

SESSION OF 2005

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2474

As Amended by House Committee of the Whole

Brief*

HB 2474 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 a nine-member Legislative Education Council, establish areas of instruction in statute, tie the funding for schools to the CPI-Urban index, reduces 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 90 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.** Increases the Base State Aid Per Pupil amount from \$3,890 to \$4,187 by doing the following:

*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>

- " Eliminates 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 adjusts the low enrollment, other weightings to result in a revenue neutral outcome for each district which increases BSAPP from \$3,890 to \$4,107.
- " Adding \$80 of new funding for BSAPP, thereby taking the amount from \$4,107 to \$4,187.

! **At-Risk Weighting.** The definition of at-risk pupil would be expanded to include students who are eligible for reduced-price meals under the National School Lunch Act. Current law defines an at-risk pupil to be eligible for free meals under the National School Lunch Act.

! **Bilingual Education Weighting.** The bill would increase the bilingual weighting from 0.2 to 0.4 for school year 2005-06 and thereafter.

! **LOB Increases and Authority.** HB 2474 would increase the Local Option Budget authorization to 30 percent. The portion of the LOB to be equalized would increase to 26 percent in 2005-2006 and to 28 percent in 2006-2007.

- " Would revise the conditions by which a district may adopt a local option budget to be: a local board resolution which is less than or equal to the statewide average of general and supplemental aid per pupil or up to 30 percent with a protest petition.

! **Extraordinary Declining Enrollment Weighting.** HB 2474 would create the Extraordinary Declining Enrollment weighting, which is defined as 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, has adopted the 30 percent LOB, and does not qualify for low enrollment weighting. This weighting would work like the ancillary school facility weighting which requires Board of Tax Appeals approval but once established, would be a permanent local tax levy.

- ! **Capital Outlay Program.** Under provisions of the bill, districts would be limited to a 8 mill property tax levy, unless the district had 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 8 mills. The state would equalize the capital outlay up to 4 mills based upon the same formula as is in place for the bond and interest payments.
- ! **Skills for Success Program.** HB 2474 would create the Skills for Success Grant Program for K-3 grades 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.
- ! **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.
- ! **Cost-of-Living Weighting.** HB 2474 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 applied on the basis of costs attributable 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

- ! **CPI-Urban.** For school year 2007-2008 and thereafter, the total amount of state aid, except for special education and related services, would be increased by the CPI-Urban from the preceding year. If the CPI-Urban has no change or a decrease, the state aid amount will remain the same as the preceding year. All monies appropriated for State Aid and Supplemental General State Aid

will be taken from the 20 mills earmarked for K-12 and the balance will be taken from existing state sales tax and income tax revenues.

- ! **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.
- ! **Federal Impact Aid.** The bill would decrease the federal impact aid deduction from 75 percent to 70 percent.
 - " For school year 2005-2006 and 2006-2007, any military students enrolled after September 20, 2004 and federal impact aid is attributable to these new students, the school district would not account for the federal impact aid for these students in the 70 percent. No deduction in impact aid would be made for these students.

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 will make a recommendation to the State Board of Education and if they do not recommend the building project, the district is not entitled to receive state aid if it proceeds with the project.
- ! **New Facilities Weighting.** The bill would eliminate the new school facilities weighting except that new facilities that are approved by the July 1, 2005, election or contracts signed by that date are allowed to receive the two-year weighting.
- ! **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 and received approval from the State Board of Education that the sending district has not entered into an agreement and the State Board of Education would make a funding determination based on provisions of the bill. A student who's parent is an employee of the school district where the student is enrolled, a parent has paid property taxes in Kansas during the current or preceding school year, or the pupil attended public school in Kansas during the 2004-2005 school year will be counted as a Kansas resident pupil for state financial aid purposes.

- ! **Legislative Education Council.** HB 2474 would create a nine-member Legislative Education Council. 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 Chairperson of the House Education Committee and the Chairperson of the Senate Education Committee also would be appointed to the Council. 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 Council. The Council will have authority to appoint subcommittees to review and make recommendations to the Council on all education issues.
- ! **Legislative Educational Planning Committee (LEPC).** The bill deletes responsibilities for K-12 education from the LEPC.
- ! **Areas of Instruction.** The bill would provide that every accredited school in Kansas will 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.

Background

HB 2474 is the House Select Committee on School Finance's proposal to answer the Kansas Supreme Court decision in the case, *Montoy, et al. v. State of Kansas, et al.* The House Select Committee made several amendments to the bill, as introduced. The amendments include adding funding to the BSAPP, changes in LOB authority, Extraordinary Declining Enrollment Weighting, and all of the issues under the headings above of Revenue and Policy Amendments.

The House Committee of the Whole made the following amendments to the bill:

- " Deleted the provision that would have reduced the vocational education weighting from 0.5 to 0.15 percent . The approximate \$19.5 million of savings which was placed in BSAPP was returned to the vocational weighting;
- " Deleted the provision that would have not allowed Supplemental General State Aid to be paid on the 5.0 percent increase in LOB authority and provided equalization at 26 percent and 28 percent in FY 2006 and FY 2007, respectively;
- " Deleted the provision that would establish a 4 mill cap on capital outlay;
- " Deleted the provision that would have prohibited all taxing subdivisions from exempting out of the 20 mills for school districts through the use of Industrial Revenue Bonds, Tax Increment Financing, Revenue Bonds, or Neighborhood Revitalization Act abatement;
- " Deleted the provision of the bill which would have required a low enrollment district that admits a student from a district that does not receive low enrollment weighting to exclude that student in the determination of low enrollment weighting for the district;
- " Added additional conditions in which a pupil who resides out-of-state but attends public school in Kansas will be counted as an in-state pupil for state financial aid purposes;

- " Changed the new school facilities weighting approval from April 5, 2005 to July 1, 2005;
- " Deleted the provision for the Administrative Reorganization Plan by the Kansas State Board of Education;
- " Added a severability clause; and
- " Added technical corrections to the bill to reflect legislative intent.

The Division of the Budget has not yet prepared a fiscal note on the impact of the bill, as amended. However, information provided by the State Department of Education indicates that the first-year cost (FY 2006) of the proposal as amended by the House Committee of the Whole would be between \$135,958,000 and \$136,208,000, as shown below:

<u>Program</u>	<u>Additional Funding Required</u>
BSAPP increased to \$4,187 by adding \$80 to the base, and eliminate correlation weighting	\$ 39,560,000
At-Risk Weighting definition expanded	18,600,000
Bilingual Education Weighting from .2 to .4	11,000,000
Special Education Excess Cost Funding at 85%	17,700,000
Increase in LOB State Aid due to increase in BSAPP & increased equalization	10,000,000
Skills for Success Grant Program (based on appropriations)	20,000,000
Capital Outlay Equalized at 4 mills	15,000,000
Reduction in Federal Impact Aid: From 75 to 70 percent	798,000
Exempting new military students from deduction	<u>3,200,000</u>
Total	<u><u>\$ 135,858,000</u></u>

Note: The cost for the cost analysis is estimated at \$100,000 to \$350,000.

There are three program changes that would affect out years. The following are the projected cost for those two programs over prior years:

<u>Program</u>	<u>School Year 2006-07</u>	<u>School Year 2007-08</u>
Increase Special Education Funding by 88% and 90%	\$ 24,000,000	\$ 22,000,000
Equalization of LOB to 28%	10,000,000	0
Reductions in Federal Impact Aid	<u>3,998,000</u>	<u>798,000</u>
Total Over Prior Year	<u>\$ 37,998,000</u>	<u>\$ 22,798,000</u>

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