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**MEMORANDUM**

To: Chairman Ryckman  
Members of the House Committee on Appropriations

From: Jason B. Long, Senior Assistant Revisor

Date: March 15, 2016

Subject: HB 2731 – Amendments to CLASS act regarding local option budget and capital outlay equalization.

House Bill No. 2731 makes various amendments regarding school finance. The bill reestablishes supplemental general state aid and capital outlay state aid so that both are based on statutory formulas. The bill also makes several amendments to the CLASS Act.

Under current law, as a portion of their block grant, school districts receive an amount equal to the supplemental general state aid the district received for school year 2014-2015. Supplemental general state aid is equalization assistance for school districts that levy a local option budget property tax. Section 2 of HB 2731 reestablishes the formula for determining supplemental general state aid that was contained in K.S.A. 72-6434 prior to its repeal. Under this section a school district with an assessed valuation per pupil (AVPP) that falls below the 81.2 percentile among all districts would receive supplemental general state aid in an amount that is proportional to the school district's AVPP compared to that at the 81.2 percentile. This section sunsets on June 30, 2017, at the same time as the CLASS Act.

Currently, as a portion of their block grant, school districts also receive an amount equal to the capital outlay state aid the district received for school year 2014-2015. This form of state aid is equalization assistance for school districts that levy a capital outlay property tax under K.S.A. 72-8801. Section 3 of HB 2731 reestablishes the formula for determining capital outlay state aid that was contained in K.S.A. 72-8814 prior to its repeal. Under this section the State Board of Education determines the AVPP of each school district and rounds each figure to the nearest \$1,000. Then, the State Board prepares a schedule listing the rounded AVPP amounts from lowest to highest. The median AVPP is then assigned a state aid computation percentage

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of 25%. For each \$1,000 increment above the median AVPP the computation percentage decreases by 1%. For each \$1,000 increment below the median AVPP the computation percentage increases by 1% with a maximum of 100%. The state aid computation percentage for a school district's AVPP on the schedule is then multiplied by the district's levy amount to determine the capital outlay state aid to be paid to such district. This section sunsets on June 30, 2017, at the same time as the CLASS Act.

Section 5 amends K.S.A. 72-6465 to adjust the calculation of the block grant amount for each school district. Sections 2 and 3 provide for direct appropriations of the equalization state aid. Because of this the block grant amount for school year 2016-2017 must be calculated excluding those amounts. The block grant calculation still includes the 0.4% reduction. However, HB 2731 repeals the extraordinary need fund. The 0.4% of school district state aid that was to be transferred to the extraordinary need fund will now stay in the state general fund to be used to pay for part of the supplemental general state aid appropriation.

Sections 6 and 7 makes amendments to the CLASS Act to clarify that the portion of the block grant paid for school year 2015-2016 for supplemental general state aid is to be deposited in the supplemental general state aid fund of the school district.

Section 8 amends K.S.A. 72-6474 regarding the ancillary school facilities property tax levy. This is a levy school districts may impose to raise revenue to cover the costs of operating a new school facility. Under HB 2731 the proceeds of such a levy can only be used to cover the costs of school facilities that were financed with bonds, which were approved for issuance at an election held prior to July 1, 2015. Under current law there is no restriction on the type of school facility for which the tax may be levied.

Section 10 amends K.S.A. 72-8801 to clean up the statute regarding the duration of a capital outlay tax levy. In 2014, the capital outlay law was changed to remove the 5-year limitation on capital outlay levies and allow school districts to levy an ongoing tax levy similar to the LOB tax levy. However, the resolution form in K.S.A. 72-8801 was not completely amended to correspond to this policy change. HB 2731 makes the necessary amendments to fully effectuate this change.

Section 11 amends K.S.A. 74-4939a regarding the payment of KPERS employer obligations for school districts. This is a conforming amendment that is needed due to the amendments to K.S.A. 72-6465.

If enacted the bill would become effective on publication in the Kansas Register.