

SESSION OF 2020

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 382**

As Amended by Senate Committee on  
Education

**Brief\***

SB 382, as amended, would amend the Capital Improvement State Aid schedule for general obligation bonds issued by school districts. The bill would exclude Unified School District (USD) 207 (Fort Leavenworth) from the state aid schedule for general obligation bond issuances approved at an election held on or after July 1, 2015. The bill would also exclude students enrolled in virtual schools from the assessed valuation per pupil (AVPP) used when determining the state aid schedule for bonds approved at an election held on or after July 1, 2015. [Note: For bonds approved prior to July 1, 2015, the AVPP used to calculate this state aid would continue to include virtual school students.]

Under current law, Capital Improvement State Aid for bonds approved at an election held on or after July 1, 2015, is calculated as follows:

- School districts are ranked according to their AVPP, as rounded to the nearest \$1,000;
- The school district with the lowest AVPP receives 75.0 percent state aid; and
- For every \$1,000 in AVPP above the lowest AVPP, state aid is decreased by 1.0 percent.

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\*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>

The bill would revise the calculation of Capital Improvement State Aid for bonds approved at an election held on or after July 1, 2015, as follows:

- School districts would be ranked according to their AVPP (excluding virtual school students), as rounded to the nearest \$1,000;
- The school district, other than USD 207, with the lowest AVPP would receive 75.0 percent state aid; and
- For every \$1,000 in AVPP above the lowest AVPP (excluding USD 207), state aid would be decreased by 1.0 percent.

## **Background**

The bill was introduced by the Senate Committee on Education at the request of Senator Baumgardner.

In the Senate Committee hearing on the bill, proponent testimony was provided by representatives of the Kansas Association of School Boards, Piper Sandler Companies, USD 230 (Spring Hill), and USD 233 (Concordia). Proponents stated removing USD 207 (Fort Leavenworth) from the state aid schedule would provide more equitable funding for capital improvements projects. Additionally, proponents stated the bill would provide some property tax relief to local taxpayers. Written-only proponent testimony was provided by representatives of USD 233 (Olathe) and USD 393 (Solomon).

Neutral testimony was provided by a representative of USD 266 (Maize). The representative stated the bill would make state aid for capital improvements more equitable but proposed the bill be made retroactive to include all bonds approved in elections since July 1, 2015.

No other testimony was provided on the bill.

The Senate Committee amended the bill to:

- Include all bonds approved at elections held on or after July 1, 2015. As introduced, the bill would have affected only bonds approved at an election held on or after July 1, 2020; and
- Exclude virtual school students from the AVPP used to calculate Capital Improvement State Aid for bonds approved at elections held on or after July 1, 2015.

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the Kansas State Department of Education (KSDE) indicates the state aid rates for school districts would increase by removing USD 207 from the AVPP schedule for calculating Capital Improvement State Aid. According to the KSDE, much of the real property located in USD 207 is owned by the federal government and, therefore, exempt from property taxes. As a result, USD 207 is always the lowest ranked district based on AVPP. Under current law, USD 207 would be entitled to 75.0 percent state aid for capital improvements. However, KSA 72-1210(b) prohibits USD 207 from issuing general obligation bonds and, therefore, it cannot receive state aid for capital improvements.

According to the fiscal note, the short-term fiscal effect of the bill would be negligible. The KSDE indicates few, if any, school districts would pass a bond issuance after July 1, 2020, and then issue bonds in time to qualify for state aid for FY 2021. The long-term fiscal effect of the bill would be to increase Capital Improvement State Aid expenditures due to the increase in state aid rates caused by the removal of USD 207 from the state aid schedule. However, the KSDE cannot estimate the increase in state aid without knowing which school districts would approve bond issuances and how much bonding authority would be authorized. Any fiscal effect

associated with the bill is not reflected in *The FY 2021 Governor's Budget Report*.

According to analysis of the bill performed by the Kansas Legislative Research Department (KLRD) and presented to the Senate Committee prior to working the bill, removing USD 207 from the state aid schedule would increase state aid rates for Capital Improvement State Aid by approximately 24.0 percent and increase the number of school districts eligible to receive state aid by 52 (from 126 to 179). This analysis was conducted using the AVPP for the 2018-2019 school year. Any analysis using the AVPP for the 2019-2020 school year would produce different results.

Additional analyses conducted by KLRD staff included the projected impact of excluding virtual students from the AVPP used for Capital Improvement State Aid. According to this analysis, excluding virtual students from the AVPP would have the effect of increasing the AVPP of any school district that operates a virtual school, thereby decreasing the state aid rate for those school districts. This effect would be most pronounced in school districts where virtual school students make up a large percentage of full-time equivalent enrollment. It is estimated 175 school districts would be eligible to receive Capital Improvement State Aid if the bill, as amended by the Senate Committee, were enacted.