

SESSION OF 2004

**SUPPLEMENTAL NOTE ON SENATE
SUBSTITUTE FOR HOUSE BILL NO. 2940**

As Amended by Senate Committee on Education

Brief*

Senate Sub. for HB 2940 would make the following changes to the school finance formula beginning with the 2004-2005 school year:

- ! Increase the Base State Aid Per Pupil from \$3,863 to \$3963.
- ! Increase the at-risk weighting from .10 to .15.
- ! Increase bilingual weighting from .20 to .22.
- ! Increase special education excess costs funding from 82.2 percent to 100 percent.
- ! Increase the maximum local option budget from 25.0 percent to 30.0 percent. A board resolution to increase the maximum local option budget above 25 percent would have to be submitted to the voters at a primary or general election.
- ! Foreign exchange students would not be counted for school finance purposes unless they were regularly enrolled on September 20 and attending school for at least one trimester, two quarters, or the equivalent.

In addition, the bill would make the following revenue adjustments:

- ! Increase sales and compensating (use) taxes from 5.3 to 5.5 percent, effective July 1, 2004.
- ! Impose a permanent individual income tax surcharge of 4.5

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

percent, computed without regard to any applicable income tax credits, starting in tax year 2004.

Background

The original version of HB 2940 was sponsored by Representative Mike O'Neal and contained lists of courses of instruction and goals for public schools. According to Representative O'Neal, his purpose was to provide a baseline of statutorily required subjects for the Kansas Supreme Court to use in determining whether the Legislature had met its constitutional responsibility to make suitable provision for the financing of the educational interests of the state. The mandated list of courses basically conformed to courses already required by statute or by the State Board of Education. In addition to mandated courses, the bill included a list of services that school districts could provide, such as nursing, counseling, and library media services, and goals that should be attained, such as the development by students of sufficient oral and written communication skills in order to function in a complex and rapidly changing society.

The House Committee of the Whole amended the bill to add a school finance component, which included changes to the school finance formula and measures intended to produce additional state and local revenue. The cost of the House's education components of the bill was estimated to be \$155.4 million in FY 2005. Revenue-generating components were estimated to total \$157.1 million in increased revenues to the State General Fund and \$35.8 million in increased school district property tax revenues at the local level. Provisions in the House-passed version of the bill, which were retained in the version of the bill recommended by the Senate Education Committee, include the following:

- Increase Base State Aid Per Pupil by \$100, at an additional cost of \$58.5 million.
- Increase the at-risk weight from 0.10 to 0.15, at an additional cost of \$27.1 million.
- Increase the bilingual education weight from 0.20 to 0.22, at an additional cost of \$1.2 million.

- Require statutorily that special education excess costs be funded at 100 percent, at an additional cost of \$54.3 million.
- Increase the limitation on local option budgets from 25 percent to 30 percent, at an additional cost of \$14.3 million in state aid. The increase also would generate an additional \$35.7 million from school district property taxes for local option budgets. (The estimate is based on the assumption that not all school districts would go to the maximum local option budget authority in FY 2005.)
- Increase the sales and compensating (use) taxes from 5.3 percent to 5.5 percent, effective July 1, 2004, estimated to generate \$69.3 million.
- Implement a 4.5 percent income tax surcharge, effective tax year 2004, estimated to generate \$87.8 million.

The Senate Education Committee deleted original provisions of the bill relating to required courses and educational goals. The Committee amended the remaining school finance portion of the bill, as follows:

- An amendment requested by the State Department of Education was added to provide that foreign exchange students would not be counted as part of regular school district enrollment unless they are regularly enrolled on September 20 and attend school for at least one trimester, two quarters, or the equivalent.
- An amendment was added mandating that there be an election held on any board resolution to increase the local option budget above 25 percent.
- The effective date of the bill was changed to publication in the *Kansas Register*.