

February 10, 2020

The Honorable Kristey Williams, Chairperson
House Committee on K-12 Education Budget
Statehouse, Room 286A-N
Topeka, Kansas 66612

Dear Representative Williams:

SUBJECT: Fiscal Note for HB 2526 by House Committee on K-12 Education Budget

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2526 is respectfully submitted to your committee.

Under current state law, some school districts are eligible to receive Capital Improvement State Aid (also known as Bond and Interest State Aid) to help pay the costs associated with capital improvements bonds. This state aid is another form of equalization aid, which provides property tax relief. Local property taxes are responsible for funding the portion of costs not covered by state aid.

To calculate the entitled state aid for bonds approved by voters prior to July 1, 2015, the Department of Education ranks all districts from highest to lowest based on the assessed valuation per pupil (AVPP), rounded to the nearest \$1,000. The median district is eligible to receive 25.0 percent state aid. For every \$1,000 in AVPP below the AVPP of the median district, state aid increases by 1.0 percent. For every \$1,000 in AVPP above the AVPP of the median district, state aid decreases by 1.0 percent. After determining a district's state aid rate, the amount of state aid is determined by multiplying the district's capital improvement payment obligation by the state aid rate.

For bonds approved by voters on or after July 1, 2015, but prior to July 1, 2017, the Department of Education ranks all districts from highest to lowest based on a district's assessed valuation per pupil (AVPP), rounded to the nearest \$1,000. The lowest ranked district is eligible to receive 75.0 percent state aid. For every \$1,000 in AVPP above the lowest ranked district, state aid is reduced by 1.0 percent. The state aid entitlement is then distributed from this calculation.

For bonds approved by voters on or after July 1, 2017, the same above formula is utilized; however, state aid for bonds used to finance the construction or remodeling of school district athletic facilities is prohibited, unless the construction or remodeling is necessary from concerns about safety or disability access.

HB 2526 would change the state aid calculation for bonds approved by voters on or after July 1, 2020, by removing USD 207—Fort Leavenworth from the AVPP schedule for computing Capital Improvement State Aid from the last bond state aid calculation.

The Department of Education reports that by removing USD 207—Fort Leavenworth from the AVPP schedule for computing Capital Improvement State Aid, state aid entitlements for school districts would increase for bonds approved after July 1, 2020. Since much of the real property located in the boundaries of USD 207—Fort Leavenworth is owned by the federal government and exempt from property taxes, this school district is always the lowest ranked district based on AVPP for Capital Improvement State Aid. Because of this ranking, the district would theoretically be entitled to 75.0 percent state aid. However, state law prohibits USD 207—Fort Leavenworth from the ability to issue bonds for capital improvements. By removing USD 207—Fort Leavenworth in the state aid calculation, the state aid for all other districts would increase.

For the short-term fiscal effect, the enactment of the bill would be negligible for FY 2021, as state aid is not determined by when the bond issue is approved by voters, but when a school district draws down the funding for construction. It is likely few districts would pass a bond issuance after July 1, 2020, and then be eligible for state aid by FY 2021. For the long-term fiscal effect, the enactment of the bill would increase Capital Improvement State Aid expenditures to school districts; however, a fiscal effect cannot be estimated without knowing which school districts would approve bond issues and how much bonding authority would be authorized. Any fiscal effect associated with HB 2526 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in cursive script that reads "L. L. Campbell". The signature is written in black ink and is positioned above the printed name and title.

Larry L. Campbell
Director of the Budget

cc: Dale Dennis, Education