

SESSION OF 2005

**CONFERENCE COMMITTEE REPORT BRIEF ON
HOUSE BILL NO. 2247**

As Agreed to March 25, 2005

Brief *

HB 2247 would amend the School District Finance and Quality Performance Act, other school funding legislation, and other school policy legislation. The bill would provide for funding special education excess costs at a statutorily prescribed level, increase Base State Aid Per Pupil (BSAPP), increase the bilingual weighting, delete the correlation weighting, increase the maximum allowable local option budget (LOB), establish an 11-member 2010 Commission, establish areas of instruction in statute, tie the funding for schools to the CPI-Urban (CPI-U) index for three years, reduce the federal impact aid deduction from 75 percent to 70 percent, and make other policy changes as outlined below:

Expenditures

- **Special Education.** The bill would put into the statute both the current method used to determine special education excess costs and the percentage of excess costs that should be funded. Currently, the percentage is subject to appropriation and is based on whatever amount of money the Legislature appropriates. The bill specifies that excess costs will be funded at the 85 percent level in school year 2005-06, the 88 percent level in school year 2006-07, and the 91 percent level in school year 2007-08 and thereafter. A proration provision ensures that, if the appropriation is not sufficient, the amount available will be prorated by the State Board of Education among the districts.
- **BSAPP.** The bill would increase the Base State Aid Per Pupil amount from \$3,890 to \$4,222 by doing the following:

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- Eliminate the correlation weighting for districts with student enrollment of 1,725 or greater and places the funding associated with this weighting in the BSAPP; and adjust the low enrollment to result in a revenue neutral outcome for each district, which would increase BSAPP from \$3,890 to \$4,107.
- Add \$115 of new funding for BSAPP, thereby taking the amount from \$4,107 to \$4,222.

However, if funding is unavailable based on the April 18, 2005 consensus revenue estimates to fully fund the \$4,222, a trailer bill would be offered to reduce the amount of BSAPP to the amount of funding that is available.

- **At-Risk Weighting.** The bill would increase the at-risk weighting from .1 to .145 for school year 2005-06 and thereafter. (However, if additional funds are available after the April consensus revenue estimates are made, an additional \$2.0 million would be added to the at-risk weighting in a trailer bill).
- **Bilingual Education Weighting.** The bill would increase the bilingual weighting from 0.2 to 0.395 for school year 2005-06 and thereafter.
- **LOB Increases and Authority.** HB 2247 would increase the Local Option Budget authorization to 27 percent in school year 2005-06; to 29 percent in school year 2006-07; and to 30 percent in school year 2007-08 and thereafter. The portion of the LOB to be equalized would remain at 25 percent, which is current law. The bill would allow a district to increase its LOB from 25 percent to 27 percent on independent action of the local board for school year 2005-2006.
- **Extraordinary Declining Enrollment Weighting.** HB 2247 would create the extraordinary declining enrollment weighting, which is applicable to a school district that has declined during the preceding three school years at an average rate of at least 15 percent or by at least 150 pupils and has adopted the maximum LOB percentage. The bill would permit a school district to appeal to the State Board of Tax Appeals for permission to levy a property tax for up to two years.

- **Capital Outlay Program.** Under provisions of the bill, districts would be limited to an 8 mill property tax levy, unless the district has already adopted a higher mill levy prior to the effective date of the bill. The higher mill levy could continue until its expiration, at which time it would drop back to a maximum of 8 mills.
- **Skills for Success Program.** HB 2247 would create the Skills for Success Grant Program for kindergarten through grade three in reading and math. The program would be administered by the State Board of Education and would provide grants to districts based on criteria established by the State Board. The grant amounts would be determined proportionally to the total number of students in the districts who apply.
- **Cost Analysis of K-12 Education.** The bill would direct the Legislative Division of Post Audit to conduct a professional cost analysis of delivering the kindergarten and grades one through 12 curriculum, related services, and other programs mandated by state statute to determine the costs of providing these services. The report would be made available to the 2006 Legislature. In addition, the bill would establish the "School District Audit Team" within the Legislative Division of Post Audit. The Team would operate under the direction of the 2010 Commission which would be created by this bill and conduct annual performance audits of selected school districts. Audits also could be conducted by qualified firms selected by the Legislative Post Auditor.
- **Cost-of-Living Weighting.** HB 2247 would authorize school boards to impose a new property tax levy for the Teacher Salary Enhancement Fund by creating a new cost-of-living weighting to enhance salaries in districts where it is more expensive to purchase a home. The State Board of Education would be required to determine in which districts the average appraised value of a single family residence is more than 25.0 percent higher than the statewide average value. If the value is higher and that district adopted a local option budget that is equal to the maximum percentage allowed by law, the district would qualify to levy the ad valorem tax. The local school board would be required to pass and publish a resolution authorizing the levy, subject to protest petition.

Revenues

- **School District General Fund Mill Levy.** The bill would renew the 20 mill levy, including the \$20,000 residential exemption, for FY 2006 and FY 2007.
- **Inflationary Index.** For school years 2007-08, 2008-09 and 2009-10, the total amount of state aid, except for special education and related services, would be increased by the CPI-U index from the preceding fiscal year. If the CPI-U index has no change or has decreased, the state aid amount would remain the same as the preceding year. All moneys appropriated for general state aid and supplemental general state aid would be taken from the 20 mills earmarked for K-12 and the balance would be taken from existing State General Fund moneys. The distribution of funds would be based upon legislation.
- **Tax Increment Financing.** The bill would require that county clerks delete from the assessed valuation of any school district the amount of property within a redevelopment district with respect to general state aid, supplemental state aid, and the School District Capital Improvement Program.
- **Federal Impact Aid.** The bill would decrease the federal impact aid deduction from 75 percent to 70 percent.

Policy Amendments

- **Building Committee Approval to Receive State Aid on New Construction.** The bill would require that any school district that has experienced at least a 5 percent or at least a 50-pupil decline for the three previous school years must seek a recommendation from the Joint Committee on State Building Construction prior to issuing new bonds. The Building Committee would make a recommendation to the State Board of Education and if the State Board of Education, by a majority vote, does not recommend the building project, the district would not be entitled to receive state aid if it proceeds with the project. The bill would not require a district that does not receive state aid for construction projects to go before the Joint Committee on State Building Construction or the State Board of Education.

- **Foreign Exchange Students.** The bill would revise the September 20 pupil count by stating that a foreign exchange student would not be counted unless that student was enrolled for at least one semester or two quarters.
- **Out-of-State Students.** The bill would revise the September 20 pupil count by stating that no out-of-state students would be counted unless the receiving school district has entered into an agreement with the sending state for payment of tuition or the district has applied to the State Board of Education, which has authority to make a funding determination based on provisions of the bill. A student whose parent is an employee of the school district where the student is enrolled, whose parent has paid taxes on real property in Kansas during the current or preceding school year, or a pupil who attended public school in Kansas during the 2004-05 school year will be counted as a Kansas resident pupil for state financial aid purposes.
- **2010 Commission.** HB 2247 would create an 11-member 2010 Commission. The Speaker of the House, the President of the Senate, the Minority Leader of the Senate, and the Minority Leader of the House would each appoint one member. The Governor would have two appointments, one to be a person licensed by the State Board of Education. The Chairperson of the House Education Committee and the Chairperson of the Senate Education Committee also would be appointed to the Commission. One member would be appointed jointly by the Speaker, the minority leaders, and the President. The Legislative Post Auditor and the Attorney General would serve as *ex officio* nonvoting members of the Commission. The Commission would have authority to appoint subcommittees to review and make recommendations to the Commission on all school finance issues. The Commission would sunset December 31, 2009.
- **Legislative Educational Planning Committee (LEPC).** The bill would clarify that LEPC has policy responsibilities for K-12 education, excluding school finance.
- **Areas of Instruction.** The bill would provide that every accredited school in Kansas would teach the subjects and areas of instruction mandated in statute as of January 1, 2005. The bill would specify that every high school must teach the subjects necessary

to meet the State Board of Education's graduation requirements and would outline the goals for areas of instruction.

- **Severability Clause.** The bill would provide that if any provision of this act is held to be invalid or unconstitutional, it would be presumed conclusively that the Legislature would have enacted the remainder of this bill without such invalid or unconstitutional provision.
- **Carry Forward Funds.** The bill would allow the at-risk, bilingual, and vocational education funds to carry forward balances from year-to-year without penalty. Under current law, balances are deducted from general state aid authorization.

Conference Committee Action

In Conference Committee, the Senate conferees agreed to the House amendments to HB 2474, with the following exceptions and revisions:

- Increased the BSAPP amount from \$4,187 to \$4,222.
- Increased the at-risk weighting from .1 to .145 and did not change the definition of at-risk for funding purposes.
- Returned new facilities weighting to current law.
- Modified the conditions that a district could qualify for extraordinary declining enrollment weighting by deleting the provision that only districts that do not receive low enrollment weighting would qualify and by placing a two-year limit on any one tax levy.
- Increased the LOB maximum authorization to 27 percent in 2005-06; to 29 percent in 2006-07; and to 30 percent in 2007-08. The LOB would not be equalized above 25 percent.
- Increased special education excess costs for year 2007-08 from 90 percent to 91 percent.
- Eliminated the equalization on the capital outlay.

- Based grants for the Skills for Success Program proportionate to the total number of pupils in the districts that apply.
- Renewed the 20 mill levy, including the \$20,000 residential exemption, for school year 2005-06 and school year 2006-07.
- Eliminated the federal PL 874 impact aid provision that any military student enrolled after September 20, 2004, would not be counted for school years 2005-06 and 2006-07.
- Clarified that the tax increment financing provision would apply to general and supplemental state aid and to the School District Capital Improvement Program.
- Changed the name of the Legislative Education Council to the 2010 Commission, added two gubernatorial appointments, and placed jurisdiction for school finance issues with the 2010 Commission and policy issues with LEPC.
- Allowed for carry forward balances in at-risk, bilingual and vocational education funds.

Background

HB 2474 in its HCOW version is the House's proposal to answer the Kansas Supreme Court decision in the case, *Montoy, et al. v. State of Kansas, et al.* The Senate's proposal was SB 246.

The Division of the Budget has not yet prepared a fiscal note on the impact of the bill, as recommended by the conference committee. However, information provided by the State Department of Education indicates that the first-year cost (FY 2006) of the proposal would be \$145,198,000 as shown below:

<u>Program</u>	<u>Additional Funding Required</u>
BSAPP increased to \$4,222 by adding \$115 to the base, and eliminating correlation weighting	\$ 63,300,000
At-risk weighting increased	26,000,000
Bilingual education weighting increased	11,000,000
Special education excess cost funded at 85%	17,700,000
LOB state aid increased due to increase in BSAPP	6,400,000
Skills for Success Grant Program funded (based on appropriations)	20,000,000
Federal Impact Aid reduced from 75 to 70 percent	<u>798,000</u>
Total	<u><u>\$ 145,198,000</u></u>

Note: The cost for the cost analysis is not included.

Recommendations concerning Special Education would affect subsequent years. The following are the projected costs for that program over prior years:

<u>Program</u>	<u>School Year 2006-07</u>	<u>School Year 2007-08</u>
Increase Special Education Funding by 88% in 2006-07 and 91% in 2007-08	\$ 24,000,000	\$ 25,000,000

All of the cost estimates provided in this Conference Committee Brief are based on Kansas State Department of Education estimates for the appropriate school year.

**HB 2247, As Recommended by Conference Committee
Increases Over Prior Year**

Total Increases:

2005 - 06	\$	145,198,000
2006 - 07 (above prior year)		24,000,000
2007- 08 (above prior year)		<u>65,880,190*</u>
Total increase above prior year	\$	<u><u>235,078,190</u></u>

Cumulative Increase

Three-year cumulative increase above the FY 2006 Governor's recommendation	\$	549,474,190
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* The CPI-U increase is based upon the following:

2007-08 State Aid estimate	\$	2,271,121,657
CPI-U Index	X	<u>.018</u>
Increase		<u><u>40,880,190</u></u>