

SESSION OF 2018

SUPPLEMENTAL NOTE ON SNATE BILL NO. 422

As Amended by Senate Select Committee on
Education Finance

Brief*

SB 422 would amend law concerning school districts' Local Option Budgets (LOB), the at-risk weighting, and the use of capital outlay.

LOB

The bill would provide that any resolution increasing a district's LOB adopted prior to July 1, 2017, that was not subsequently submitted to and approved by a majority of the district's qualified electors, would expire June 30, 2018, and would have no force or effect during school year 2018-2019 or any subsequent school year.

The bill also would require districts that desire to increase their LOB authority for the immediately succeeding school year to submit written notice of such intent to the State Board of Education (KSBE) by March 15 of the current school year. The KSBE would then be required to compile all such notices and submit a report to the Legislature on or before March 25 of each year.

Finally, the bill would remove language from law governing Supplemental State Aid (LOB State Aid) that provided for LOB State Aid to be determined based on the the preceding school year, resulting in LOB State Aid being determined based on the current school year.

*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>

At-Risk Weighting

The bill would amend the at-risk weighting, which is determined by multiplying the number of students eligible for free meals under the National School Lunch Act by 0.484, to remove language allowing districts to substitute 10.0 percent of the district's enrollment, rather than the number of free-meal eligible students.

Capital Outlay

The bill also would remove language that allows capital outlay funds to be used for utility expenses and property and casualty insurance.

The bill would be in effect upon publication in the *Kansas Register*.

Background

In *Gannon V*, the Kansas Supreme Court identified four points of inequity in 2017 SB 19:

- The expanded use of capital outlay funds for utilities and property and casualty insurance, which would result in unacceptable levels of wealth-based disparities as a district's ability to take advantage of this provision is tied to its property wealth;
- Reinstatement of the protest petition and election process to reach the maximum LOB authority of 33.0 percent, which resulted in inequity as it effectively denied access to the maximum LOB authority for many districts while other districts are granted that access;

- The change to using the prior year LOB amount to determine the amount of LOB State Aid a district is entitled to receive, which results in inequity as a property-poor district that raises its LOB will not receive increased equalization aid for the first year of the increased LOB; and
- The 10.0 percent floor for the at-risk weighting violated the equity requirement as only two school districts benefit from this provision, and the State did not demonstrate why the free-meals proxy used for the at-risk weighting was inappropriate for those two districts but appropriate for all other districts.

SB 422 (LOB)

SB 422 was introduced by the Senate Committee on Ways and Means. In the Senate Select Committee on Education Finance hearing, representatives of the Kansas Association of School Boards (KASB) and United School Administrators of Kansas offered neutral testimony on the bill. Representatives of Kansas Farm Bureau, Kansas Livestock Association, and Schools for Fair Funding appeared as opponents of the bill. A representative of the Kansas Chamber offered written-only opponent testimony. The representative of Schools for Fair Funding expressed opposition to all of the bill's provisions except those to determine LOB State Aid based on the current year. The other opponents indicated opposition to the 30 percent LOB requirement. No proponent testimony was provided.

The Senate Select Committee removed language that would have required each school district to adopt an LOB equal to 30.0 percent of the school district's total Foundation Aid and to transfer from the LOB to its at-risk fund an amount proportional to the amounts of its total Foundation Aid attributable to the at-risk weighting. The Senate Select Committee also added the contents of SB 423, concerning

the at-risk weighting and use of capital outlay. Further background regarding SB 423 is provided below.

According to the fiscal note provided by the Division of the Budget, the Department of Education (KSDE) indicates enactment of SB 422, as introduced, would increase LOB State Aid expenditures by \$2.7 million, all from the State General Fund (SGF), beginning in Fiscal Year (FY) 2019, as a result of districts that currently have an LOB authority less than 30.0 percent being required to increase their LOB authority.

Additional information provided by the KSDE indicates the change to LOB State Aid being determined based on the current school year would increase LOB State Aid expenditures by approximately \$16.0 million in FY 2018, and approximately \$2.0 million in FY 2019, all from the SGF.

Any fiscal effect associated with SB 422, as introduced, is not reflected in *The FY 2019 Governor's Budget Report*.

SB 423 (At-Risk Weighting and Use of Capital Outlay)

SB 423 was introduced by the Senate Committee on Ways and Means. In the Senate Select Committee hearing, representatives of KASB and the Kansas Policy Institute appeared in support of the bill. No other testimony was provided.

The Senate Select Committee added the contents of SB 423 to SB 422.

According to the fiscal note prepared by the Division of the Budget, the KSDE indicates enactment of SB 423 would reduce state aid expenditures by \$2.3 million, as the bill would reduced the number of students qualifying for the at-risk weighting. The provisions concerning capital outlay would have no fiscal effect as the bill would change authorized uses for capital outlay funds, but not the amount of monies in the fund. Any fiscal effect associated with SB 423 is not reflected in *The FY 2019 Governor's Budget Report*.