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MEMORANDUM

To: Rep. Ryckman
Members of the House Committee on Appropriations

From: Jason B. Long, Senior Assistant Revisor
Tamera Lawrence, Assistant Revisor

Date: March 9, 2015

Subject: HB 2403 – Creating the classroom learning assuring student success act.

1. The first three sections of the bill are appropriations for the department of education for FY15, FY16 and FY17. For FY15, the differences from the Governor's recommendation include an additional amount of moneys appropriated from the state general fund to the general state aid account not a lapse; a decrease of moneys from the state general fund to supplemental general state aid account; and an additional \$4,000,000 transfer from the state general fund to a newly created special revenue fund called the school district extraordinary need fund. (Section 1, starting on p. 1) Further, in Section 63, capital outlay state aid is funded from the state general fund using the amended formula in an amount not to exceed \$2,002,500. (Section 63, starting on p. 75)
2. For FY16, the differences from the Governor's recommendation include an additional amount of moneys appropriated from the state general fund to the block grants to USDs account; a decrease of moneys from the state general fund to the KPERS – employer contributions account (KPERS is fully funded, the money is in the block grants to USDs account); a demand transfer from the state general fund pursuant to section 17(e) and an expenditure limitation of \$12,292,000 on the newly created special revenue fund called the school district extraordinary need fund; and a state general fund appropriation of \$500,000 to the information technology education opportunities account. (Section 2, starting on p. 1)
3. For FY17, the differences from the Governor's recommendation include an additional amount of moneys appropriated from the state general fund to the block grants to USDs

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account; a decrease of moneys from the state general fund to the KPERS – employer contributions account (KPERS is fully funded, the money is in the block grants to USDs account); a demand transfer from the state general fund pursuant to section 17(e) and an expenditure limitation of \$17,521,425 on the newly created special revenue fund called the school district extraordinary need fund; and a state general fund appropriation of \$500,000 to the information technology education opportunities account. (Section 3, starting on p. 8)

4. The block grant is called “general state aid” and is calculated to include the following (Section 6, starting on p. 18):
 - a. The general state aid a district was entitled to receive for SY 14-15 as adjusted by Section 6 of the bill (Sec. 6(a)(1));
 - b. The supplemental general state aid a district was entitled to receive for SY 14-15 (Sec. 6(a)(2); See Point #11);
 - c. The capital outlay state aid a district was entitled to receive for SY 14-15 (Sec. 6(a)(3); See Point #12);
 - d. The virtual school state aid, if any, as calculated under the new formula (Sec. 6(a)(5); See Point #13);
 - e. The amounts attributable to the tax proceeds collected by the school district for the ancillary school facilities tax levy, the cost-of-living tax levy, and the declining enrollment tax levy (Sec. 6(a)(4); See Point #8); and
 - f. The amount of KPERS employer obligations as certified by KPERS (Sec. 6(a)(6)).
5. The general state aid for a district for SY 14-15 is adjusted to exclude the following:
 - a. The amount attributable to the ancillary school facilities weighting for SY 14-15 (Sec. 6(a)(1)(A));
 - b. The amount attributable to the cost-of-living weighting for SY 14-15 (Sec. 6(a)(1)(B));
 - c. The amount attributable to the declining enrollment weighting for SY 14-15 (Sec. 6(a)(1)(C)); and
 - d. The amount attributable to virtual school state aid for SY 14-15 (Sec. 6(a)(1)(D)).
6. The general state aid for a district for SY 14-15 is further adjusted to account for consolidated school districts, and to account for a district being eligible or not eligible for school facilities weighting in SY 15-16. (Sec. 6(c)-(e))

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7. For SY 15-16 and each subsequent school year, 0.4% of the general state aid is to be transferred to the Extraordinary Need Fund established by Section 17 of the bill. For SY 14-15 the Extraordinary Need Fund will be funded by a \$4,000,000 appropriation. (Sec. 6(a)(7); See Point #9)
8. The general state aid is to be disbursed to the districts in the same manner as general state aid was disbursed under prior act. (Section 7, starting on p. 20)
9. Districts are still required to levy the 20 mill statewide property tax levy and are required remit the proceeds to the state treasurer. These proceeds are used to fund the general state aid. (Section 11, starting on p. 22)
10. Districts are still authorized to adopt a local option budget (LOB) and levy a property tax in an amount that does not exceed the LOB of the district for SY 14-15, unless the district approved a higher amount for SY 15-16 prior to July 1, 2015. (Sections 12 & 13, starting on p. 22)
11. Districts are authorized to impose special local tax levies if: (a) the district levied such tax in SY 14-15; or (b) the district would be qualified to levy such tax under prior law. The maximum amount of the levy is the SY 14-15 amount plus any amount permitted under prior law if the district is qualified to levy an additional amount. These tax levies are for ancillary school facilities, cost-of-living, and declining enrollment, and the proceeds are remitted to the state. The proceeds are then disbursed back to the district through general state aid. (Sections 14-16, starting on p. 24)
12. Section 17 establishes the extraordinary need fund. For SY 14-15 there is a \$4,000,000 appropriation for the fund. Starting in SY 15-16, the fund would be funded by 0.4% of the general state aid. Districts can apply to the State Finance Council for an extraordinary need state aid payment. Such state aid payments would be made upon approval of the district's application by the State Finance Council. Any unencumbered funds remaining in the extraordinary need fund at the end of the fiscal year would be transferred back to the state general fund. (Section 17, starting on p. 29)
13. Starting in SY 15-16, districts will have fund flexibility at the district level. Excluded from this flexibility are the bond and interest fund, the special education fund, and the special retirement contributions fund. (Section 19, starting on p. 30) For SY 14-15, fund flexibility is expanded by elimination of the monetary cap on the amount districts can transfer pursuant to K.S.A. 72-6460. (Section 39, starting on p. 54)

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14. For SY 14-15, the supplemental general state aid formula is amended. Those districts receiving LOB equalization state aid will be divided into quintiles with the poorest quintile receiving 97% of the state aid amount calculated under the current formula. Each successively wealthier quintile will receive a smaller percentage. This new calculation of equalization state aid for SY 14-15 would be included in general state aid for SY 15-16 and SY 16-17. (Section 38, starting on p. 52)
15. For SY 14-15, the capital outlay state aid formula is amended. The state aid percentage starts at 75% for the poorest district and decreases by 1% for each \$1,000 incremental increase in assessed valuation per pupil (AVPP). This new calculation of equalization state aid for SY 14-15 would be included in general state aid for SY 15-16 and SY 16-17. (Section 63, starting on p. 75)
16. For SY 15-16 and subsequent years, the virtual school state aid formula is amended. For full-time virtual school students the district will receive \$5,600 per pupil. For part-time virtual school students the district will receive \$4,045 per pupil in SY 15-16, and \$1,700 per pupil in SY 16-17 and subsequent years. (Section 36, starting on p. 49)
17. The bond and interest state aid formula is amended for contractual bond obligations incurred after July 1, 2015. The state aid percentage starts at 75% for the poorest district and decreases by 1% for each \$1,000 incremental increase in AVPP. (Section 72, starting on p. 86)
18. The KPERS employer contribution for districts is amended to allow for disbursement of the KPERS funds through general state aid. (See Point #1) The district is then required to immediately deposit those funds in the district's special retirement contributions fund and submit payment of its employer contribution to KPERS. (Section 69, starting on p. 81)
19. HB 2403 is effective upon publication in the Kansas Register. The establishment of the extraordinary need fund, amendments to the LOB equalization formula, amendments to the capital outlay state aid formula, amendments to K.S.A. 72-6460 for fund flexibility, and approval of LOB authority for SY 15-16 are all effective for SY 14-15. All other provisions of the bill are effective on July 1, 2015. (Sections 78-80, starting on p. 96)

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**Comparison of School District Funding Provided by
the School District Finance and Quality Performance Act v. the CLASS Act**

School District Finance and Quality Performance Act	Classroom Learning Assuring Student Success Act
K.S.A. 72-6410 – Provides base state aid per pupil (BSAPP) at amount not less than \$3,838.	Although general state aid is not based on enrollment, the BSAPP for SY 14-15 is included in the general state aid amount.
K.S.A. 72-6411 – Provides transportation weighting for cost of transporting pupils.	No specific transportation funding, but amount attributable to weighting for SY 14-15 is included in the general state aid amount.
K.S.A. 72-6412 – Provides low enrollment weighting for districts with relatively low enrollments.	No specific low enrollment funding, but amount attributable to weighting for SY 14-15 is included in the general state aid amount.
K.S.A. 72-6442b – Provides high enrollment weighting for districts with relatively high enrollments.	No specific high enrollment funding, but amount attributable to weighting for SY 14-15 is included in the general state aid amount.
K.S.A. 72-6413 – Provides bilingual education weighting for cost of educating pupils for whom English is a second language.	No specific bilingual education funding, but amount attributable to weighting for SY 14-15 is included in the general state aid amount.
K.S.A. 72-6413 – Provides vocational education weighting for cost of vocational education courses and programs.	No specific vocational education funding, but amount attributable to weighting for SY 14-15 is included in the general state aid amount.
K.S.A. 72-6414 – Provides at-risk weighting for cost of educating at-risk pupils.	No specific at-risk funding, but amount attributable to weighting for SY 14-15 is included in the general state aid amount.
K.S.A. 72-6414b – Provides preschool-aged at-risk weighting for cost of preschool-aged at-risk programs.	No specific preschool-aged at-risk funding, but amount attributable to weighting for SY 14-15 is included in the general state aid amount.
K.S.A. 72-6455 – Provides high density at-risk	No specific high density at-risk funding, but

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weighting for cost of educating at-risk pupils in a district where there is a high density of such pupils.	amount attributable to weighting for SY 14-15 is included in the general state aid amount.
K.S.A. 72-6415 – Provides a school facilities weighting for cost of operating a new facility for the first two years the facility is in operation.	No specific school facilities funding, but amount attributable to weighting for SY 14-15 is included in the general state aid amount if district would still have received the weighting in SY 15-16. For districts opening new facilities in SY 15-16, the general state aid includes an amount attributable to the weighting.
K.S.A. 72-6443 – Provides an ancillary school facilities weighting for cost of operating a new facility. This weighting is funded by a local tax levy imposed by the district receiving the weighting.	The amount attributable to weighting for SY 14-15 is not included in the general state aid amount, but districts can continue to levy a tax in an amount equal to the SY 14-15 amount, and levy an additional tax if the district would have been eligible to do so under current law. The proceeds of all taxes levied are remitted to the state and disbursed back to the district through general state aid.
K.S.A. 72-6450 – Provides a cost-of-living weighting for cost of salaries and wages for employees of a district with a higher than average cost-of-living. This weighting is funded by a local tax levy imposed by the district receiving the weighting.	The amount attributable to weighting for SY 14-15 is not included in the general state aid amount, but districts can continue to levy a tax in an amount equal to the SY 14-15 amount, and levy an additional tax if the district would have been eligible to do so under current law. The proceeds of all taxes levied are remitted to the state and disbursed back to the district through general state aid.
K.S.A. 72-6452 – Provides a declining enrollment weighting for cost of declining enrollments. This weighting is funded by a	The amount attributable to weighting for SY 14-15 is not included in the general state aid amount, but districts can continue to levy a tax

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local tax levy imposed by the district receiving the weighting.	in an amount equal to the SY 14-15 amount, and levy an additional tax if the district would have been eligible to do so under current law. The proceeds of all taxes levied are remitted to the state and disbursed back to the district through general state aid.
K.S.A. 72-6446 – Provides a special education and related services weighting for cost of providing special education and related services. This weighting is funded by the special education and related services state aid provided to the district as determined under K.S.A. 72-978.	The amount attributable to weighting for SY 14-15 is not included in the general state aid amount, but K.S.A. 72-978 provides special education and related services state aid to districts under the same formula as current law.
K.S.A. 72-3715 – Provides virtual school state aid for cost of providing virtual school courses and programs. This state aid is calculated by adding a weighting to the BSAPP for a pupil enrolled in virtual school.	The amount attributable to virtual school state aid for SY 14-15 is not included in the general state aid amount, but K.S.A. 72-3715 provides virtual school state aid under a new formula using \$5,600 for each full-time pupil, \$4,045 for each part-time pupil in SY 15-16, and \$1,700 for each part-time pupil in SY 16-17.
K.S.A. 72-6431 – Requires each district to levy 20 mills on all tangible taxable property in the district. The proceeds of this tax are remitted to the state and disbursed to districts as general state aid.	Section 11 requires each district to levy 20 mills on all tangible taxable property in the district. The proceeds of this tax are remitted to the state and disbursed to districts as general state aid.
K.S.A. 72-6435 – Authorizes districts to levy a property tax in an amount equal to its adopted local option budget (LOB) which cannot be greater than 33% of the district's state financial aid.	Section 13 authorizes districts to levy a property tax in an amount equal to its adopted local option budget (LOB) which cannot be greater than: (1) the LOB amount for SY 14-15; or (2) the LOB amount the district would be authorized to adopt for SY 15-16, provided a resolution authorizing such amount is

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	approved pursuant to K.S.A. 72-6433 prior to July 1, 2015.
K.S.A. 72-6434 – Provides supplemental general state aid for those districts that are below the 81.2 percentile in a ranking of the assessed valuation per pupil (AVPP) of all districts. This is often referred to as LOB equalization state aid.	Section 38 amends K.S.A. 72-6434 for SY 14-15 so that those districts below the 81.2 percentile are grouped into quintiles and each group will receive a percentage of the supplemental general state aid it would otherwise receive under current law. The percentage decreases for each successively wealthier group. The SY 14-15 amount of supplemental general state aid as determined under this amendment is included in the general state aid for SY 15-16 and SY 16-17.
K.S.A. 72-8801 – Authorizes districts to levy a property tax not to exceed 8 mills to finance the cost of capital outlay expenditures.	No change.
K.S.A. 72-8814 – Provides capital outlay state aid for districts that levy a capital outlay tax. The amount is determined by a percentage of the tax levy. The median AVPP of all districts is set at 25%. Those districts above the median receive a lower percentage. Those district below the median receive a higher percentage.	Section 63 amends K.S.A. 72-8814 for SY 14-15 so that the district with the lowest AVPP receives 75%. The percentage then decreases one percentage point for every \$1,000 increase in AVPP. The SY 14-15 amount of capital outlay state aid as determined under this amendment is included in the general state aid for SY 15-16 and SY 16-17.
K.S.A. 75-2319 – Provides capital improvement state aid for districts that have issued bonds to finance capital improvement projects. The amount is determined by a percentage of the tax levy. The median AVPP of all districts is set at 25%. Those districts above the median receive a lower percentage. Those district below the median receive a	Section 72 amends K.S.A. 75-2319 for those contractual bond obligations incurred after July 1, 2015. Under the amendment the district with the lowest AVPP receives 75%. The percentage then decreases one percentage point for every \$1,000 increase in AVPP.

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higher percentage.	
K.S.A. 74-4939a – Provides that a district's KPERS employer contribution obligation is to be disbursed by the department of education to the district. The district then immediately makes the employer contribution payment to KPERS.	Section 6 provides that the KPERS employer contribution amount is included in the general state aid. Section 69 amends K.S.A. 74-4939a to reflect this. The district is still required to immediately make its employer contribution payment to KPERS.
Does not exist.	Section 17 establishes the extraordinary need fund (ENF). Districts can apply to the State Finance Council for a disbursement of funds from the ENF. Extraordinary need includes extraordinary increases in enrollment, extraordinary decreases in assessed valuation, and any other unforeseen acts or circumstances that substantially impact a district.

SUPPLEMENTAL GENERAL STATE AID

Current Law (K.S.A. 72-6434)

To calculate supplemental state aid, divide the assessed valuation per pupil (AVPP) of the school district by the 81.2nd percentile AVPP.

- If the resulting ratio is equal to or greater than 1.0, the district does not receive supplemental general state aid.
- If the resulting ratio is less than 1.0, subtract the resulting ratio from 1.0, then multiply the difference by local option budget of the district and that is the district's supplemental general state aid.

AVPP for each School District	
USD 1	
USD 2	
---	81.2
USD 3	If (District AVPP ÷ 81.2 nd percentile AVPP) < 1.0, SGSA = [(1.0 - (District AVPP ÷ 81.2 nd percentile AVPP)) x LOB]
USD 4	
USD 5	
USD 6	
USD 7	
...	

HB 2403 (Section 38, page 52)

To calculate supplemental state aid, divide the assessed valuation per pupil (AVPP) of the school district by the 81.2nd percentile AVPP.

- If the resulting ratio is equal to or greater than 1.0, the district does not receive supplemental general state aid.
- If the resulting ratio is less than 1.0, subtract the resulting ratio from 1.0, then multiply the difference by local option budget of the district. Whatever quintile the district falls into, multiply the resulting number by the applicable quintile percentage.

AVPP for each School District	
USD 1	
USD 2	
---	81.2
USD 3	72%
USD 4	
USD 5	82%
USD 6	
USD 7	92%
USD 8	
USD 9	95%
USD 10	
USD 11...	97%

If (District AVPP ÷ 81.2nd percentile AVPP) < 1.0,
 SGSA = [(1.0 - (District AVPP ÷ 81.2nd percentile AVPP)) x LOB] x Applicable %

CAPITAL OUTLAY STATE AID

Capital outlay is moneys expended for the purpose of the acquisition, construction, reconstruction, repair, remodeling, additions to, furnishing and equipping of buildings necessary for school district purposes, architectural expenses incidental thereto, the acquisition of building sites, the undertaking and maintenance of asbestos control projects, the acquisition of school buses and the acquisition of other equipment.

Current Law (K.S.A. 72-8814)

- Assessed valuation per pupil (AVPP) is rounded to nearest \$1,000 and ranked from highest to lowest
- The median AVPP is assigned the state aid computation percentage of 25%. The state aid computation percentage assigned to each district increases or decreases by 1 percentage point for each \$1,000 AVPP interval the district is above or below the median
- Multiply each district's levy amount (up to 8 mills) by the applicable percentage

AVPP for each School District At \$1,000 increments		Capital outlay state aid=Levy amount x Applicable %
USD	22%	
USD	23%	
USD	24%	
USD	Median AVPP 25%	
USD	26%	
USD	27%	
USD	28%	
...	...	

HB 2403 (Section 63, page 75)

- Assessed valuation per pupil (AVPP) is rounded to nearest \$1,000 and ranked from highest to lowest
- The lowest AVPP is assigned a state aid computation percentage of 75%. The state aid computation percentage to each district decreases by 1 percentage point for each \$1,000 AVPP interval above the lowest AVPP
- Multiply each district's levy amount (up to 8 mills) by the applicable percentage

AVPP for each School District At \$1,000 increments		Capital outlay state aid=Levy amount x Applicable %
...	...	
USD	69%	
USD	70%	
USD	71%	
USD	72%	
USD	73%	
USD	74%	
USD	75%	

CAPITAL IMPROVEMENT (BOND AND INTEREST) STATE AID

Payments from the school district capital improvements fund shall be distributed to school districts at times determined by the state board of education to be necessary to assist school districts in making scheduled payments pursuant to contractual bond obligations

Current Law (K.S.A. 75-2319)

- Assessed valuation per pupil (AVPP) is rounded to nearest \$1,000 and ranked from highest to lowest
- The median AVPP is assigned the state aid computation percentage of 25%. The state aid computation percentage assigned to each district increases or decreases by 1 percentage point for each \$1,000 AVPP interval the district is above or below the median
- Multiply each bond and interest payment obligation of the district by the applicable percentage and add the results

AVPP for each School District At \$1,000 increments		Capital improvement state aid=Payment obligation x Applicable %
USD -----	22%	
USD -----	23%	
USD -----	24%	
USD -----	Median AVPP 25%	
USD -----	26%	
USD -----	27%	
USD -----	28%	
...	...	

HB 2403 (Section 72, page 86)

- Assessed valuation per pupil (AVPP) is rounded to nearest \$1,000 and ranked from highest to lowest
- The lowest AVPP is assigned a state aid computation percentage of 75%. The state aid computation percentage to each district decreases by 1 percentage point for each \$1,000 AVPP interval above the lowest AVPP
- Multiply each bond and interest payment obligation of the district by the applicable percentage and add the results

AVPP for each School District At \$1,000 increments		Capital improvement state aid=Payment obligation x Applicable %
...	...	
USD -----	69%	
USD -----	70%	
USD -----	71%	
USD -----	72%	
USD -----	73%	
USD -----	74%	
USD -----	75%	

