

REVISED
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SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2445

As Amended Without Recommendation by
House Committee

Brief*

HB 2445, as amended, would make appropriations to the Kansas State Department of Education (KSDE) for FY 2019. In addition, the bill would make several amendments to the Kansas School Equity and Enhancement Act (KSEEA). The amendments affect the Base Aid for Student Excellence (BASE), the Local Option Budget (LOB), various weightings in the school finance formula, four-year-old at-risk funding, the schedule for performance audits to be completed by the Legislative Division of Post Audit (LPA), out-of-state students, the State Board of Education's (KSBE) accreditation system, and school district funding reporting requirements. The bill would also amend statutes relating to capital outlay funds and school district capital improvements.

Appropriations

The bill would appropriate \$29.3 million, all from the State General Fund (SGF) for increased State Foundation Aid payments for FY 2019. The bill would also appropriate \$44.4 million, all from the SGF, for increased Special Education Services Aid payments for FY 2019. The bill would appropriate \$6.0 million, all from the SGF, for increased Supplemental State Aid (LOB State Aid) payments for FY 2019.

The bill would also appropriate \$10.0 million, all from the SGF, for the first year of a pilot program between school

*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>

districts and community mental health centers for FY 2019, including \$7.5 million for the operation of the pilot program and \$2.5 million for the one-time purchase of a database.

The bill would appropriate \$15,000, all from the SGF, to implement the Jobs for America's Graduates–Kansas pilot program (JAG-K) for foster children in the Wichita school district (USD 259), the Topeka school district (USD 501), and the Kansas City school district (USD 500).

Base Aid for Student Excellence

The bill would amend the BASE for five years beginning in school year 2018-2019. The new BASE amounts would be:

- School year 2018-2019, \$4,170;
- School year 2019-2020, \$4,307;
- School year 2020-2021, \$4,444;
- School year 2021-2022, \$4,581; and
- School year 2022-2023, \$4,718.

Beginning in school year 2023-2024, the BASE would increase by the average percentage increase in the Consumer Price Index (CPI) for all urban consumers in the Midwest region during the three immediately preceding school years. Current law provides for inflationary increases beginning in school year 2019-2020.

Local Option Budget

The bill would void any resolution providing LOB authority in excess of 30.0 percent that was adopted by a local school board prior to July 1, 2017, under the provisions of the Classroom Learning Assuring Student Success Act (CLASS Act) and not submitted to the electors of the school district for approval. Any school district affected by this provision would be required to adopt a new resolution subject to protest petition to adopt an LOB above 30.0 percent.

The bill would also require any school board seeking to raise its LOB authority for the succeeding school year to notify KSBE of the intended percentage increase in its LOB authority by April 1 of the current school year. School boards would be prohibited from adopting an LOB in excess of the authority stated in its notice submitted to KSBE. KSBE would be required to submit all such notifications to the Legislature. The notification requirement would take effect for any planned increases in LOB authority during school year 2019-2020.

The bill would require school districts to transfer the portion of their LOB attributable to at-risk and bilingual student weightings to their at-risk and bilingual education funds.

The bill would also change the process for calculating LOB State Aid from a school district's LOB for the immediately preceding school year to a school district's current-year LOB.

Formula Weightings

The bill would eliminate the KSEEA provision that provides for a 10.0 percent minimum for the at-risk student weighting. Additionally, the bill would repeal the July 1, 2019, sunset for the career and technical education (CTE) weighting. The bill would also delay to July 1, 2020, the sunset on the provision in the high-density at-risk weighting that allows for calculation of the weighting at the school-building level.

The bill would change the use of preceding year's data to the use of the current year's data for the bilingual weighting and the CTE weighting.

Four-Year-Old At-Risk

The bill would allow school districts to expand their four-year-old at-risk programs to include three-year-old children.

Transportation Weighting Formula

The bill would amend the transportation weighting in the KSEEA. The transportation weighting would be calculated based on a per capita allowance based on a school district's density figure, which is the area of a school district in square miles divided by the number of transported students. The bill would also provide for a statutory minimum level of transportation funding; provide for per capita allowances based on a cost factor of 5.0 for students more than 2.5 miles away from their school (current law provides for a cost factor of 2.8); and limit the proportion of a school district's State Foundation Aid attributable to the transportation weighting to being no more than 110.0 percent of a school district's total transportation expenditures for the immediately preceding school year.

Performance Audit Schedule

The bill would make several changes to the schedule for the performance audits to be completed by LPA. The new schedule would be:

- FY 2019, special education and related services;
- FY 2020, at-risk education funding;
- FY 2021, cost-function analysis of statewide education performance;
- FY 2022, bilingual education funding;
- FY 2023, virtual school programs; and
- FY 2024, cost-function analysis of statewide education performance.

Out-of-State Students

The bill would change how out-of-state students are counted as part of the annual September 20 enrollment

count. An out-of-state student would be counted as 1.0 FTE unless that student met one of the following requirements:

- The school such student attends is located more than eight miles from the Kansas state line by the usually traveled road; or
- The out-of-state school district in which the student resides is adjacent to the Kansas school district in which the student is enrolled, and the out-of-state school where the student would attend is located not more than eight miles from the Kansas state line by the usually traveled road.

KSBE Accreditation System

The bill would require KSBE to establish rigorous accountability measures in the areas of social emotional learning, kindergarten readiness, individual plans of study, graduation, and postsecondary success. Such accountability measures would be required to be applied at the school district level and the school building level, and both KSBE and local school boards would be required to publish such accountability measures on their websites.

The bill would also require any corrective action plan required by KSBE for a school district not meeting full accreditation requirements, and any subsequent reports regarding the implementation of such a corrective action plan, to be published on the websites of KSDE and such school district. In addition, the bill would require the superintendent, or the superintendent's designee, of any school district not meeting full accreditation requirements to appear before the House Committee on Education and Senate Committee on Education during the same school year in which the school district is not fully accredited. Such school district would be required to provide a report to the House and Senate education committees on the challenges to the district regaining full accreditation.

School District Funding Reporting Requirements

The bill would require KSDE to include the following in the annual school district funding reports:

- Expenditures and fund transfers from the LOB for the following:
 - At-risk education programs and services;
 - Preschool-aged at-risk education programs and services;
 - Bilingual education programs and services;
 - CTE programs and services;
 - Special education and related services; and
 - Virtual school programs and services; and
- Each school district's total bonded indebtedness.

Use of Capital Outlay Funds

The bill would eliminate the provision of current law that allows school districts to expend capital outlay funds on utilities and property and casualty insurance.

School District Capital Improvements

The bill would eliminate current provisions that limit the amount of bond elections KSBE may approve for school districts whose total bond issuances have exceeded 14.0 percent of a district's assessed valuation to the aggregate amount of bonds retired by school districts in the state in the preceding year.

Effective Dates

The bill would be in effect upon publication in the *Kansas Register*. However, all provisions other than the use

of current year data for the bilingual and CTE weighting would be effective on and after July 1, 2018.

Background

The bill was introduced at the request of Representative Rooker. In the House Committee on K-12 Education Budget hearing, representatives of the Kansas Association of School Boards and Kansas National Education Association appeared as proponents of the bill. Opponent testimony was provided by representatives of Kansas City Public Schools and the Kansas Policy Institute. Written-only opponent testimony was provided by representatives of the Kansas Association of Realtors and Schools for Fair Funding. No neutral testimony was provided.

The House Committee amended the bill by:

- Altering the schedule of performance audits to be conducted by LPA;
- Eliminating the provisions of current law that cap how many bond elections KSBE may approve;
- Repealing the sunset on the CTE weighting and delaying the sunset on the provision to calculate the high-density at-risk weighting at the school building level;
- Changing the enrollment used to calculate the bilingual weighting and CTE weighting from the preceding school year to the current school year;
- Changing the effective date of the bill from publication in the statute book to publication in the *Kansas Register* and providing that several provisions would be effective on or after July 1, 2018;

- Amending the transportation weighting in the following manner:
 - Calculating a school district's transportation weighting on a per capita allowance based on a school district's density figure;
 - Increasing the cost factor used for students more than 2.5 miles away from the school they attend from 2.8 to 5.0; and
 - Providing for a maximum amount of a school district's State Foundation Aid that may be attributable to the transportation weighting;

- Allowing school districts to include three-year-old children in their four-year-old at-risk programs;

- Amending how out-of-state students are counted for the annual September 20 student count;

- Clarifying that school districts must notify KSBE of the intended percentage increase in LOB authority for the succeeding school year by April 1 of the current school year, school districts cannot adopt an LOB in excess of that planned percentage, and the first notification would be required on April 1, 2019, for the 2019-2020 school year;

- Requiring school districts to transfer the portion of their LOB attributable to at-risk and bilingual students to their at-risk and bilingual education funds;

- Requiring certain accountability standards and reporting requirements for a school district's LOB expenditures and bonded indebtedness;

- Appropriating additional SGF moneys for FY 2019 for State Foundation Aid, Special Education Services Aid, and Supplemental State Aid;

- Changing the scheduled increase to the BASE from school year 2018-2019 through school year 2022-2023;
- Appropriating SGF moneys to implement the JAG-K pilot program for foster children for FY 2019; and
- Appropriating SGF moneys to begin a pilot program between school districts and community mental health centers for FY 2019.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, KSDE estimates the bill would have a net increases of expenditures totaling \$3.7 million, all from the SGF, for FY 2019. This includes increased expenditures of \$6.0 million, all from the SGF, due to calculating Supplemental State Aid through the use of current year LOB authority instead of the prior year's authority. This funding increase is partially offset by the elimination of the 10.0 percent at-risk floor for the at-risk weighting, which would decrease expenditures by \$2.3 million, all from the SGF.

The Division of the Budget states the Governor's budget recommendation included increased expenditures of \$6.0 million, all from the SGF, for FY 2019 to account for the Supplemental State Aid being calculated on current year LOB authority. As a result, the bill, as introduced, would result in decreased expenditures of \$2.3 million, all from the SGF, below the Governor's proposed budget.