SHF in FY 1993 were 7.6 percent of sales tax receipts in the prior quarter, and all quarterly transfers beginning on July 1, 1993 were 7.628 percent. (The FY 1993 demand transfers to the LAVTRF, CCRSF, and SHF were further reduced pursuant to Sub. HB 3215.) Under prior law, LAVTRF transfers were 4.5 percent, CCRSF transfers were 3.5 percent, and SHF transfers were 10 percent.

Individual Income Tax

The bill also made a number of changes in the individual income tax structure. The option for taxpayers to pay under a different set of rates after deducting federal income taxes was repealed.

The new tax rates imposed for married taxpayers filing jointly were 3.50 percent on taxable income up to \$30,000, 6.25 percent on taxable income between \$30,000 and \$60,000, and 6.45 percent on taxable income in excess of \$60,000. These rates replaced the prior rates of 3.65 percent on taxable income up to \$35,000 and 5.15 percent on all taxable income in excess of \$35,000.

For all other individuals the new rates were 4.40 percent on taxable income up to \$20,000, 7.50 percent on taxable income between \$20,000 and \$30,000, and 7.75 percent on taxable income in excess of \$30,000. These rates replaced the prior rates for all other individuals of 4.50 percent on taxable income up to \$27,500 and 5.95 percent on taxable income in excess of \$27,500.

[1997 legislation equalizes over a four-year period the individual income tax rates for all other filers with the rates imposed on married individuals filing jointly. 1998 Legislation accelerated this process, so that equalization was achieved for tax year 1998.]

Corporation Income Tax

The corporation income tax rates also were adjusted. The base rate was lowered from 4.5 percent to 4.0 percent, the surtax was increased from 2.25 percent to 3.35 percent, and the level at which the surtax became effective was increased from \$25,000 of taxable income to \$50,000.

ATTACHMENT IV

Summary of State Aid Formulas in 1992 Senate Sub. for Senate Sub. for House Bill No. 2892 and 1992 House Bill No. 2835, As Amended Through 2002

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Formula for Computing General State Aid

State Financial Aid^(a) minus Local Effort^(b) equals General State Aid

a) State Financial Aid is BSAPP⁽¹⁾, i.e., \$3,890 per pupil times adjusted enrollment. The \$3,890 figure is adjusted by the State Board if appropriations are insufficient to fully fund entitlements. Adjusted enrollment includes the regular enrollment count of "pupils," using the greater of the number of pupils in the preceding or current school year, or the three-year average⁽²⁾, plus pupil weighting amounts as follows:

Category	Weighting
Transportation	Based on density/cost analysis for prior year and number of pupils in the district transported 2.5 miles or more in current year
Low Enrollment	Under 1,725, based on 1991-92 linear transition schedule
Correlation	1,725 and over—0.063211
Special Education and Related Services	State special education aid divided by BSAPP
Vocational	0.5
Bilingual	0.2
At-Risk	0.09
School Facilities	0.25, two years only, students in new facility
Ancillary School Facilities	Levy amount approved by SBOTA divided by BSAPP

b) Sum of minimum mill levy amount, balances in the general fund, balances in the program weighted funds (vocational, transportation, and bilingual education), special education and related services state aid, proceeds of general fund and transportation and levies under the former school finance law, port authority and revenue bond in lieu of tax payments, mineral production tax receipts, and motor vehicle, recreational vehicle, and rental/lease vehicle tax receipts (all phased out in FY 2000), nonresident student tuition, and 75.0 percent of federal impact aid in accord with federal law and regulations.

⁽¹⁾ P denotes base state aid per pupil.
⁽²⁾ If applicable, a four-year average in the second school year following the school year in which a disaster occurred which adversely affected enrollment.

Formula for Computing Supplemental General State Aid for the Local Option Budget (LOB)

District AVPP⁽¹⁾ (Prior Year) Subtracted from 1.0 times District LOB equals Supplemental General State Aid

Notes:

District imposes a property tax to fund the balance of the LOB for which general state aid or other local revenues are not available.

1) AVPP denotes assessed valuation per pupil.

Bonds and Interest State Aid

District Bond and Interest Payment Obligation for School Year times State Aid Percentage Factor^(a) equals Capital Improvements State Aid

a) Based on formula which provides state aid for school district capital improvements inversely to the AVPP⁽¹⁾ of school districts. A state aid computation percentage factor is assigned to the median AVPP of all of the school districts. This factor is 5.0 percent for contractual bond and interest obligations prior to July 1, 1992 and 25.0 percent for contractual bond and interest obligations on July 1, 1992 and thereafter. This state aid computation factor is increased or decreased by one percentage point for each \$1,000 in AVPP of a district above or below the median. The local property tax is used to defray the balance of the district's bond and interest obligation.

1) AVPP denotes assessed valuation per pupil.

ATTACHMENT V

SCHOOL FINANCE ESTIMATES

2002-03 School Year
(FY 2003)

Amounts in
Millions

Base Budget

State Financial Aid (USD General Fund) @ \$3,890 BSAPP	\$ 2,489.4 ^(a)
Less:	
Local Resources	665.6
Equals	
General State Aid (Estimated)	\$ 1,823.8
From State General Fund	1,801.0
From Children's Initiatives Fund	4.5 ^(b)
From State School District Finance Fund	18.3

Local Option Budget

Local Option Budget	\$ 517.2
Less	
Supplemental General State Aid from State General Fund	125.9 ^(c)
Equals	
Local Resources Requirement	391.3

Exhibit:

School District Capital Improvements Fund (Bond and Interest Payments)	\$ 45.1 ^(d)
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- a) Includes \$247.0 million special education state aid passed through the school district general fund.
- b) Excludes \$3.8 million of estimated excess local effort and \$14.5 million in ancillary school facility tax levy remittances shown on the table as General State Aid from the State School District Finance Fund.
- c) Estimated amount, no limit appropriation.
- d) Amount appropriated, amount is estimated to be \$3.7 million below formula calculation.

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June 4, 2002

AMENDMENTS TO THE 1992 SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE ACT AND THE 1992 SCHOOL DISTRICT CAPITAL IMPROVEMENTS STATE AID LAW (FINANCE FORMULA COMPONENTS)

This memorandum provides a chronology of the main amendments to two 1992 school finance enactments. Another Legislative Research Department memorandum describes in some detail the principal features of both of these laws.

SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE ACT

Primary Funding Program

State Financial Aid (SFA)

Base State Aid Per Pupil (BSAPP). A 1993 amendment, applicable beginning in the 1992-93 school year, provides that if appropriations in any school year for general state aid to school districts are not sufficient to pay districts' computed entitlements, the State Board of Education will reduce the Base State Aid Per Pupil to the amount necessary to match general state aid entitlements of districts with the amount of general state aid that is available. Following is a history of BSAPP:

<u>School Year</u>	<u>BSAPP</u>
1992-93	\$ 3,600*
1993-94	3,600
1994-95	3,600
1995-96	3,626
1996-97	3,648
1997-98	3,670
1998-99	3,720
1999-00	3,770
2000-01	3,820
2001-02	3,870
2002-03	3,890

* In 1992-93, some school districts did not benefit fully from BSAPP at \$3,600. In that year, SFA was the lesser of "formula" SFA or "transitional" SFA. Formula SFA was the district's BSAPP times its adjusted enrollment, and transitional SFA was the district's 1991-92 operating budget plus its state transportation, bilingual education, and vocational education aid and the proceeds of any 1991 transportation tax levy, the sum of which was increased by 10 percent plus the percentage equivalent to any enrollment increase in 1992-93 over 1991-92.

Definition of the Term "Pupil." A 1993 amendment provided that a pupil enrolled in grade 11 who concurrently is enrolled in a school district and a postsecondary education institution is counted as one full-time equivalent (FTE) pupil if the school district and postsecondary enrollment is at least five-sixths time. Otherwise, the combined enrollment is determined to the nearest one-tenth of full-time enrollment. (Under prior law, only pupils in grade 12 who were involved in concurrent enrollment were counted as one FTE if their combined enrollment was at least five-sixths time.)

In 1994, an amendment specified that the term "pupil" *excludes* pupils who reside at the Flint Hills Job Corps Center and pupils confined in and receiving services provided by a school district at a juvenile detention facility. School districts receive funding under a different law for providing educational services to children in these facilities. The district receives the lesser of two times BSAPP or actual costs of the education services provided. Subsequent legislation has expanded this exclusion from coverage under the general school finance law, as follows:

- 1995 The Forbes Juvenile Attention Facility was added to the legislation that applies to the Flint Hills Job Corps Center and juvenile detention facilities.
- 1999 An amendment added the term "juvenile detention facility" and defined it to include any community juvenile corrections center or facility, the Forbes Juvenile Attention Facility and four newly designated facilities: Sappa Valley Youth Ranch of Oberlin, Parkview Passages Residential Treatment Center of Topeka, Charter Wichita Behavior Health System, L.L.C., and Salvation Army/Koch Center Youth Services.
- 2000 An amendment deleted from the listing two facilities that had been added in 1999 due to their closure and added six new ones. Facilities added to the listing were the Clarence M. Kelly Youth Center, Trego County Secure Care Center, St. Francis Academy at Atchison, St. Francis Academy at Ellsworth, St. Francis Academy at Salina, and St. Francis Center at Salina. The two facilities deleted were the Parkview Passages Residential Treatment Center of Topeka and Charter Wichita Behavior Health System, L.L.C.
- 2001 An amendment added three new facilities: Liberty Juvenile Services and Treatment (Wichita USD 259), King's Achievement Center (Goddard USD 265), and Clarence M. Kelly Transitional Living Center (Topeka USD 501).
- 2002 An amendment modified the definition of the term "juvenile detention facility" to mean:
 - a secure public or private facility, but not a jail, used for the lawful custody of accused or adjudicated juvenile offenders;
 - a level VI treatment facility licensed by the Kansas Department of

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Health and Environment which is a psychiatric residential treatment facility for individuals under the age of 21, and which conforms with the regulations of the Centers for Medicare/Medicaid Services and the Joint Commission on Accreditation of Health Care Organizations governing such facilities; and

- a facility specifically identified in the statute (no new facilities were added to the listing by the 2002 Legislature).

A 1998 amendment added to the definition of the term "pupil" preschool-aged at-risk pupils who are enrolled in the district and are receiving services under an approved at-risk pupil assistance plan maintained by a school district. Such a pupil is counted as 0.5 FTE in the district. Preschool aged at-risk pupils are four-year-olds who have been selected by the State Board of Education in accord with guidelines consonant with those governing selection of pupils for participation in the Head Start program. The 1998 legislation authorized the State Board to select not more than 1,350 pupils to be counted in any school year. A 1999 amendment expanded the program to serve up to 1,794 pupils; a 2000 amendment expanded the program to serve up to 2,230 pupils; and a 2001 amendment expanded the program to serve up to 3,756 pupils in 2001-02 and 5,500 pupils in 2002-03 and thereafter.

Decreasing Enrollments. A 1993 amendment provided that when the enrollment in the current school year had decreased from the preceding school year, a district could add to its enrollment for the current school year one-half of the number of pupils by which the enrollment in the current school year had decreased from the enrollment in the preceding school year, provided that no adjustment was made for decreases in enrollment in the current school year that exceeded 4 percent of the enrollment in the preceding school year. This provision became effective for the 1993-94 school year.

1997 legislation, which replaced the 1993 enactment, provided that a district in which enrollment has decreased from the preceding school year would use the enrollment of the preceding school year. Under this provision, the low enrollment and correlation weights of the preceding year are used. All other weights are determined on a current year basis.

1999 legislation added a new condition applicable to districts that are experiencing enrollment decreases. The average of the sum of the enrollment for the current school year and for the two immediately preceding school years will be used in determining the district's general fund budget when the enrollment so determined is greater than the enrollment in either the current or the immediately preceding school year. (The low enrollment and correlation weights of the previous year are used. All other weights are determined on a current year basis.) The 1999 amendment also included technical changes to assure that any preschool aged at-risk four-year-old pupils receiving service under this law are treated only as an add-on based on the current year's enrollment of such pupils.

2002 legislation provides that, if the State Board of Education determines that the enrollment of a school district in the preceding school year had decreased from the enrollment in the second preceding school year and that a disaster had contributed to the decrease, the enrollment of the district in the second school year following the disaster will be determined on the basis of a four-year average of the current school year and the

preceding three school years, adjusted for the enrollment of pre-school aged at-risk pupils in those years, except that the enrollment decrease provisions of the general law apply if they are more beneficial to the district than the four-year average. For this purpose "disaster" means the occurrence of widespread or severe damage, injury, or loss of life or property resulting from flood, earthquake, tornado, wind, storm, drought, blight, or infestation.

(For discussion of special one-year exceptions, see "Miscellaneous" heading.)

Operating Expenses. A 1994 amendment excluded from the definition of the term "operating expenses" expenditures for which the district receives state reimbursement grants for the provision of educational services for pupils residing at the Flint Hills Job Corps Center or confined in juvenile detention facilities. A 1999 amendment expanded the listing of facilities to which this provision applies to include the Forbes Juvenile Attention Facility, Sappa Valley Youth Ranch of Oberlin, Parkview Passages Residential Treatment Center of Topeka, Charter Wichita Behavior Health System, L.L.C., and Salvation Army/Koch Center Youth Services. A 2000 amendment added six and deleted two facilities from this listing. Those added were: Clarence M. Kelly Youth Center, Trego County Secure Care Center, St. Francis Academy at Atchison, St. Francis Academy at Ellsworth, St. Francis Academy at Salina, and St. Francis Center at Salina. Those deleted (due to closure) were the Parkview Passages Residential Treatment Center of Topeka and Charter Wichita Behavior Health System, L.L.C. A 2001 amendment added Liberty Juvenile Services and Treatment (Wichita USD 259), King's Achievement Center (Goddard USD 265), and Clarence M. Kelly Transitional Living Center (Topeka USD 501). A 2002 amendment deleted the statutory listing under this provision of the law and replaced it with a reference to the definition of "juvenile detention facility" contained in the main definition section of the school finance law (KSA 2001 Supp. 72-6407, as amended).

Low Enrollment Weight. A 1995 amendment changed application of the low enrollment weight from all school districts with under 1,900 enrollment to all districts under 1,800 enrollment, to be phased in over a four-year period, as follows: under 1,875 in 1995-96, 1,850 in 1996-97, 1,825 in 1997-98, and 1,800 in 1998-99 and thereafter. A 1997 amendment accelerated the foregoing schedule so that as of July 1, 1997, the low enrollment weight provision was applicable to school districts with under 1,800 enrollment. The law since has been amended in both 1998 and 1999. (See table below.)

<u>School Year</u>		<u>Low Enrollment Weight Threshold</u>
1992-93	under:	1,900
1993-94		1,900
1994-95		1,900
1995-96		1,875
1996-97		1,850
1997-98		1,800
1998-99		1,750
1999-00		1,725
2000-01		1,725
2001-02		1,725
2002-03		1,725

The formula for computing the low enrollment weight for those districts to which the weight applies has not changed. (For districts of 1,725 to 1,899 enrollment, low enrollment weight was replaced by the "new" correlation weight (discussed below).)

Correlation Weight. A 1995 amendment added the "correlation weighting" pupil weight. This provision was to be phased in over a four-year period, as follows: in 1995-96, the weight was available to all districts with enrollments of 1,875 or more; in 1996-97, to districts of 1,850 or more; in 1997-98, to districts of 1,825 or more; and in 1998-99, to districts of 1,800 or more. The law also provided that if in any year the appropriation of general state aid was insufficient to fully fund the BSAPP, taking into account the correlation weight step scheduled for implementation in that year, only the portion of the correlation weight step would be implemented that could be accomplished without prorating the BSAPP. That point on the implementation schedule was to serve as the reference point in the next year for continuing the correlation weight implementation process. Each "regular" implementation step was designed to lower the threshold to apply to school districts having 25 fewer FTE pupils than in the preceding school year. The process was to continue until the correlation weight applied to all districts with 1,800 or more enrollment.

If the correlation weight had been phased in over a four-year period in four equal steps, the weight would have been 0.9031 percent of BSAPP in 1995-96, 1.8062 percent in 1996-97, 2.7090 percent in 1997-98, and 3.6121 percent in 1998-99 and thereafter.

(Under prior law, districts with 1,900 enrollment and over received no low enrollment weight. Districts with between 1,800 and 1,900 enrollment received low enrollment weight ranging down as enrollment increased from 3.6121 percent to 0.0362 percent. As the correlation weight factor was phased in, these districts received the correlation weight instead of the low enrollment weight.)

1997 legislation accelerated the correlation weight implementation schedule so that the provision was fully implemented in the 1997-98 school year. That meant that the correlation weight applied at the 3.6121 percent rate to all districts having enrollments of 1,800 or more beginning in the 1997-98 school year. The correlation weight factor was modified by both the 1998 and 1999 Legislatures. A 1998 amendment applied the correlation weight factor to all school districts with 1,750 and over enrollment, beginning in

the 1998-99 school year and the 1999 amendment applied the correlation weight factor to all school districts with 1,725 and over enrollment, beginning in 1999-2000. A history of correlation weight adjustment is shown below.

<u>School Year</u>	<u>Correlation Weight Threshold</u>	<u>Correlation Weight (Percent)</u>
1992-93	none	0.0
1993-94	none	0.0
1994-95	none	0.0
1995-96	1,875 and over	0.9031
1996-97	1,850	1.8062
1997-98	1,800	3.6121
1998-99	1,750	5.4183
1999-00	1,725	6.3211
2000-01	1,725	6.3211
2001-02	1,725	6.3211
2002-03	1,725	6.3211

At-Risk Pupil Weight. A 1997 amendment increased the at-risk pupil weight from 0.05 to 0.065, commencing with the 1997-98 school year. A 1998 amendment increased this weight to 0.08, commencing with the 1998-99 school year, a 1999 amendment increased the weight to 0.09 commencing with the 1999-2000 school year, and a 2001 amendment increased the weight to 0.10 in 2001-02 and thereafter. The 2001 amendment also directed that an amount equal to 0.01 be used by the district for achieving mastery of basic reading skills by completion of the third grade in accordance with standards established by the State Board of Education. A school district must include information in its at-risk pupil assistance plan as the State Board of Education requires regarding the district's remediation strategies and its results in achieving the State Board's third grade reading mastery standards. A school district's report must include information documenting remediation strategies and improvement made by pupils who performed below the expected standard on the State Board's second grade diagnostic reading test. A school district whose third grade pupils substantially meet the State Board standards for mastery of third grade reading skills, upon request, may be released by the Board from the requirement to dedicate a specific portion of the at-risk weight to this reading initiative.

<u>School Year</u>	<u>At-Risk Pupil Weight (Percent)</u>
1992-93	5.0
1993-94	5.0
1994-95	5.0
1995-96	5.0
1996-97	5.0
1997-98	6.5
1998-99	8.0
1999-00	9.0
2000-01	9.0
2001-02	10.0*
2002-03	10.0*

* 1.0 percent is targeted at mastery of third grade reading skills.

Ancillary School Facilities Weight. A 1997 amendment provides, beginning in 1997-98, an amount equal to the levy approved by the State Board of Tax Appeals (SBOTA) to defray costs associated with commencing operation of a new facility is converted to a pupil weight called "ancillary school facilities weighting," this weight to be calculated each year by dividing the amount of the levy authority approved by SBOTA by BSAPP.

The school district levies a property tax for the amount approved by SBOTA. See "New School Facilities—Special Taxing Authority" (page 15). The proceeds of the tax levy are forwarded to the State Treasurer who credits the money to the State School District Finance Fund (SSDFF). Effectively, there was no change in the previous policy that this element of new facilities spending authority be supported entirely by the property taxpayers of the school district. The main differences are that the spending authority becomes a part of the school district general fund rather than additional LOB authority and the proceeds of this school district tax levy are credited to the SSDFF rather than to the district's supplemental general fund.

Special Education and Related Services Weight. A 2001 provision directed that the amount of state special education services categorical aid a school district receives during the current school year be converted to a pupil weighting for purposes of determining the State Financial Aid of a school district (the school district's general fund budget). This is accomplished by dividing the amount of state special education services aid the district receives by BSAPP and treating the result as an additional number of weighted pupils of the district. In turn, an amount equal to the amount attributable to the weighting is defined as "local effort" and, therefore, as a deduction in computing the general state aid entitlement of the district.

The amount of state special education services aid the district receives is deposited in the school district general fund and is then transferred to the district's special education fund. This procedure, which increases the size of a school district's general fund budget for purposes of the LOB calculation, was especially beneficial to school districts which sponsored a special education cooperative, as it was the sponsoring district that received state special education services aid distribution. This change in law did not benefit the other

districts in the cooperative nor did it benefit districts in a special education interlocal agreement, as the state special education services aid was paid to the interlocal and not to any of the individual school districts.

2002 legislation provided that each school district which had paid amounts for special education and related services pursuant to a special education cooperative agreement or a special education interlocal agreement was entitled to special education services aid in proportion to the amount paid by the district in the current school year for the provision of special education and related services to the aggregate of all amounts paid by all school districts participating in the interlocal or cooperative entity in the current school year.

Local Effort

A 1993 amendment clarified that any tuition a school district receives for enrollment of a nonresident student for "regular" education services is to be deposited in the school district general fund and treated as a portion of the district's "local effort." (This provision became effective for the 1992-93 school year.)

1995 legislation phases out the school district general fund budget participation in motor vehicle tax distributions over the period of FY 1996 through FY 2000.

A 1997 amendment provided that 75.0 percent (rather than 100.0 percent) of the federal Impact Aid that may be counted as local effort under the state's school finance law will be so counted. An exception was that the deduction remained at 100.0 percent for the Fort Leavenworth school district. A 1999 amendment reduced to 75.0 percent the Impact Aid deduction for the Fort Leavenworth school district. An amount equal to the federal impact aid not subject to deduction as local effort may be credited to any program weighted fund, categorical fund, or to the capital outlay fund.

A 2001 amendment directs that state aid a school district receives for special education services, including aid under the catastrophic special education aid program, is treated as local effort. (This was added in connection with the 2001 special education and related services weight described above.)

General Fund Property Tax Rate

A 1994 amendment set the school district general fund property tax rate applicable for the 1994-95 and 1995-96 school years at 35 mills. (The 35 mill tax rate in 1994-95 and 1995-96 was not a change in policy from the previous law, except that under the previous law, the 35 mill rate would have continued from year to year until changed by the Legislature. Rather, the amendment responded to the opinion of the Shawnee County District Court in the school finance litigation in which the judge interpreted the former property tax levying provision to constitute a "state" property tax levy. As such, the tax could not be imposed for a period in excess of two years. This finding was not contested before the Kansas Supreme Court in the school finance litigation that on December 2, 1994, upheld the constitutionality of 1992 and 1993 school finance legislation.)

A 1996 amendment set the school district general fund property tax rate at 35 mills for the 1996-97 school year and 33 mills for the 1997-98 school year. The legislation further specified that this rate could not exceed 31 mills for the 1998-99 school year.

A 1997 amendment modified the 1996 legislation (described above) by setting the school district general fund property tax rate for the 1997-98 and 1998-99 school years at 27 mills in each year. This legislation also provided for exemption of \$20,000 of the appraised valuation of residential property from application of that levy.

A 1998 amendment set the school district general fund property tax rate for the 1998-99 and 1999-2000 school years at 20 mills in each year. Also exempted from application of this levy for the two-year period was \$20,000 of the appraised valuation of residential property. A 1999 amendment extended the 20 mill uniform tax rate and the \$20,000 residential property tax exemption to the 2000-01 school year, and a 2001 amendment extended these provisions to the 2001-02 and 2002-03 school years.

History of Uniform General Fund Mill Rate

<u>Tax Year</u>	<u>Rate (Mills)</u>
1992	32
1993	33
1994	35
1995	35
1996	35
1997	27*
1998	20*
1999	20*
2000	20*
2001	20*
2002	20*

* Plus \$20,000 residential property appraised valuation exemption.

Contingency Reserve Fund

A 1993 amendment increased the statutory maximum cap on the contingency reserve fund from 1.0 percent to 2.0 percent of the general fund budget. Further, the 1993 amendment provided that if the amount in the contingency reserve fund of a district exceeded the cap due to a decrease in enrollment, the district could maintain the "excess amount" in the contingency reserve fund until the amount is depleted by expenditures from the fund.

A 1995 amendment increased the contingency reserve fund cap from 2.0 percent to 4.0 percent. Also, the restraints on school district use of the contingency reserve fund were

relaxed somewhat. Under the prior law, in order to tap this fund, the expenditure had to be for a financial emergency or contingency that could not reasonably have been foreseen at the time the general fund budget of the district was adopted. The new standard for expenditures for the fund is that expenditures must be attributable to financial contingencies not anticipated when the general fund budget was adopted.

A 2002 amendment removed the restriction that expenditures from this fund be attributable to financial contingencies not anticipated when the general fund budget was adopted, leaving to the school board the matter of determining when a financial contingency exists prompting expenditures from this fund.

Special Funds

A 1993 amendment added the new summer program fund to the statutory listing of "categorical" funds. (This was done in connection with legislation that authorized school districts, under certain circumstances, to charge fees for summer programs.)

A 1994 amendment added the new extraordinary school program fund to the statutory listing of "categorical" funds. (This was done in connection with provisions of 1994 HB 2553 which authorized school districts to implement extraordinary school programs and, under certain circumstances, to charge fees for them.)

Funding For Districts Formed by Disorganization and Attachment and by Districts Formed by Consolidation

The 2002 Legislature provided, effective commencing with the 2001-02 school year and prior to July 1, 2004, that a school district which was enlarged due to disorganization of one district and its attachment to the enlarged district would be entitled to State Financial Aid (school district general fund budget) in the current school year equal to the State Financial Aid of the districts as they were defined in the year preceding the disorganization and attachment. For the next three school years, the district will be entitled to the amount of State Financial Aid it received in the preceding year under this provision or the amount of State Financial Aid the district would receive under operation of the school finance formula in that year, whichever was greater.

If the attachment occurred on or after July 1, 2004, the district would receive the State Financial Aid of the districts for the year in which the attachment was implemented. For the next school year, the State Financial Aid of the district would be the greater of the amount the district received in the preceding year or the amount the district would receive under operation of the school finance formula in that year. These provisions applied only when all of the territory of the district being disorganized was attached to one other district.

Amendments also applied this method of determining State Financial Aid to districts which consolidate.

The basic concept contained in the legislation was enacted by the 1999 Legislature and was applied to districts that merged through consolidation. The 2002 legislation extended the concept to a school district which was enlarged due to disorganization of a

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district and attachment of its territory to another district and enhanced somewhat the financial incentives for disorganization and attachment or consolidation. (2002 SB 551, Sec. 1)

State Funding Sources—General State Aid

A 1993 amendment eliminated (effective beginning in the 1992-93 school year) the requirement that the enhanced sales and income taxes imposed by the 1992 school finance legislation be treated as a demand transfer from the State General Fund to the State School District Finance Fund (SSDFF) for school district general state aid. (Under the original provision, two of three transfers scheduled for FY 1993, totaling \$170,005,000, were made from the State General Fund to the SSDFF before the provision was repealed.)

See also, "Ancillary School Facilities Weight," (page 5) and "New School Facilities—Special Taxing Authority," (page 11) for a discussion of certain school district property tax levy proceeds that are deposited in the SSDFF and used for general state aid.

Appropriation action by the 2000 Legislature (Senate Sub. for HB 2513, Sec. 60(j)) directed the expenditure of \$1.0 million from the Children's Initiative Fund (tobacco money) for general state aid to fund a portion of four-year-old at-risk enrollment under the school finance law. The 2001 Legislature increased this funding to \$4.5 million in 2001-02. The 2002 Legislature maintained funding at \$4.5 million for FY 2003.

Local Option Budget (LOB)/Supplemental General State Aid

Disposition of Money Remaining in the Supplemental General Fund at the End of the School Year. The 1992 legislation provided that any money remaining in the supplemental general fund at the end of the school year would be transferred to the school district general fund. A 1993 amendment, effective beginning in 1992-93, revised this provision of the law as follows:

- If the district received no supplemental general state aid for its LOB in the current school year and if the district is authorized to adopt an LOB in the ensuing school year, the cash balance remaining in the supplemental general fund at the end of the school year must be maintained in that fund or transferred to the general fund. However, if the district is not authorized to adopt an LOB in the ensuing school year, the cash balance in the supplemental general fund must be transferred to the district's general fund.
- If the district received supplemental general state aid in the current school year, transferred or expended the entire amount of the budgeted LOB for the school year, and is authorized to adopt an LOB in the ensuing school year, the cash balance remaining in the supplemental general fund must be maintained in that fund or transferred to the general fund. However,

if the district is not authorized to adopt an LOB in the ensuing year, the total cash balance remaining in the supplemental general fund must be transferred to the general fund.

- If the district received supplemental general state aid in the current school year, did not transfer or expend the entire amount budgeted in the LOB for the school year, and is authorized to adopt an LOB in the ensuing school year, the State Board will determine the ratio of the amount of supplemental general state aid received to the amount of the district's LOB for the school year and multiply the total amount of cash balance remaining in the supplemented general fund by that ratio. An amount equal to the amount of the product must be transferred to the general fund of the district. The amount remaining in the supplemental general fund will be maintained in that fund or transferred to the general fund. However, if the district is not authorized to adopt an LOB in the ensuing school year, the total amount of the cash balance remaining in the supplemental general fund must be transferred to the general fund.

LOB "Cap." A 1995 amendment deleted the provision of law which required that the LOB maximum percentage, *i.e.*, 25 percent of SFA (the base budget), be reduced by the same number of percentage points by which BSAPP was increased.

"Subsequent" LOB Resolutions. A 1996 amendment provided that a school district board that has adopted an initial LOB resolution at some percentage less than the maximum authorized by law (25 percent of SFA) is authorized to adopt any number of subsequent resolutions so long as, in total, the percentages authorized in the resolutions do not exceed the maximum percentage authorized by law and do not extend beyond the duration of the initial resolution. (The previous law permitted only one additional resolution during the duration of the initial resolution.)

LOB—Lease-Purchase Expenditure Limitations. Another 1996 amendment prohibited a school district board of education from making LOB expenditures or transfers to the district's general fund for any lease-purchase agreement involving acquisition of land and buildings under K.S.A. 72-8225, as amended.

LOB Authority—Limited One-Year Extension for Certain School Districts. Another 1996 amendment applied to any school district that had adopted an LOB for the 1996-97 school year and which in order to adopt an LOB for the next school year would be required to adopt a new LOB resolution subject to the protest petition/election provisions of the then existing law. Any such district, by a majority vote of its board, was authorized to adopt an LOB for the 1997-98 school year in an amount not in excess of the percentage of SFA that the district's LOB resolution authorized the board to adopt in 1996-97. (Another amendment to the same section of law limited the 1997-98 extension authority to 75 percent of the 1996-97 LOB authorization. School boards were permitted to operate under either of these two authorizations.)

LOB Authority—Provisions for Permanent Authority and Other Changes. Legislation enacted in 1997 made numerous changes in the law concerning LOB authority;

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however, such authority continues to be subject to a limitation of 25.0 percent of a school district's general fund budget.

Beginning in 1997-98, 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. (If the district's budget per pupil exceeds the average for the enrollment grouping, this procedure does not apply.)
- The product (of multiplying the district's budget per pupil difference by FTE enrollment) 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.

If a district was authorized to adopt and did adopt an LOB in 1996-97 and qualifies for LOB authority as a "below average spending" district, calculated as described above, the LOB percentage of the district is the sum of the LOB percentage the district was authorized to budget in that year and the percentage for which the district qualifies under the formula. If the district was not authorized to adopt an LOB in 1996-97, the district qualifies for the LOB authority calculated under the formula. In subsequent years, the district's LOB authority is calculated in the same manner as applies to a district that had an LOB in 1996-97 and that also qualified for LOB authority as a "below average spending" district.

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

For the grouping of school districts with enrollments under 100, the average FTE amount is the average amount for school districts having enrollments of 75-125; for the grouping of school districts with enrollments of 100-299.9, the average FTE amount is 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 is 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; and for the grouping of school districts with enrollments of 1,800 and over, the average FTE amount is the average amount for all such districts.

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.

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 additional LOB authority under that formula applies in determining the total LOB authority of the district.

As an alternative to the procedures described above, a school district board of education may adopt a resolution for a specified LOB percentage that is subject to a 5.0 percent protest petition election. In the resolution the board will specify the number of years for which the LOB authority is sought. (Under prior law, the duration of a resolution could not exceed four years.) Subsequent resolutions to increase this authority (always subject to the aggregate 25.0 percent cap) also are authorized. The duration of subsequent resolutions may not exceed that of the original resolution.

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.

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:

- A school district board of education may seek authority for continuous and permanent LOB authority, in which case, 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 district opts to submit the question directly to the electors and the question is lost, the matter may not be submitted to the electors again for a period of nine months.

When 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.

These provisions do not apply to a district that already has continuous and permanent authority to increase its LOB.

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, may continue to operate under the resolution until its expiration or abandon the resolution and operate under the new provisions of the bill.

Supplemental General State Aid Calculation Adjustment. A 1997 provision directed that, for the purpose of computing supplemental general state aid entitlements, the measure of school district assessed valuation is adjusted to net out assessed valuation attributable to Kansas Neighborhood Revitalization Act tax increment financing rebates paid by school districts. To accomplish this, the county clerk certifies annually the assessed valuation adjustment to the Commissioner of Education. The adjustment is determined by dividing the total of the tax increment rebates paid by the district during the preceding 12 months by the total of the ad valorem levy rates of the district in the previous year.

New School Facilities—Special Taxing Authority

New School Facilities—Special Taxing Authority for Operations. A 1993 amendment permitted a school district to seek approval from the State Board of Tax Appeals (SBOTA) for authority to levy a property tax to pay certain costs associated with commencing operation of new school facilities. In order to seek this authority, the school district must have begun operation of one or more new school facilities in the preceding or current school year, or both; have adopted the maximum 25 percent LOB; and have had an enrollment increase in each of the last three school years (preceding the current school year) which averages 7 percent or more. A 1995 amendment replaced this enrollment increase standard with the standard that the district must be experiencing extraordinary enrollment growth, as determined by the State Board of Education.

Under the procedure, the school district applies to SBOTA for authority to levy a property tax for an amount equal to the cost of operating the new facility that is not financed from any other source provided by law. (This amount could be adjusted for any year to reflect the inapplicability in that year of the school facilities weighting adjustment.) SBOTA may authorize the district to levy an amount not in excess of the costs attributable to commencing facility operation above the amount provided for this purpose under the school finance law. The separate tax levying authority is for a period of not to exceed two years. A 1997 amendment provided that, rather than depositing proceeds of this tax levy in the school district's supplemental general fund and budgeting them in the LOB as an addition to the maximum amount that otherwise is budgeted in the LOB, the proceeds would be forwarded to the State Treasurer who would credit the money to the SSDFF. The State Board of Education then converts the amount of the levy authorized by SBOTA to an ancillary school facilities weight for the district. (See "Ancillary School Facilities Weight," page 5.)

School districts may continue the tax levying authority beyond the initial two-year period 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 the amount 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. A 1997 amendment specified that the amount of this levy authorization, forwarded to the State Treasurer and credited to the SSDFF, produces ancillary school facilities weight for the district.

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SCHOOL DISTRICT BOND AND INTEREST STATE AID PROGRAM

School District Capital Improvements State Aid Program

A 1993 amendment clarified the law by specifying that the entitlement of state aid to assist school districts in making bond and interest payments is contingent upon the district's general obligation bonds having been issued pursuant to approval of the electors by election.

A 1997 provision directed that for the purpose of computing bond and interest state aid entitlements, the measure of school district assessed valuation is adjusted to net out assessed valuation attributable to Kansas Neighborhood Revitalization Act tax increment financing rebates paid by school districts. To accomplish this, the county clerk certifies annually the assessed valuation adjustment to the Commissioner of Education. The adjustment amount is determined by dividing the total of the tax increment rebates paid by the district during the preceding 12 months by the total of the ad valorem levy rates of the district in the previous year.

A proviso added to 1999 HB 2489, Sec. 7(i), with respect to appropriations for FY 2000, specified that bond and interest state aid payments may be made only for payment of general obligation bonds approved by the voters under K.S.A. 72-6761. (This was intended to exclude payments for bonds issued under K.S.A. 12-1769 for joint city-school purposes.)

MISCELLANEOUS

FY 1993 Special Appropriation Lapse Provision. 1993 H. Sub. for SB 437 contained a lapse of \$9,569,870 in an appropriation of the 1992 Legislature for general state aid. However, an attached proviso was that if the sum of the 1992-93 local effort and remittance to the SSDFF were less than \$892,613,000, the State Finance Council could restore the difference between the actual amount and the forgoing sum to the extent of the amount of the lapse. (The sum of the 1992-93 local effort and remittance totaled \$914.4 million.)

1993-94 Special Enrollment Adjustment Due to Flooding. 1994 HB 2768 provided that for the purpose of determining "enrollment" and "adjusted enrollment" of the Elwood (USD 486), Wathena (USD 406), and Kaw Valley (USD 321) school districts in the 1993-94 school year, the greater of such enrollments determined on September 20, 1992, or September 20, 1993, would be used. This provision responded to the devastating impact of the flooding in these communities during the summer of 1993. The notion was that, because of the temporary relocation of a number of children due to the floods, there would be a reduction in the September 20, 1993, enrollment count. The estimated fiscal note of this provision in FY 1994 was \$272,880.

1995-96 and 1996-97 Special Enrollment Adjustment Due to Fort Riley Downsizing. 1995 Senate Sub. for HB 2152 provided for the 1995-96 school year that in

the following school districts the terms "enrollment" and "adjusted enrollment" were the enrollment count on September 20, 1995, unless the enrollment was lower than on September 20, 1994. If the September 20, 1995, count was lower than the September 20, 1994, count, 90 percent of the difference between the two counts was added to the actual September 20, 1995 count. The school districts to which this provision applied were: Wamego (USD 320), Pottawatomie West (USD 323), Riley County (USD 378), Clay Center (USD 379), Manhattan (USD 383), Blue Valley (USD 384), Morris County (USD 417), Abilene (USD 435), Chapman (USD 473), Geary County (USD 475), Rural Vista (USD 481), Herington (USD 487), Mill Creek Valley (USD 329), and Wabaunsee East (USD 330). This provision was prompted by concerns about the effects the downsizing of the Fort Riley Military Reservation might have on the school districts most directly affected.

1996 HB 2967 extended the foregoing concept to the 1996-97 school year, that is, if the September 20, 1996, count was lower than the September 20, 1995, count as determined under the 1995 provision, 90 percent of the difference between the two counts was added to the 1996 count.

Shawnee Heights (USD 450)—Deposit of Certain Back Tax Receipts. 1995 Senate Sub. for HB 2152 provided that proceeds from taxes attributable to the school district general fund that may be paid to the Shawnee Heights school district on property of Heartland Park of Topeka for the 1988 through 1991 tax years and be distributed to the school district as the result of a final and binding judicial decree may be deposited in the district's supplemental general fund or may be disposed of as provided by statute for school district miscellaneous revenues. (This means that any such tax payment would not be treated as local effort, an offset against the district's general state aid entitlement.)

Piper (USD 203)—Supplemental General State Aid and School District Capital Improvements State Aid. 1995 Senate Sub. for HB 2152 specified that, in the 1994-95 and 1995-96 school years, in computing the Piper (USD 203) entitlements of supplemental general state aid (for the LOB) and school district capital improvements state aid, the assessed valuation of the Woodlands race track (owned by Sunflower Racing, Inc.) would not be used in determining the district's assessed valuation per pupil.

If USD 203 subsequently received any proceeds from taxes that may be paid upon Woodlands for either or both the 1994-95 and 1995-96 school years, the State Board of Education would deduct an equal amount from future payments of state aid to which the district was entitled (for these two programs).

1997-98—Special Enrollment Adjustment Related to the Closure of Topeka State Hospital and Winfield State Hospital and Training Center. 1996 HB 2167 provided that for the 1997-98 school year in the following school districts the terms "enrollment" and "adjusted enrollment" meant the enrollment count on September 20 of the current school year, unless the enrollment was lower than on September 20 of the preceding school year. If the September 20 count of the preceding school year was greater than the September 20 count of the current school year, 90 percent of the difference between the two counts was added to the actual September 20 count. The school districts to which this provision applied were Winfield (USD 465), Arkansas City (USD 470), Topeka (USD 501), Auburn-Washburn (USD 437), Seaman (USD 345), Shawnee Heights (USD 450), and Silver Lake (USD 372).

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1997 HB 2031 repealed this provision. The purpose intended to be served by the 1996 legislation was considered to be addressed sufficiently by the 1997 legislation applicable to school districts that are experiencing enrollment decreases.

Blue Valley (USD 229) and Olathe (USD 233)—"Special" Facilities Weight for the 1996-97 School Year. 1997 legislation provided that, for the 1996-97 school year only, the school facilities weight is increased from 0.25 to 0.33 for districts which commenced operating a new facility in the 1995-96 or 1996-97 school years and that qualify for the weight and which, in addition, are experiencing extraordinary enrollment growth as determined by the State Board of Education and have received approval from SBOTA to levy a tax for the purpose of financing costs associated with operation of new school facilities. The additional amount of the weight (0.08) offset a like amount of local option budget authority that had been approved by SBOTA—applicable only to Blue Valley (USD 229) and Olathe (USD 233).

1998-99—Fort Leavenworth (USD 207) Appropriation for Capital Improvements. The 1998 Legislature appropriated for FY 1998 the sum of \$1,310,760 to Fort Leavenworth USD 207 for capital improvement aid. This action was designed to compensate the district for the results of an FY 1995 federal payment voucher coding error. The voucher for \$1,310,760 was coded as a P.L. 874 Section b payment. Under Kansas law, to the extent authorized by federal law, these payments are treated as a deduction in computing a school district's state aid entitlement. In fact, the voucher should have been coded as a P.L. 874, Section f payment. These payments are used exclusively for capital outlay projects and are not deductions under the Kansas law. The FY 1998 appropriation offsets the deduction made in computing the school district's general state aid entitlement due to the federal voucher coding error. (1998 Senate Sub. for HB 2895, Sec. 2(a).)

Funding of Districts Formed by Consolidation. The 1999 Legislature provided that any school district formed by consolidation will be entitled to state financial aid equal to the amount of state financial aid of the former districts in the year preceding the consolidation for the first two years of operation of the consolidation. (1999 SB 171, Sec. 12.)

2002-03 and 2003-04 Local Option Budget: "Hold Harmless" Provision. The 2002 Legislature added a "hold harmless" provision applicable to school districts which in the 2001-02 school year sponsored a special education cooperative. If such a school district adopted a 25.0 percent LOB for the 2002-03 school year and if the amount of the LOB was less than the amount of the LOB in 2001-02, the district was permitted to add to its 25.0 percent LOB in 2002-03 two-thirds of the difference between the 2001-02 and 2002-03 amounts. Using the 2001-02 school year as the base, this same provision applied in the 2003-04 school year, but the add-on amount was one-third of the difference. A second "hold harmless" provision applied to school districts which sponsored a special education cooperative in the 2001-02 school year and which adopted an LOB equal to the district prescribed percentage of the district in the 2002-03 school year. If the district's LOB in 2002-03 school year was less than the 2001-02 school year, an amount equal to one-third of the difference was added to the 2002-03 LOB. (The estimated fiscal note of the hold harmless provision was \$625,000.) (2002 Senate Sub. for HB 2094, Sec. 7)

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February 5, 2001

To: Senate Committee on Education

From: Ben F. Barrett, Director

Re: School Finance—What the Court Has Said About the Local Option Budget
(LOB) Provision of the Kansas School Finance Law

The Kansas Supreme Court in the case of *USD No. 229 v. State*, 256 Kan 232 (1994), reversed an earlier Shawnee County District Court ruling and confirmed the constitutionality of the School District Finance and Quality Performance Act. The reversal dealt with the law's low enrollment weighting provision.

The Supreme Court's opinion contains a description of the main features of the LOB, but does not devote any specific analyses to it other than to confirm that it is subject to a rational basis test which the Court found was met.

The Shawnee County District Court addressed this provision of the law more fully. This discussion is attached.

33359(2/5/1 (8:23AM))

House Education Committee
Date: 1/22/03
Attachment # 31

ATTACHMENT

Excerpt From Shawnee County District Court Decision of December 16, 1993,
in the Consolidated School Finance Litigation
(90-CV-206; 92-CV-1099, 92-CV-1175, and 92-CV-1202)

RE: LOCAL OPTION BUDGET

Is There a Rational Basis for Having a Local Option Budget?

The legislative history reveals several purposes for the local option budget: (1) to account for the differences in needs and costs from district to district; (2) to reduce spending differentials while accommodating local needs and (3) provide some degree of local control of finances. The evidence reveals that each of the goals was met, at least as of the 1991-92 school year.

First, the provisions allow flexibility in the formula to account for local variations. The premise of this Act is that there should be substantial equality in spending, but there must be recognition that needs vary. The concept of weighting is that needs vary student to student, location to location. In other words, some students cost more to educate than others.

The legislative and judicial records are replete with evidence of differing needs. For example, during the trial the Southwestern Districts persuasively argued that remoteness significantly influenced the costs associated with attracting teachers and paying for services such as technical assistance for computers. To account for the difficulty in attracting teachers, many districts have provided higher salary and benefit schedules. Other differences arise because of the geographic distances to culturally and educationally enriching opportunities which districts may wish

to make available to students, including commonly accepted extra-curricular activities such as debate, forensics, musical competitions, and athletic events. Larger districts cited security concerns. Cost of living varies across the state. Special community needs or concerns may exist.

Accommodation of these various needs is not at odds with the constitution. When the revisions to article 6 were proposed, an alternative of requiring "uniformity" was presented and rejected by the drafters. What is required by the Kansas constitution is equal funding unless a rational basis exists for a disparate classification the accommodation of which results in an equal educational opportunity. To accomplish this, some expenditure disparities will exist.

Allowing for these variances does not necessarily result in spending disparity. In fact, the evidence presented at trial indicated that the impact of the local option budget was consistent with its intended purpose of narrowing the range of spending per pupil. In 1992-93, the utilization of the local option budget lowered the coefficient of variation from .1933 to .1748, a reduction of almost ten percent (10%). The reduction results from greater utilization of the local option budget by low spending districts than by higher spending districts. Hence, while the long-term effects of the local option budget cannot be assessed because of the limited number of districts which had the option available during the 1992-93 school year, the effect in the transitional year was to reduce the overall spending differences among Kansas public school districts.

With regard to the third legislative goal, there was also substantial testimony that the local option budget had played a significant factor in promoting local control. Those districts involved in a protest petition and subsequent election found a need to involve patrons of the district in a dialogue regarding expenditures and educational expectations.

Hence, the evidence establishes that, at this point in time, the provisions are rationally related to legitimate legislative goals.

Is There a Rational Basis for
the State Aid Component?

Plaintiffs also attack the legislative decision to extend equalization through supplemental state aid only to districts at or below the seventy-fifth (75th) percentile of assessed valuation per pupil. Plaintiffs argue this is an arbitrary cutoff which has no rational basis. The purpose, in part, of the equalization is to counteract any correlation between differences in spending and district wealth. Under SDEA, twenty-five percent (25%) of the variation in spending among school districts was attributable to school district wealth, that is the assessed valuation in the district for each student enrolled. Under the Act, only five percent (5%) of the variation in spending is attributable to wealth. Hence, at least at the current time (remembering that because of the transitional cap not all districts were eligible to utilize the local option budget when the experts prepared this analysis), there is not a significant correlation between district wealth and the disparities. As a result, there is not sufficient evidence to conclude that a demarcation at seventy-five percent

(75%) has resulted in disparities because of wealth. A valid conclusion, therefore, is that the determinations to utilize the local option budget have arisen because of needs perceived to exist by local boards and their electorate.

Furthermore, it was not arbitrary and capricious to draw a line at seventy-five percent (75%). Eighty-four percent (84%) of the public school students in Kansas attend a school at or below the seventy-fifth (75th) percentile in assessed valuation per pupil. In comparison to other states' equalization formulas, inclusion of eighty-four percent (84%) of students in the guaranteed tax base mechanism is fairly high coverage. Those districts which are not included have considerably more district wealth than those districts which receive aid. Less tax effort is needed to raise the dollars determined necessary.

Hence, while the utilization of the seventy-fifth (75th) percentile may not be scientifically based, the goals of the statute are being met and the cutoff cannot, therefore, be said to be so wide of the mark as to lack a rational basis.

Is There a Rational Basis for
Capping the Option at Twenty-Five Percent?

Finally, Plaintiffs attack the local option budget because of what they argue is an arbitrary cap set at twenty-five percent (25%). The legislative record reveals a concern that the local option budget not develop into a mechanism which allows wide disparities in spending which strongly correlate with district wealth. Many courts, even those in jurisdictions such as Kansas which do not have uniformity requirements, have condemned disparities where such a correlation is evident. To guard against wealth-based disparities, the legislature made the policy decision

to cap the option so that wealthy districts could not fund local schools at a level highly disproportionate to other districts' spending. Despite the cap, the Newton Plaintiffs argue that eventually there will be wealth-based disparities because poorer districts will not be able to afford to utilize the local option budget. There is some logic to this argument, especially in light of the history of SDEA.

However, even though logical, the course in the first year disproves the theory. The evidence is that the gap in spending lessened because of the local option budget. Further, statistical evidence does not show evidence of correlation between wealth and the local option budget as exercised by districts in 1992-93. Hence, based upon the evidence before the court there is a rational basis for the cap and evidence that the goals of the legislature are being met.

2002-03 EDITION

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

(2002-03 School Year)

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

STATE FINANCIAL AID	<u>minus</u>	LOCAL EFFORT	<u>equals</u>	GENERAL STATE AID
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Kansas Legislative Research Department
June 6, 2002

House Education Committee
Date: 1/22/03
Attachment # 4.1

PART A

STATE FINANCIAL AID

BASE STATE AID PER PUPIL (BSAPP)	<u>times</u>	ADJUSTED ENROLLMENT	<u>equals</u>	STATE FINANCIAL AID (SFA)
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The BSAPP is \$3,890. 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 the greater of its enrollment in the preceding year or a three-year average (the current school year and the two immediately preceding school years). An adjustment adds on any preschool aged four-year-old at-risk pupils being served in the current school year.

ENROLLMENT ADJUSTMENTS

1. Low Enrollment

This weight applies to school districts having unweighted full-time equivalent (FTE) enrollments of under 1,725. 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

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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 <u>-5,406</u> \$ 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
300-1,725	linear adjustment, from median of 200-399 to median of 1,900 and over	\$5,406 \$3,426	\$ 5,406 <u>-3,426</u> \$ 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		\$3,911.00		95	= low enrollment adjustment of 108.4
<u>-3,426.00</u>	then	\$3,426.00	equals	1.141565	
3,911.00				then	
				<u>x 1.141565</u>	
				108.448675	

EXAMPLE 2

Enrollment = 200					
\$7,337.00 - \$9.655 (E-100) equals \$965.50, so					
\$7,337.00		\$6,371.50		200	low enrollment adjustment of 171.9
<u>- 965.50</u>	then	<u>-3,426.00</u>	then	\$ 2,945.50	
\$6,371.50		\$2,945.50		\$ 3,426.00	
				equals	.859749
				then	
				<u>x.859749</u>	
				171.949800	

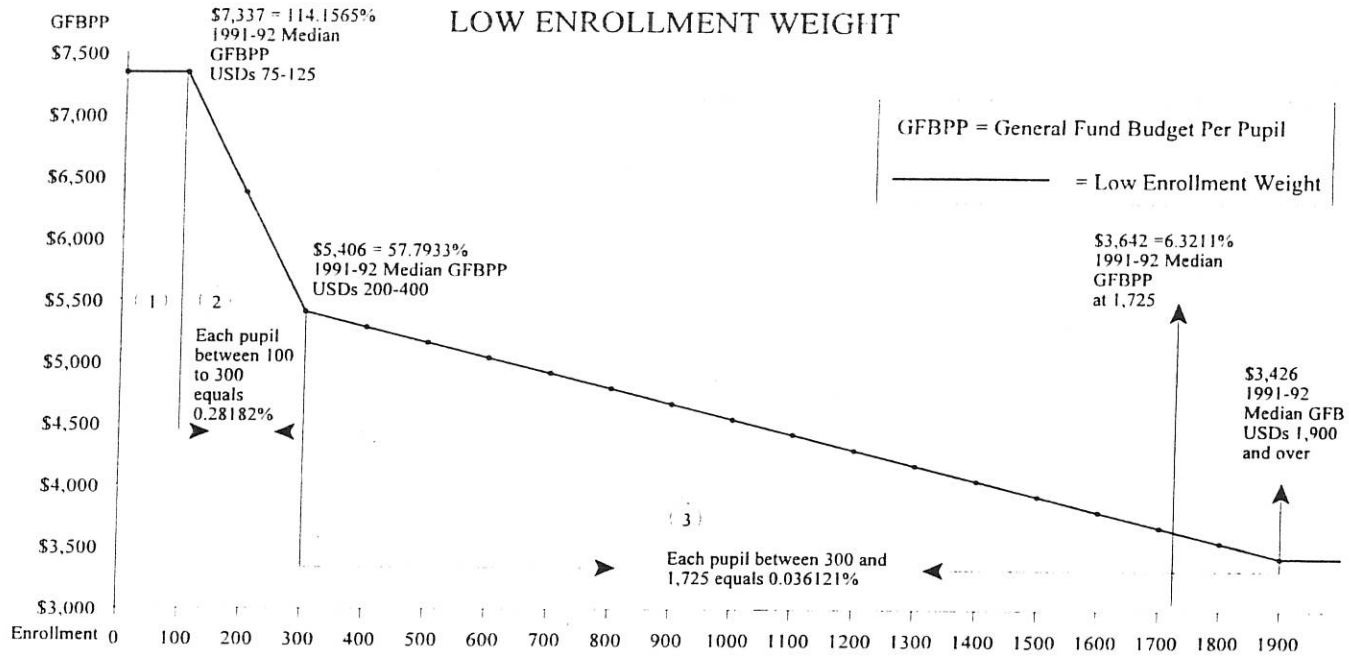
EXAMPLE 3 (USED FOR GENERAL STATE AID CALCULATION LATER IN THIS ILLUSTRATION)

Enrollment = 1,400					
\$5,406 - \$1.2375 (E-300) equals \$1,361.25 so					
\$5,406.00		\$4,044.75		1,400	low enrollment adjustment of 252.8
<u>-1,361.25</u>	then	<u>-3,426.00</u>	then	\$ 618.75	
\$4,044.75		\$ 618.75		\$ 3,426.00	
				equals	.180604
				then	
				<u>x.180604</u>	
				252.8456	

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EXPLANATION:

LOW ENROLLMENT WEIGHT



- ① With a Base State Aid Per Pupil (BSAPP) of \$3,890, the low enrollment weight of districts having enrollments of 100 or fewer is \$4,440.69 per pupil
- ② With a BSAPP of \$3,890, the low enrollment weight of districts with enrollments of 100 to 300 ranges from \$4,440.69 to \$2,248.16. Each change of one pupil in this enrollment interval changes the low enrollment weight of a district by \$10.96—down or up inversely to the enrollment change.
- ③ With a BSAPP of \$3,890, the low enrollment weight of districts with enrollments of 300 to 1,725 ranges from \$2,248.16 to \$245.89. Each change of one pupil in this enrollment interval changes the low enrollment weight by about \$1.41—down or up inversely to the enrollment change.

2. Correlation

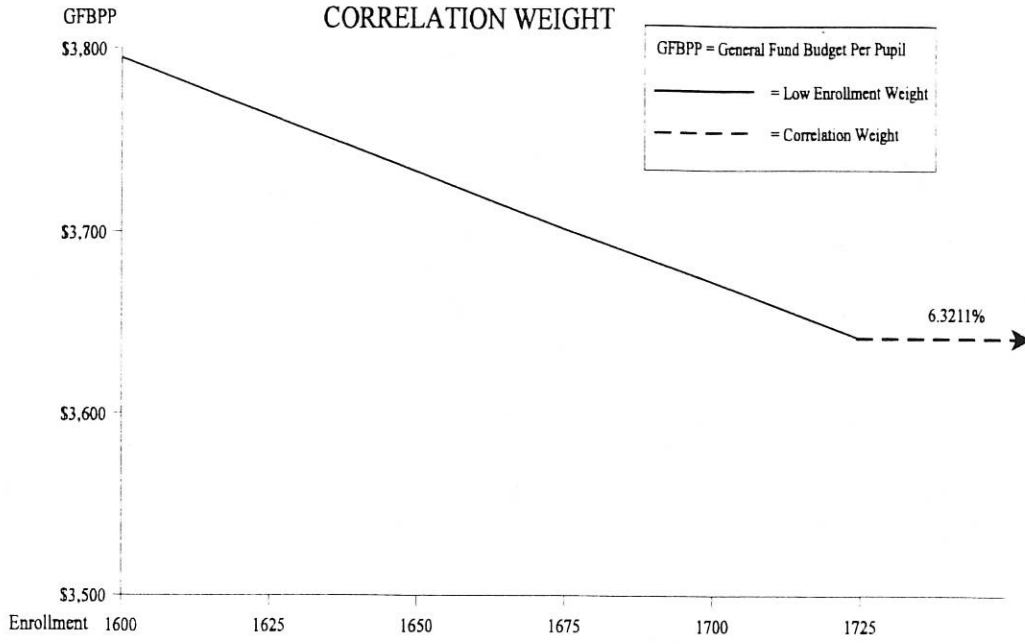
This weight applies to districts having unweighted FTE enrollments of 1,725 and over. It is determined by multiplying the full-time equivalent enrollment by a factor of 0.063211.

EXAMPLE

<u>FTE Enrollment (Sept. 20)</u>		<u>Factor</u>		<u>Correlation Weight Adjustment</u>
5,000	<u>times</u>	0.063211	<u>equals</u>	316.1

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EXPLANATION:
CORRELATION WEIGHT



NOTE: With BSAPP of \$3,890, the correlation weight is \$245.89 per pupil for all districts with enrollments of 1,725 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 = \$646
2. Number of pupils transported 2.5 miles or more in current year = 500
3. BSAPP = \$3,890

THEN

$\frac{\$ 646}{\$3,890}$	equals	.1661	and	$\frac{500}{83.04}$	so	weight adjustment for transportation	equals	83.0
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4-8

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

<u>FTE Equivalent Vocational Education Enrollment (Sept. 20)</u>		<u>Factor</u>		<u>Vocational Education Program Weight Adjustment</u>
60.0	<u>times</u>	0.5	<u>equals</u>	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

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

4-10

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 .10. 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.

An amendment by the 2001 Legislature increased this weight from .09 to .10 beginning in the 2001-02 school year. The amount attributable to the additional .01 must be used by the district for achieving mastery of basic reading skills by completion of the third grade in accordance with standards established by the State Board of Education. However, a school district whose third grade pupils substantially meet the State Board standards for mastery of third grade reading skills, upon request, may be released by the Board from the requirement to dedicate a specific portion of the at-risk weight to this reading initiative.

EXAMPLE

<u>Number of Pupils Qualifying for Free Lunches (Sept. 20)</u>		<u>Factor</u>		<u>At-Risk Pupil Weight Adjustment</u>
420	times	0.10	equals	42.0

4.11

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 (25.0 percent). This weight is available for two school years only—the year in which the facility operation is commenced and the following year.

EXAMPLE

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

4-12

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

<u>Amount of Authorized Tax Levy</u>		<u>BSAPP</u>		<u>Ancillary School Facilities Adjustment</u>
\$250,000	<u>divided by</u>	\$3,890	<u>equals</u>	64.3

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.

9. Special Education and Related Services

The amount of special education services state aid a school district receives, including "catastrophic" special education aid, is divided by BSAPP to produce this weighting. The state special education services aid a district receives is deposited in its general fund and then, in turn, is transferred to the district's special education fund.

This procedure is aimed at increasing the size of a school district's general fund budget for purposes of the local option budget calculation (LOB). As noted in Part B of this memorandum, the amount attributable to this weighting is defined as "local effort" and, therefore, as a deduction in computing the general state aid entitlement of the district.

In summary, this procedure does not increase the school district general fund state aid requirement, it only increases the computed size of this budget for the benefit of the LOB provision of the law (see Attachment 1 for an explanation of the LOB.)

<u>Amount of Special Education Services Aid to the District</u>		<u>BSAPP</u>		<u>Special Education and Related Services Weight Adjustment</u>
\$500,000	<u>divided by</u>	\$3,890	<u>equals</u>	128.5

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, or the three-year average, whichever applies, is used.

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PART B

LOCAL EFFORT

A school district's local effort 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

- | | | |
|--------------|-----|---|
| \$ 2,000,000 | 1. | proceeds of the uniform school district general fund property tax—20 mills in 2000 and 2001, both including the \$20,000 residential exemption, |
| 500,000 | 2. | Special education services state aid |
| 3,000 | 3. | unexpended and unencumbered balances remaining in the general fund, |
| 1,800 | 4. | unexpended and unencumbered balances remaining in the "program weighted" funds, <i>i.e.</i> ,— transportation, bilingual, and vocational education funds except for the vocational fund of a district which operates a vocational school, and |
| 5,000 | 5. | industrial revenue bond and port authority bond in lieu of tax payments, |
| 200 | 6. | mineral production tax receipts, |
| None | 7. | 75 percent of federal Impact Aid, in accord with federal law and regulations, |
| None | 8. | tuition paid on behalf of nonresident pupils for enrollment in regular education services, |
| None | 9. | motor vehicle tax receipts, ⁽¹⁾ |
| None | 10. | rental/lease vehicle excise tax receipts, ⁽¹⁾ and |
| None | 11. | 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 \$ 2,510,000

- NOTES:**
1. This school district general fund revenue source was phased out over a five-year period. After FY 2000 there are 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.

4-16

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

	\$	8,066,304	SFA*
minus		<u>2,510,000</u>	Local Effort**
equals	\$	5,556,304	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.

* \$3,890 BSAPP times 2,073.6 (adjusted enrollment—includes pupil weights). However, if the appropriation for general state aid is insufficient to fund all school district entitlements, the \$3,890 BSAPP is reduced to the level at which entitlements may be funded.

** Sum of local effort items.

ATTACHMENT I

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.)

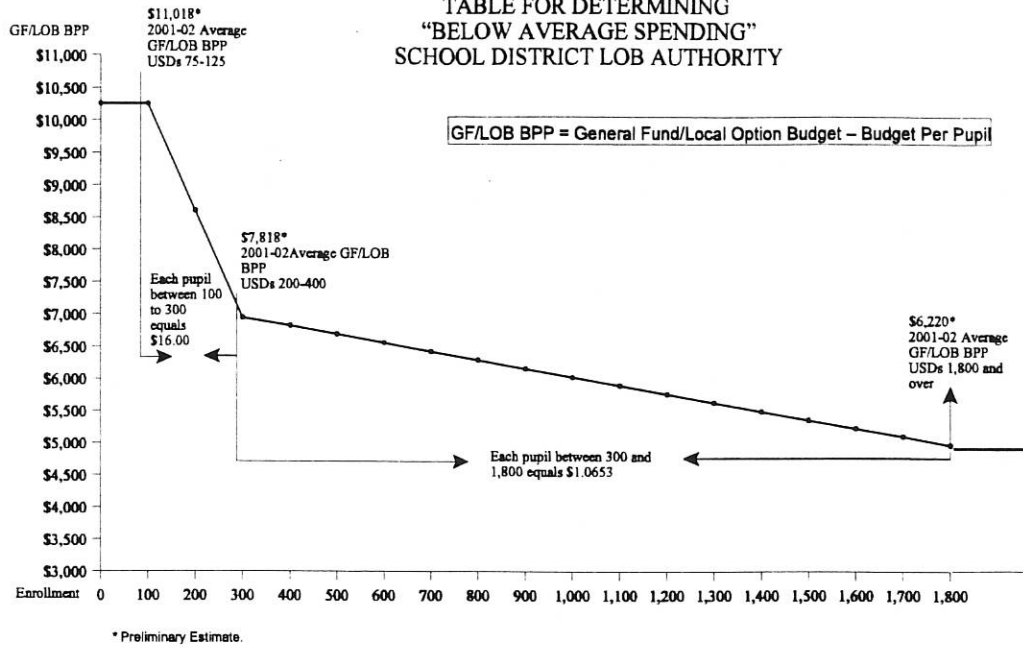
LOB Authority for Below Average Spending Districts

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.

EXPLANATION
2002-03 SCHOOL YEAR
TABLE FOR DETERMINING
"BELOW AVERAGE SPENDING"
SCHOOL DISTRICT LOB AUTHORITY



EXAMPLE

In 2001-02, District A has an enrollment of 600 unweighted FTE students and a GF/LOB BPP of \$7,000 (total GF/LOB Budget = \$4,200,000). Under the formula, District A qualifies for LOB authority in 2002-03, as follows:

	\$	7,498.00	(GF/LOB BPP computed from above table)		
minus		<u>7,000.00</u>	(District's GF/LOB BPP—Preceding School Year)		
equals	\$	498.00	(Difference)	times	600 FTE (Unweighted Enrollment)
				equals	\$ 298,800 (Potential LOB Authority)
then	\$	<u>298,800</u>		equals	7.11%
	\$	4,200,000			
2002-03					
GF is					
\$3,800,000	so	\$3,800,000		times	7.11%
				equals	\$270,180 (Additional 2002-03 LOB Amount)

4.20

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 alternative 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.

4-21

**“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. A subsequent resolution must expire at the same time as 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.

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

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

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 \$ 60,441	Prior Year District AVPP \$70,000 Prior Year 75th Percentile AVPP \$60,441
<p>so</p> $\frac{\$30,000}{\$60,441} \text{ equals } 0.4964$ <p>then</p> 1.0000 <p>minus <u>0.4964</u></p> <p>equals 0.5036 State Aid Ratio</p> <p>then</p> $\$500,000 \text{ LOB}$ <p>times <u>0.5036</u> State Aid Ratio</p> <p>equals \$251,800 Supplemental General State Aid</p>	<p>so</p> $\frac{\$70,000}{\$60,441} \text{ equals } 1.1582$ <p>If the result equals or exceeds 1.0, the district receives no supplemental general state aid. 1.1582 exceeds 1.0, therefore the district receives no supplemental general state aid.</p>

ATTACHMENT II

FORMULA FOR COMPUTING SCHOOL DISTRICT BOND PRINCIPAL AND INTEREST OBLIGATION STATE AID PAYMENTS

Bond and interest state aid is based on an equalization principle which is designed to provide state aid inversely to school district assessed valuation per pupil. One matching rate is applicable for the duration of bond and interest payments associated with bonds issued prior to July 1, 1992. A different matching rate applies during the life of bonds issued on or after July 1, 1992.

For the school district having the median assessed valuation per pupil, the state aid ratio is 5 percent for contractual bond and interest obligations incurred prior to July 1, 1992, and 25 percent for contractual bond and interest obligations incurred on July 1, 1992, and thereafter.

This factor increases (decreases) by 1 percentage point for each \$1,000 of assessed valuation per pupil of a district below (above) the median.

FORMULA

DISTRICT BOND AND INTEREST PAYMENT OBLIGATION FOR SCHOOL YEAR	<u>times</u>	STATE AID PERCENTAGE FACTOR	<u>equals</u>	CAPITAL IMPROVEMENTS STATE AID
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EXAMPLES

DISTRICT 1				DISTRICT 2			
B&I Payment Obligations				B&I Payment Obligation			
Before 7-1-92		\$100,000		Before 7-1-92		\$100,000	
After 7-1-92		\$ 80,000		After 7-1-92		\$ 80,000	
District AVPP		\$ 37,398		District AVPP		\$ 49,398	
so				so			
Before 7-1-92	\$100,000	After 7-1-92	\$ 80,000	Before 7-1-92	\$100,000	After 7-1-92	\$ 80,000
Percentage Factor (From Table)	x 10%	Percentage Factor (From Table)	x 30%	Percentage Factor (From Table)	x NA	Percentage Factor (From Table)	x 17%
B&I State Aid	\$ 10,000		\$ 24,000	B&I State Aid	NA		\$ 13,600
Total B&I Payment Due for Fiscal Year		\$180,000		Total B&I Payment Due for Fiscal Year		\$180,000	
Amount from State Aid		\$ 34,000		Amount from State Aid		\$ 13,600	

PARTIAL TABLE TO ILLUSTRATE BOND AND INTEREST STATE AID PROGRAM PRINCIPLE

AVPP	Bond and Interest State Aid Percentages		State Aid Percentage Factor
	Bond and Interest Obligations Prior to July 1, 1992	Bond and Interest Obligations On and After July 1, 1992	
32,398	15	35	
33,398	14	34	
34,398	13	33	
35,398	12	32	
36,398	11	31	
37,398	10	30	
38,398	9	29	
39,398	8	28	
40,398	7	27	
41,398	6	26	
Median AVPP 41,898	5%	25%	
42,398	4	24	
43,398	3	23	
44,398	2	22	
45,398	1	21	
46,398	0	20	
47,398		19	
48,398		18	
49,398		17	
50,398		16	
51,398		15	

4.26

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

1420 SW Arrowhead Road • Topeka, Kansas 66604-4024
785-273-3600

TO: Members, House Committee on Education

FROM: Mark Tallman, Assistant Executive Director/Advocacy
Kansas Association of School Boards

DATE: January 21, 2003

RE: **Request for Bill Introductions**

The Kansas Association of School Boards would respectfully request introduction of the bills described below. Both of these bills deal with state laws that substantially affect how local school boards can manage their workforce. Both bills are presented to help schools operate more effectively in a time of rising expectations, limited funding and in many cases, declining enrollment.

Expediting Teacher Due Process

The first bill would amend the teacher due process procedures act to restore authority to local school boards to dismiss tenured teachers for cause, while retaining the teacher's right to appeal to the district court. Under current law, if a board believes a teacher should be dismissed and the teacher disagrees, a hearing officer makes the decision. The hearing officer's decision can be appealed to the district court, but the court's scope of review is limited. The ten-year history of the current system demonstrates that removing a tenured teacher is lengthy, time-consuming and expensive. More important, current law provides no grounds or guidance for hearing officers, even if the teacher is being removed because the board must reduce staff. As a result, school boards are limited in their ability to remove teachers who are poor performers or even those whose positions are unnecessary.

It is important to stress that this bill would NOT remove a teacher's protection from arbitrary, capricious or unreasonable dismissal by local boards. Those protections would remain in place through the Kansas judicial system.

Employment Contracts After Budget Reductions

The second bill would amend K.S.A. 72-5412 to allow school boards to void employment contracts if they have insufficient funds because the Governor or Legislature has reduced funding. Currently, contracts may be voided for insufficient funds only until the school district holds its budget hearing in August. This was logical under the previous school finance system, when school boards set their budgets and raised most of their revenue from local mill levies. Since 1992, school budgets have been set by the state, and as the current year demonstrates, districts can face budget reductions after the budget is adopted. If employment contracts cannot be voided, contractual employees are protected and all reductions must be made in other parts of the budget. School boards must have the ability to balance the needs of every part of the district affected by the budget when dealing with reduced funding.

We hope you will vote to introduce these bills to allow a discussion on the issues raised

House Education Committee
Date: 1/22/03
Attachment # 5