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300 SW TENTH AVENUE ■ SUITE 24-E ■ TOPEKA, KS 66612 ■ (785) 296-2321

MEMORANDUM

To: Chairman Masterson
Members of the Senate Committee on Ways and Means

From: Jason B. Long, Senior Assistant Revisor

Date: March 22, 2016

Subject: SB 515 – Amendments to the CLASS Act regarding supplemental general state aid and capital outlay state aid.

Senate Bill No. 515 makes various amendments regarding school finance. The bill establishes a statutory formula for determining supplemental general state aid and capital outlay state aid. The statutory formula is the same for both forms of state aid. The bill also places the extraordinary need fund under the administration of the State Board of Education. Finally, the bill makes appropriations for equalization state aid and the extraordinary need fund for fiscal year 2017.

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 SB 515 establishes a statutory formula for determining supplemental general state aid. 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 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 school district's local option budget. 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 SB 515 reestablishes the formula for determining capital outlay state aid that was contained in K.S.A. 72-8814 prior to its repeal. This is the same formula used in Section 2 for determining the state aid computation percentage. The state aid computation percentage for a school district's AVPP on the schedule is then multiplied by the school district's capital outlay levy amount to determine the capital outlay state aid to be paid to such district. This section also sunsets on June 30, 2017, at the same time as the CLASS Act.

Section 4 of SB 515 provides school district equalization state aid. This is a new form of equalization state aid available for certain eligible school districts. To be eligible for such state aid a school district's combined supplemental general state aid and capital outlay state aid for fiscal year 2017 must be less than what the school district received as supplemental general state aid and capital outlay state aid under the block grant for fiscal year 2016. If the school district is eligible for this additional equalization state aid, then the difference between the FY 2017 amount and the FY 2016 amount is the amount of state aid to be paid to the school district.

Section 6 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.

Section 7 amends K.S.A. 72-6476 to shift the review and approval of extraordinary need funds from the State Finance Council to the State Board of Education. School districts must still submit an application for extraordinary need funding, and the State Board may approve or deny such application. In addition to the current extraordinary need considerations, the State Board may also consider whether the school district has reasonably equal access to substantially similar educational opportunity through similar tax effort. All proceedings of the State Board under this section are to be conducted in accordance with the Kansas Administrative Procedure Act, and all decisions of the State Board with respect to extraordinary need are subject to the Kansas Judicial Review Act.

Section 8 amends K.S.A. 72-6481 to add Sections 2 through 4 to the CLASS Act, and to make the CLASS Act severable.

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Section 9 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 July 1, 2016.