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Education Initiative
(SB 155)

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School Finance

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School Finance
Formulas in the
United States

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Education

G-2 School Finance

The 2015 Legislative Session resulted in the repeal of the School District Finance and Quality Performance Act (SDFQPA) that was passed in 1992. In its place, the Legislature created the Classroom Learning Assuring Student Success Act or CLASS Act. The CLASS Act provided a block grant form of funding for each school district for school years 2015-2016 and 2016-2017. Each district's block grant was based in part on, and is at least equal to, the total state financial support as provided in school year 2014-2015.

House Sub. for SB 7 included the CLASS Act. Senate Sub. for HB 2353 was a "trailer bill" making some adjustments to SB 7. Details from both bills are included in the following description.

A description of the history of school finance in Kansas, as well as a variety of articles describing issues affecting K-12 school finance, can be found at <http://www.kslegresearch.org/KLRD-web/Education.html>. An update on school finance lawsuits in Kansas also can be found at this website.

Classroom Learning Assuring Student Success Act

The CLASS Act is effective from July 1, 2015, through June 30, 2017, and makes appropriations for K-12 education for fiscal years (FYs) 2015, 2016, and 2017.

Block Grant for FYs 2016 and 2017

The block grant includes the following provisions:

- General State Aid school districts were entitled to receive under the SDFQPA for school year 2014-2015, with some adjustments, and a 0.4 percent reduction for an Extraordinary Need Fund (will be disbursed to districts in the same manner as in the SDFQPA);
- Supplemental general state aid and capital outlay state aid as adjusted under the SDFQPA in 2014-2015 (adjustment described below);
- Virtual state aid as recalculated for FYs 2016 and 2017 (described below);

- Amounts attributable to the tax proceeds collected by school districts under the SDFQPA for the ancillary school facilities tax levy, the cost of living tax levy, and the declining enrollment tax levy; and
- Kansas Public Employees Retirement System (KPERs) employer obligations, as certified by KPERs.

General state aid for school year 2014-2015 is adjusted to account for consolidated school districts. Adjustments also are made in all school years to ensure districts that had been eligible for the new facilities weighting under the SDFQPA will receive that weighting.

Special education funding to school districts did not change and is a separate appropriation in the bill.

Extraordinary Need Fund

For FYs 2016 and 2017, 0.4 percent of general state aid will be transferred to the Extraordinary Need Fund. Any unencumbered moneys remaining in this Fund at the end of the fiscal year will be transferred back to the State General Fund. Districts may apply to the State Finance Council for payments from this Fund. In reviewing a district's application for payment from the Fund, the Finance Council must consider any:

- Extraordinary increase in enrollment;
- Extraordinary decrease in the district's assessed valuation; and
- Other unforeseen acts or circumstances substantially impacting a district's general fund.

Recalculation of Supplemental General State Aid (Local Option Budget [LOB] State Aid)

Under the new law, the Local Option Budget is comprised of a local mill levy and equalization aid from the state based on a formula described below.

LOB State Aid is recalculated based on quintiles below the 81.2 percentile of school districts' assessed valuation per pupil (AVPP) in school year 2014-2015 and capped at that amount for

subsequent school years with gradations as follows based on AVPP, beginning with the districts with the lowest AVPP. (Each quintile equals about 46 school districts.)

- Lowest quintile – 97.0 percent of LOB State Aid;
- Second lowest quintile – 95.0 percent of LOB State Aid;
- Middle quintile – 92.0 percent of LOB State Aid;
- Second highest quintile – 82.0 percent of LOB State Aid; and
- Highest quintile – 72.0 percent of LOB State Aid.

Districts may continue to adopt a LOB and levy a property tax in an amount not to exceed the LOB of the district in school year 2014-2015, unless the district approves a higher amount for school year 2015-2016 prior to July 1, 2015.

The bill uses the AVPP for school year 2015-2016 (instead of the current school year) for the purpose of determining LOB State Aid for any district if all of the following apply: the district has a total assessed valuation for school year 2015-2016 less than the assessed valuation in the current school year; the difference in assessed valuation between the current school year and 2015-2016 is greater than 25.0 percent; and having such reduction is the direct result of the classification of tangible personal property by 2014 legislation changing the tax classification of commercial and industrial machinery used directly in the manufacture of cement, lime, or similar products. (KSA 2014 Supp. 79-507)

Recalculation of Capital Outlay State Aid

The state aid percentage begins at 75.0 percent for the district with the lowest AVPP and decreases by 1.0 percent for each \$1,000 incremental increase in AVPP.

Bond and Interest State Aid

The bill amends the calculation of state aid for general obligation bonds approved for issuance at an election held on or after July 1, 2015, using

the same formula as the amended Capital Outlay State Aid formula.

Virtual State Aid

There was no change in the calculation of Virtual State Aid in school year 2014-2015. In school year 2015-2016, funding for full-time equivalent students will be calculated at \$5,000 per student; part-time students, \$4,045 per student; and students 19 and older, \$933 per 1-hour credit course successfully completed in the school year.

In school year 2016-2017, funding for full-time equivalent students will be calculated at \$5,600 per student; part-time students, \$1,700 per student; and students 19 and older, \$933 per 1-hour credit course successfully completed in the school year.

Special Levies

Districts may impose special local tax levies (for ancillary facilities, cost of living, and declining enrollment), if the district levied such tax in school year 2014-2015 or if the district is qualified to levy such tax under current law.

Fund Flexibility

Districts have flexibility to transfer money from most funds to the district's general fund with no cap on the amount of the transfer. Excluded from this flexibility are three funds: bond and interest, special education, and special retirement contributions.

2015 Senate Sub. for HB 2353

Senate Sub. for HB 2353 amended the CLASS Act to provide:

- Any student who is not a resident of a school district and attended that district in the 2014-15 school year would be allowed to attend school in the district in the 2015-16 and 2016-17 school years;
- Out-of-state virtual students are ineligible for state aid; and
- Districts experiencing changes in federal impact aid would not lose funding because of those changes.

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