

February 6, 2012

The Honorable Jean Schodorf, Chairperson
Senate Committee on Education
Statehouse, Room 236-E
Topeka, Kansas 66612

Dear Senator Schodorf:

SUBJECT: Fiscal Note for SB 361 by Senate Committee on Education

In accordance with KSA 75-3715a, the following fiscal note concerning SB 361 is respectfully submitted to your committee.

SB 361 would create the Excellence in Education Act (EEA), the Governor's school finance plan. The bill contains provisions regarding a new school finance formula, career technical education, teacher evaluations and alternative teacher certification.

School Finance Formula

The base funding formula under the EEA would contain four parts: base state aid; property value equalization state aid; local effort; and supplemental equalization state aid. The amount of base state aid would be determined by multiplying a district's total enrollment by the base state aid per pupil (BSAPP), which would be set at a minimum of \$4,492. With the exception of virtual school pupils, each individual student is counted as one pupil, including kindergarteners, whether the district conducts full day kindergarten or not. Virtual school pupils would be counted as 0.75. Total enrollment would be based on the full-time equivalent enrollment as currently provided by law. The Legislature may appropriate BSAPP at higher levels. Although the customary language is not in the formula for prorating state aid in the event of less than sufficient appropriations made by the Legislature, Division of the Budget assumes it would have to be instituted in such an event. The new Base State Aid Fund would be established in the state treasury from which payments of base state aid would be made.

The bill would maintain the current 20-mill statewide levy on taxable tangible property for the purposes of operating public schools. However, all proceeds from the levy would be withdrawn from each county and deposited in the new Property Value Equalization Fund, which would be newly established in the state treasury. The tax proceeds would then be distributed to school districts, under a formula outlined in the bill. These funds would be known as property value equalization state aid.

The bill would allow each school board to levy an ad valorem tax on the taxable tangible property of the district. There would be no statutory limit on the amount that could be levied; however, upon publication of a resolution to impose a levy, a protest petition could be filed to force an election on the question of imposing the levy. This levy would be the local effort of the district.

The bill outlines the amount of supplemental equalization state aid a district would be entitled to receive. The amount of supplemental equalization state aid is determined by comparing the total state aid a district is entitled to receive and the district's baseline amount requirement (BAR). A district's total state aid is the sum of the base state aid, the property value equalization state aid, and a district's local effort. If the total state aid is less than the district's BAR, then a district would be entitled to receive a supplemental equalization state aid payment in the amount of the difference. The bill would outline the calculation of a school district's BAR. For the first year of the new school finance formula, a district's BAR would be the sum of the district's general state aid, local effort, local option budget, and supplemental general state aid for either school year 2011-2012 or school year 2012-2013, whichever is greater. This calculation would exclude weightings for transportation and vocational education. For the second and subsequent years of the school finance formula, the BAR would be determined by taking the BAR from the immediately preceding year and adjusting it based on changes in the enrollment of the district and decreases in local mill levies. If a district's total state aid exceeds 106.0 percent of its BAR, then the district's property value equalization state aid would be reduced by the excess amount. These excess amounts would be transferred to the supplemental equalization fund, to fund the payments of supplemental equalization state aid. The 106.0 percent threshold could be increased if a district with a very high property valuation raises its local mill levy to the extent that its total state aid and additional mill levy exceed 106.0 percent of its BAR. When this happens, the percentage would be increased accordingly and the state would equalize the property tax increase out of the supplemental equalization fund.

If the appropriation for supplemental equalization state aid exceeds the amount necessary to meet the funding requirements for this part of the formula, then the excess amount would be distributed to districts in a formula outlined by the bill. This would be a staggered pro-rata distribution to eventually bring all districts up to the 106.0 percent of the BAR.

The bill would establish the transportation state aid payments for districts. The amount of state aid for transportation would be similar to the current transportation weighting, but the bill would convert the current weighting to a formula.

The bill would establish the school facilities state aid payment for districts. This funding would replace the new school facilities weighting in current law. If a district obtains voter approval for a bond issuance for new facilities prior to July 1, 2012, then for the year the facility opens and the subsequent year, the district will receive school facilities state aid, which would be equivalent to the current weighting.

With the exception of special education funds, the bill extends current law regarding unencumbered balances of district funds so that districts could continue to transfer unencumbered balances from one fund to another during school year 2012-2013. Beginning with school year 2013-2014, with a few exceptions, districts would be able to transfer money to and from local funds as necessary. No transfers would be allowed into or out of the bond and interest fund, and funds would be allowed only into the capital outlay fund, special education fund, and special retirement contributions fund.

On June 30 of each year, the school board would determine the amount of unencumbered balances in the funds of the district, excluding the bond and interest fund, capital outlay fund, and special education fund. If the amount of the unencumbered balances exceeds 7.5 percent of the district's BAR for that school year, then the excess amount would be transferred to the Special Retirement Contributions Fund. This fund would be used by the district to pay its employer share of KPERS contributions for employees of the district. Any amount transferred to this fund would offset the amount of the disbursement sent from the state to the district for employer's contributions.

The bill would amend the statutory provisions for state aid for capital outlay and capital improvements for school districts. The bill would place a moratorium on these state aid programs for the duration of the EEA, which would sunset on June 30, 2017.

Career Technical Education (CTE)

Funding for secondary CTE programs would be funded through a new formula determined by the State Board of Education. However, the bill would provide that tuition for secondary students attending a postsecondary institution would be paid by the Board of Regents, rather than the student or the school district. The bill would establish a CTE incentive program for school districts. Under the program, the Board of Regents would award \$1,000 to a district for each secondary student who graduates from high school with a CTE certificate in an occupation identified by the Secretary of Labor as one with the highest need for additional skilled employees. In addition, the bill would allow community colleges and technical colleges to apply to the Board of Regents for permission to establish a CTE program open to secondary students outside of the college's service area if the CTE program is not currently being offered in that service area.

In addition, the bill would establish the career technical education (CTE) state aid payments for school districts. The weighting for CTE would no longer exist as in the current formula, but the bill would replace it with a funding formula to be determined by the State Board of Education. The Board would be required to consider the number of CTE programs that offer certification, the number of agriculture CTE programs, and the need to transport pupils to postsecondary institutions. State aid would not be available for secondary CTE programs that are duplicative and located within 30 miles of a program offered by a postsecondary institution. Whether a CTE program is considered duplicative and whether the postsecondary institution has sufficient capacity would be determined by the Board.

Teacher Evaluations

The bill would establish new teacher evaluation criteria. Teacher evaluations will be based on objective student achievement and growth using student assessment measures. Each teacher would be given an evaluation designation of highly effective, effective, progressing, or ineffective. The designation would be based on the teacher's overall performance, but weighted as follows: 50.0 percent based on student achievement and growth; 40.0 percent based on input from supervisors, peers, parents, and students; and 10.0 percent based on contributions to the profession of teaching. The bill would provide that to the extent it is feasible, no pupil would be instructed for two consecutive years by a teacher designated as ineffective. The bill would authorize districts to terminate the contract of any teacher designated as ineffective for two consecutive years. Also, the teacher's name and designation is required to be published on a website maintained by the district.

In addition, the bill would create the Teacher Performance Incentive Program, which would be administered by the Department of Education. The program would reward teachers who have increased student achievement for at-risk pupils, as outlined in the bill. Performance incentive awards of \$5,000 per teacher could be made under the program.

Alternative Teacher Certification

The bill would establish alternative teacher certifications for certain individuals. If an individual is seeking certification as a teacher at the secondary level in science, technology, engineering, math or CTE, and has an employment commitment from a school board, pending certification, then the individual could be certified without completing teacher pedagogy course work. If the individual has completed a two-year Teach for America program and is seeking certification as a teacher at the secondary level, then the individual could be certified without completing teacher pedagogy course work. A subject matter assessment would still be required before certification.

Other Provisions

SB 361 would provide a research-based mentoring program for teachers and administrative school district employees. A board of education could apply and receive a grant for paying the cost for probationary teachers or administrative employees to attend mentor programs. The State Board of Education would award the grants, as outlined in the bill.

The bill contains a non-severability provision. This would ensure that if any portion of the new finance formula is held unconstitutional, then the entire Act would be stricken rather than leave any holes in the funding of schools. The provisions regarding CTE and unencumbered fund balances would become effective July 1, 2012. The remaining provisions of the bill will become effective July 1, 2013.

According to the Kansas Department of Education, enactment of SB 361 would result in additional state aid expenditures from the State General Fund totaling \$91,822,595 for the school finance formula. The following table summarizes these additional costs:

For the provisions relating to CTE, enactment of SB 361 would result in State General

Program	FY 2012 Current Finance Formula	FY 2014 Excellence in Education Act
General State Aid (GSA)	\$ 1,927,437,932	\$ 2,147,726,607
Supplemental General State Aid (LOB)	339,212,000	N/A
Baseline Aid Requirement (BAR)	N/A	270,588,342
Vocational Education	Included in GSA	Separate Approp.
New Facilities Aid	Included in GSA	22,000,000
Transportation Aid	Included in GSA	99,000,000
School District Finance Fund (SDFF)*	49,000,000	N/A
Subtotal	\$ 2,315,649,932	\$ 2,539,314,949
Excess Revenue Above Cap	N/A	(143,842,422)
Enrollment Growth**	N/A	12,000,000
Total State Aid Expenditures	\$ 2,315,649,932	\$ 2,407,472,527
Net Change from Current Formula		\$ 91,822,595

*Currently, the SDFF offsets State General Fund Expenditures for state aid.

**Growth resulting from enrollment and option of setting enrollment for the BAR.

Fund expenditures totaling \$57,960,952 in FY 2013. Expenditures for this program are included in *The FY 2013 Governor's Budget Report* as follows:

Career and Technical Education (CTE) Expenditures

Kansas Board of Regents

Tiered Technical Education Formula	\$ 8,000,000
Tuition for High School CTE Students	17,500,000
Incentive Payments for High Schools	3,000,000

Kansas Department of Education

CTE State Aid to School Districts	28,910,952
CTE Transportation Expenditures	500,000
CTE Promotion	50,000

Total FY 2013 CTE Expenditures \$ 57,960,952

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The Department estimates that the portion of the bill relating to school district staff mentoring would require grants totaling \$1,100,000, all from the State General Fund, in FY 2014. This level of funding is included in the Governor's recommended FY 2013 budget. Also, the Department estimates that expenditures totaling \$435,672 from the State General Fund would be required to implement provisions regarding school district written policy of personnel evaluations. The Department estimates that 1.00 FTE Education Program Consultant would be needed at a cost of \$85,672 in FY 2014, including \$77,264 for salaries and wages, \$3,000 for travel and subsistence expenditures, and \$5,408 for other operating expenditures, such as computers and rent. In addition, the Department estimates that \$350,000 in expenditures for staff development at the school districts related to this new system would be required.

For the Teacher Performance Incentive Program, awards to teachers would be made in FY 2014, subject to appropriations. The Department of Education notes that if 200 teachers qualify, payments totaling \$1.0 million would be made to school districts, all from the State General Fund (200 teachers X \$5,000).

The Division of the Budget notes that a technical correction to SB 361 would be required in order for the new facilities funding under the new finance formula to be funded in a manner similar to current law. With the language in the introduced version of the bill, the amount of state aid that a district would receive is computed by multiplying 0.25 times the total enrollment of the entire district. The formula should multiply 0.25 times the number of students in the new facility. Otherwise, the costs for this aid program would be significantly higher than what has been estimated in the fiscal note by the Kansas Department of Education.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson".

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Dale Dennis, Education