SESSION OF 2006

CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 481

As Agreed to March 27, 2006

Brief*

SB 481 would provide a financial incentive for school districts which consolidate. Under current law, in the school year in which consolidation is completed and the next following school year, the newly consolidated district would receive the greater of: (1) the sum of the state financial aid the former districts received in the school year preceding the consolidation; or (2) the amount the district would receive under other provisions of the school finance act. The bill would provide this financial incentive for an additional year and all districts that consolidated on or after July 1, 2004 would receive the three years of funding. As a clean-up measure, the bill would repeal KSA 72-6445, which provided a similar incentive to districts which consolidated prior to July 1, 2004.

In addition, the bill would provide the consolidated districts would receive supplemental general state aid (local option budget matching funds) equal to the proportion of state aid received by the former district that got the most supplemental general state aid. This incentive would apply to the year in which consolidation takes place and the next two school years.

The bill also would amend current law to provide that, for purposes of calculating capital outlay state aid and capital improvements state aid, the state aid percentage factor for consolidated districts would be the percentage factor of the district with the highest percentage factor the year prior to consolidation. This calculation would be in effect for the year in which consolidation takes place and for the next two years.

The same financial incentives also would be provided to districts which disorganize under KSA 72-7301 *et seq.*, if the territory of the disorganized district is attached to a single district.

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*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. The conference committee summary report may be accessed on the Internet at http://www.kslegislature.org

The bill also would provide that for USD 404, Riverton; USD 493, Cherokee; USD 499, Galena; and USD 508, Baxter Springs that for the purposes of computing the assessed valuation of school districts, one-fourth of the assessed valuation of the property would be assigned to each of the school districts if the property is or to be used as a racetrack gaming facility or lottery gaming facility. If the property is not used for a racetrack gaming facility or lottery gaming facility, the section of the law would no longer apply.

Finally, the bill would provide that USD 507, Satanta and USD 374, Sublette that for the purposes of computing the assessed valuation of school districts for the payment, distribution or allocation of state aid and the levying of school taxes, one-half of the assessed valuation of the property would be assigned to each of the school districts. The provision would not apply if the property is not or ceases to be used for the production of ethanol.

Conference Committee Action

The Conference Committee agreed to all the House amendments and inserted the language of Section 2 of Senate Committee of the Whole HB 2585 as follows:

- The bill would provide that USD 507, Satanta and USD 374, Sublette that for the purposes of computing the assessed valuation of school districts for the payment, distribution or allocation of state aid and the levying of school taxes, one-half of the assessed valuation of the property would be assigned to each of the school districts. The provision would not apply if the property is not or ceases to be used for the production of ethanol.

Background

SB 481 was introduced by the Senate Education Committee at the request of Senator Taddiken, who explained that a disincentive for school districts considering consolidation is the fact that the consolidated district may receive less state aid than it did when operating as separate districts. Because the bill recommended by the Senate Committee did not accurately reflect Senator Taddiken's intent with regard to supplemental general state aid, the Senate Committee of the Whole adopted his amendment to correct the bill in this respect.

With regard to general state aid only, prior law provided the three-year incentive to consolidate that is contained in SB 481, but applied it only to those districts that consolidated by July 1, 2005. All of the incentives that would be provided by SB 481 would apply to any consolidations, regardless of when they take place.

As introduced, SB 481 would have changed the transfer in FY 2006 and FY 2007 for the School District Capital Improvements Fund from a revenue transfer to a demand transfer and would have returned the law to what it was prior to FY 2003. The Senate Committee of the Whole amendment continues current law to maintain the revenue transfer for FY 2007. The difference between a revenue transfer and a demand transfer is that a demand transfer is counted as an expenditure from the State General Fund for purposes of determining State General Fund ending balances. Because of revenue shortfalls, the 2003 Legislature enacted legislation changing the School District Capital Improvements Fund transfer to a revenue transfer so that it would not have the effect of further depleting the ending balance. The transfer is estimated to be $61.0 million in FY 2007.

The House Committee made the provisions of the act retroactive to any district that had consolidated as of July 1, 2004.

The House Committee of the Whole amended the bill by providing for the Riverton, Cherokee, Galena and Baxter Springs school districts to share the assessed valuation of any new racetrack gaming facility or lottery gaming facility.

Appearing in support of SB 481 in the Senate Committee were superintendents of USD 222 (Washington), USD 221/455 (North Central/Hillcrest), and USD 427 (Republic/Belleville); a representative of the Kansas Association of School Boards; and Representative Sharon Schwartz. There were no opponents.

The fiscal note prepared by the Division of the Budget explains that, under the school finance formula, school districts with the smallest student enrollments receive the highest rates of state aid under the low enrollment weighting. As districts consolidate, the amount received per student decreases. For that reason, passage of SB 481 would not change state aid payments to the affected districts because the state already is paying the higher amount of state aid to the districts individually.

Consolidation, Assessed Valuation Computation