

DEPARTMENT OF EDUCATION

	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:							
State General Fund	\$ 2,963,204,236	\$ 3,206,854,258	\$ 3,171,606,311	\$ 3,654,280,488	\$ 3,171,502,685	\$ 3,802,378,793	\$ 3,164,964,686
Other Funds	845,448,283	1,411,225,774	1,406,622,932	1,324,010,899	1,381,329,137	1,350,454,612	1,442,857,280
TOTAL	\$ 3,808,652,519	\$ 4,618,080,032	\$ 4,578,229,243	\$ 4,978,291,387	\$ 4,552,831,822	\$ 5,152,833,405	\$ 4,607,821,966
Capital Improvements:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0	0
TOTAL	\$ 0						
GRAND TOTAL	\$ 3,808,652,519	\$ 4,618,080,032	\$ 4,578,229,243	\$ 4,978,291,387	\$ 4,552,831,822	\$ 5,152,833,405	\$ 4,607,821,966
Percentage Change:							
Operating Expenditures							
State General Fund	(0.7) %	8.2 %	7.0 %	14.0 %	0.0 %	4.1 %	0.0 %
All Funds	6.9	21.3	20.2	7.8	(0.6)	3.5	1.2
FTE Positions	171.0	160.0	160.0	160.0	160.0	160.0	160.0
Non-FTE							
Perm.Uncl.Pos.	102.0	95.0	95.0	95.0	95.0	95.0	95.0
TOTAL	273.0	255.0	255.0	255.0	255.0	255.0	255.0

AGENCY OVERVIEW

The State Board of Education is a ten-member elected board established by the *Kansas Constitution*. It is responsible for the general supervision of public schools and all other educational interests of the state that are not under the jurisdiction of the State Board of Regents. Its duties include

accrediting elementary and secondary schools, establishing standard courses of study in the public schools, certifying teachers and administrators, approving public and private teacher education programs, and administering a variety of state and federal aid and other assistance programs.

MAJOR ISSUES FROM PRIOR YEARS

Montoy v. State of Kansas

On January 3, 2005, the Kansas Supreme Court issued a decision in *Montoy v. State of Kansas* which held the Legislature had failed to meet its burden to make a suitable provision for the finance of public schools as required by the *Kansas Constitution*. The Court retained jurisdiction and gave the Legislature until April 12, 2005, to enact corrective legislation. The 2005 Legislature enacted HB 2247, HB 2259, and SB 43, which amended portions of the school finance formula or affected the distribution of state aid and appropriated \$141.1 million from the State General Fund in additional funding for elementary and secondary schools.

On June 3, 2005, the Supreme Court issued a supplemental opinion in which it found funding approved by the 2005 Legislature (during the regular Session) did not satisfy the Legislature's constitutional obligation to adequately fund schools. The Court retained jurisdiction and told the Legislature it had until July 1, 2005 to increase funding for school year 2005-06 by an additional \$143.0 million.

In June 2005, the Legislature convened a Special Session and enacted House Sub. for SB 3, which made further revisions to the school finance formula, and added an additional \$148.4

million from the State General Fund for school finance, resulting in a total increase of \$289.5 million in funding for school year 2005-06.

In July 2005, the Supreme Court ruled the Legislature had complied with its June order with regard to providing additional funding for the 2005-06 school year. The Court continued to retain jurisdiction in the case, pending completion of a study of educational costs by the Legislative Division of Post Audit.

2006 Session. The Legislature, upon reviewing a cost study analysis issued by the Legislative Division of Post Audit, enacted 2006 SB 549, a \$466.2 million (from the State General Fund), three-year school finance plan, which appropriated increased funding of \$194.5 million in the 2006-2007 school year, \$149.0 million in the 2007-2008 school year, and \$122.7 million in the 2008-2009 school year. Further, the bill:

- Increased the Base State Aid Per Pupil (BSAPP) from \$4,257 to \$4,316 in FY 2007, to \$4,374 in FY 2008, and \$4,433 in FY 2009 (although only \$4,400 was funded);

- Included funding for action taken by the 2005 Legislature (House Sub. for SB 3) to increase the level of special education excess costs funding from 81.7 percent to 89.3 percent in FY 2006 and to 92.0 percent in FY 2007 and thereafter;
- Clarified that the Capital Outlay State Aid program created by the 2005 Legislature (House Sub. for SB 3) is a demand transfer;
- Increased the at-risk weighting from 19.3 to 27.8 in FY 2007, to 37.8 in FY 2008, and 45.6 in FY 2009;
- Increased the Local Option Budget (LOB) authority from 27.0 percent to 30.0 percent in FY 2007 and to 31.0 percent in FY 2008 and thereafter; and
- Created new weighting categories for high density at-risk pupils and for pupils who are not proficient on the basis of state assessments, but are not eligible for free lunches.

In July 2006, the Supreme Court dismissed the case, ruling that the Legislature had substantially complied with the Court's prior orders to correct flaws in the School Finance Act. The Court stated the constitutionality of 2006 SB 549 was not before it and noted the Legislature will have provided at least \$755.7 million in additional funding for elementary and secondary education by school year 2008-09. The Court also lifted the stay it had placed on two provisions contained in the 2005 legislation and dismissed the appeal.

2007 Session. The 2007 Legislature approved the addition of \$23.1 million, all from the State General Fund, for aid and

other assistance programs in FY 2008. Major adjustments include the following items.

- \$4.0 million in General and Supplemental General State Aid to fund 2007 HB 2159 in FY 2008, which allowed all school districts to conduct a second count of students who are military dependents on February 20, 2008, and February 20, 2009.
- \$1.0 million in Supplemental General State Aid to fund a 1.0 percent increase in the LOB authority in FY 2008. Language in the appropriations bill (2007 HB 2368) increased the LOB authority from 31.0 percent to 32.0 percent in FY 2008 and thereafter.
- \$16.1 million in special education excess costs to cover reductions in federal funding for Medicaid reimbursements. The reduction in federal funding was due to a decision by the federal Centers for Medicare and Medicaid Services to begin requiring school districts to request reimbursements on a service-by-service basis in FY 2008, rather than using a bundled payment rate.

In addition, the Legislature approved the transfer of \$122.7 million from the State General Fund to a newly established Keeping Education Promises Trust Fund in FY 2008 to set aside the third year of increased funding (FY 2009) established in the three-year school finance bill (2006 SB 549). In FY 2009, \$122.7 million was transferred back to the State General Fund for General State Aid (\$82.7 million), Supplemental General State Aid (\$15.0 million), and special education excess costs (\$25.0 million).

The Legislature also removed the sunset date of June 30, 2007, for the non-proficient weighting created in the three-year school finance plan (2007 SB 68). No additional funding was needed for the continuation of the non-proficient weighting in FY 2008. The \$10.0 million, all from the State General Fund, the 2006 Legislature appropriated for the weighting in FY 2007 was already included in the agency's FY 2008 budget to finance the weighting in the base General State Aid appropriation.

2007 Interim. In June 2007, the Attorney General issued an opinion that the 1.0 percent LOB increase (from 31.0 percent to 32.0 percent) in the 2007 appropriations bill violated Article 2, Section 16 of the *Kansas Constitution*, which prohibits a bill from containing more than one subject. Because the appropriations bill contained a severability provision, however, the Attorney General indicated that the LOB increase language could be excised without affecting the remaining provisions in the bill.

2008 Session. The 2008 Legislature approved funding of \$2.5 billion, all from the State General Fund, for General and Supplemental General State Aid. This resulted in a BSAPP of \$4,433 in FY 2009 (although, only \$4,400 was funded). In addition, the 2008 Legislature recommended the following items.

- Continued funding for the third year of the three-year school finance plan approved by the 2006 Legislature; added \$37.2 million, all from the State General Fund, in FY 2010 to add a fourth year to the plan, resulting in a BSAPP increase of \$59, from \$4,433 to \$4,492.
- Amended language contained in a previous appropriations bill that required a dollar-for-dollar match from business and industry for the Kansas Career Pipeline. The legislation retained the

dollar-for-dollar match but broadened the sources that may be used.

- Shifted \$7.5 million in funding for the Parents as Teachers program from the State General Fund to the Children's Initiatives Fund in FY 2009. Made expenditures of \$5.0 million, all from the Children's Initiatives Fund, were made for the Kansas Preschool program, formerly known as the Pre-K Pilot. The program had been included in the budget of the Department of Social and Rehabilitation Services (SRS) prior to FY 2009. The Legislature's action transferred the program from SRS to the Department of Education and combines it with the Four Year Old At-Risk program.

2009 Session. The 2009 Legislature made the following major adjustments in FY 2009.

- Deleted \$27.8 million, all from the State General Fund, from General State Aid, which resulted in a BSAPP of \$4,367. (The Governor vetoed the reduction and, instead, reduced the BSAPP by \$11 resulting in a BSAPP of \$4,400 in school year 2008-09.)
- Accelerated the transfer of the fourth-year payment of \$37.2 million from the Keeping Education Promises Trust Fund to the State General Fund from FY 2010 to FY 2009.
- Added \$3.4 million, all from the State General Fund, for local effort adjustments, (or less than expected property tax valuations).

- Added \$2.9 million, all from the State General Fund, for a shortfall in KPERS-School employer contributions in order to maintain funding at the level included in 2009 House Sub. for SB 23.

2010 Session. For FY 2010, the Legislature deleted \$32.75 million, all from the State General Fund, in General State Aid. The BSAPP for the 2010-11 school year was \$3,937.

2011 Session. The 2011 Legislature made the following adjustments.

- Added \$21.7 million, all from the State General Fund, in FY 2011 to ensure the state meets federal special education maintenance of effort requirements. The Legislature added \$21.2 million and included language allowing for the certification of the amount necessary for maintenance of effort requirements at the end of the 2011 Session. If more than the initial \$21.2 million was required to meet the certification, the additional funding would be transferred from the KPERS-School account. In June, the Department of Education, the Kansas Legislative Research Department and the Division of the Budget met and determined that an additional \$476,000 was necessary to meet the federal maintenance of effort requirement.
- Deleted \$69.2 million, all from the State General Fund, to delay the April 15th KPERS-School payment, in FY 2011 to FY 2012.
- Added \$52,287, all from the State General Fund, for school food assistance in FY 2012 in order to meet federal maintenance of effort requirements

set forth by the U.S. Department of Agriculture. By adding the funds, the state is eligible to receive approximately \$97.0 million in federal funds for the school lunch program.

- Added \$69.2 million, all from the State General Fund, for FY 2012 for the April 15, 2011, KPERS-School payment, which was deleted in FY 2011.
- Deleted \$1.5 million, all from the State General Fund, to eliminate funding for the Mentor Teacher program in FY 2012.
- Deleted language in FY 2012 that required the award for parent education program grants (Parents As Teachers) to be conditioned on the school district providing services for those families at 150.0 percent of federal poverty level and charging a fee for those families above that income level.

In addition, House Sub. for Sub. for SB 111 was passed. The bill allows school districts to expend a portion of the unencumbered balances held in particular funds and provides a prioritized list. Local school boards are not limited to using the funds in the priority list and are not required to expend the total unencumbered balance before utilizing the unencumbered balance in another fund. The bill limits the amount of money a school district can use from its unencumbered balance through a formula that is calculated by the State Board of Education.

2012 Session. The 2012 Legislature made the following adjustments.

- Deleted \$615,663, all from the State General Fund, for the Mentor Teacher program in FY 2013.
- Added \$65,663, all from the State General Fund, for costs associated with an increase in the transaction fee for the Financial Management System (FMS) in FY 2013.
- Deleted \$28.9 million, all from the State General Fund, from the Technical Education Grants Program fund and added \$28.9 million, all from the State General Fund, to General State Aid in FY 2013 to maintain the 0.5 weighting for career and technical education.
- Added \$40.0 million, all from the State General Fund, to increase the BSAPP from \$3,780 to \$3,838 in FY 2013.

2013 Session. The 2013 Legislature made the following adjustments to the Department's budget.

- Transferred \$44,441 from the Kansas Universal Service Fund (KUSF) in FY 2013 to a newly established fund within the Department to fund an Educational Technology Coordinator position, which had been funded with a federal grant that was due to expire at the end of federal FY 2013.
- Added \$250,000, all from the State General Fund, for Communities in Schools for FY 2014 and FY 2015.

- Deleted \$1.2 million, all from the State General Fund, to reduce operating expenditures for FY 2014.
- Transferred \$43.0 million for FY 2014 and \$10.0 million for FY 2015, all from the State Highway Fund, for special education transportation and reduced the State General Fund expenditures by the same amounts in each fiscal year.
- Transferred \$96.6 million for FY 2014 and \$96.6 million for FY 2015, all from the State Highway Fund, for general state transportation weighting and reduced the State General Fund expenditures by the same amounts in each fiscal year.
- Transferred \$650,000 for FY 2014 and \$650,000 for FY 2015, all from the State Highway Fund, for career and technical education transportation and reduced the State General Fund expenditures by the same amounts in each fiscal year.
- Transferred \$37.5 million for FY 2014 and \$39.5 million for FY 2015, all from the Expanded Lottery Act Revenues Fund (ELARF), for KPERS School Retirement and reduced the State General Fund expenditures by the same amounts in each fiscal year.
- Added \$46,908, all from the State General Fund, including 0.5 FTE position, in both FY 2014 and FY 2015 for an Education Program Consultant for the Coalition of Innovative Districts Act.

2014 Session. In response to a ruling by the Kansas Supreme Court, the 2014 Legislature appropriated an additional \$109.3 million for Supplemental General State Aid from the State General Fund (local option budget equalization aid) and made a revenue transfer of \$25.2 million to the Capital Outlay Fund from the State General Fund to fully fund equalization aid in both these areas.

Changes in the school finance formula, described below, resulted in a decrease in various weightings taking effect in FY 2015 and thereafter, unless otherwise noted below.

- A phase-out of the school facilities weighting limited its use to only those districts that have a local option budget (LOB) of at least 25 percent

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of \$4.6 billion, including \$3.2 billion from the State General Fund. The revised FY 2015 estimate is \$60.1 million, all funds, more than the approved FY 2015 budget and \$48.0 million more from the State General Fund. These differences are the result of the agency requests of \$22.0 million from the State General Fund to fully fund supplemental-general state aid, \$20.0 million from the State General Fund to fully fund capital outlay aid; and \$5.6 million from the State General Fund to fully fund the KPERs

of the amount of state financial aid for which the contractual bond obligations incurred by the district were approved by voters on or before July 1, 2014.

- Nonproficient at-risk weighting was eliminated.
- Virtual weighting was eliminated from the LOB calculation.
- At-risk weighting was eliminated for part-time students (grades 1 through 12) and students over 19 years of age (excluding students with Individualized Education Programs (IEPs)).

School contribution. A revenue transfer of \$12.0 million to fund capital improvement aid (bond and interest) is requested.

The revised estimate eliminates ten full-time equivalent (FTE) positions that were unfilled, reducing the agency FTE position count to 160, while adding two unclassified temporary positions to carry out extensions related to existing federal grants.

FY 2015 Governor Recommendation

The **Governor** recommends a FY 2015 budget of \$4.6 billion all funds, including \$3.2 billion in State General Funds. The difference in the agency request and the Governor's recommendation was a reduction of nearly \$40.0 million. The largest part of this difference was in the aid to local units of

FY 2016 Agency Request

The **agency** requests \$5.0 billion all funds, including \$3.7 billion from the State General Fund. This is an all funds increase of \$456.0 million, or 10.0 percent, above the FY 2015 approved budget. Comparing the FY 2016 request to the revised FY 2015 request, the difference is \$396 million more in all funds. The State General Fund request is \$530.0 million above the FY 2015 approved State General Fund budget, or a 16.8 percent increase. Comparing the FY 2016 request to the revised FY 2015 request, the State General Fund difference is \$483.5

FY 2016 Governor Recommendation

The **Governor** recommends an all funds budget of \$4.6 billion, including \$3.2 billion from the State General Fund. The difference in the Governor's recommendation and the agency's request is an all funds total of \$425.5 million, including \$483.0 million difference in the State General Fund request. The Governor's recommendation included an all other funds request exceeding the agency's request by \$57.0 million, due primarily to funding added from the State Highway Fund (\$107.3 million)

government category. This primarily resulted from a reduction of \$46.0 million from KPERS school via the December allotment with a partial offset of \$12.6 million added to fund LOB state aid—an addition resulting from the November consensus estimating process.

million. Details of the enhancement request representing the majority of these additional funds, are presented later in this analysis. **Absent the enhancement request**, the request would be \$4.6 billion all funds, and \$3.3 billion State General Fund. The major change from the FY 2015 State General Fund approved budget and the FY 2016 requested State General Fund budget includes \$107.0 million for transportation aid and special education transportation aid, funded in FY 2015 from State Highway Funds.

for transportation programming which offset State General Fund expenditures by the same amount. The Governor's recommendation is in the form of a block grant to school districts, rather than in recommendations to be distributed through a formula to general state aid, supplemental state aid, and such as has been done in the past. It does not appear the Governor recommended funding for enhancement requests.

FY 2017 Agency Request

The **agency** requests \$5.2 billion from all funds, including \$3.9 billion from the State General Fund. The increases in this budget request from the FY 2016 request includes enhancement requests described in detail later in this analysis. Major changes in the agency's operating budget include

increased salary expenditures because of a 27th pay period. Contractual expenditures decrease because of the conclusion of several child nutrition and wellness programs, as well as an anticipated reduction in the contract with the University of Kansas to develop and administer state assessments.

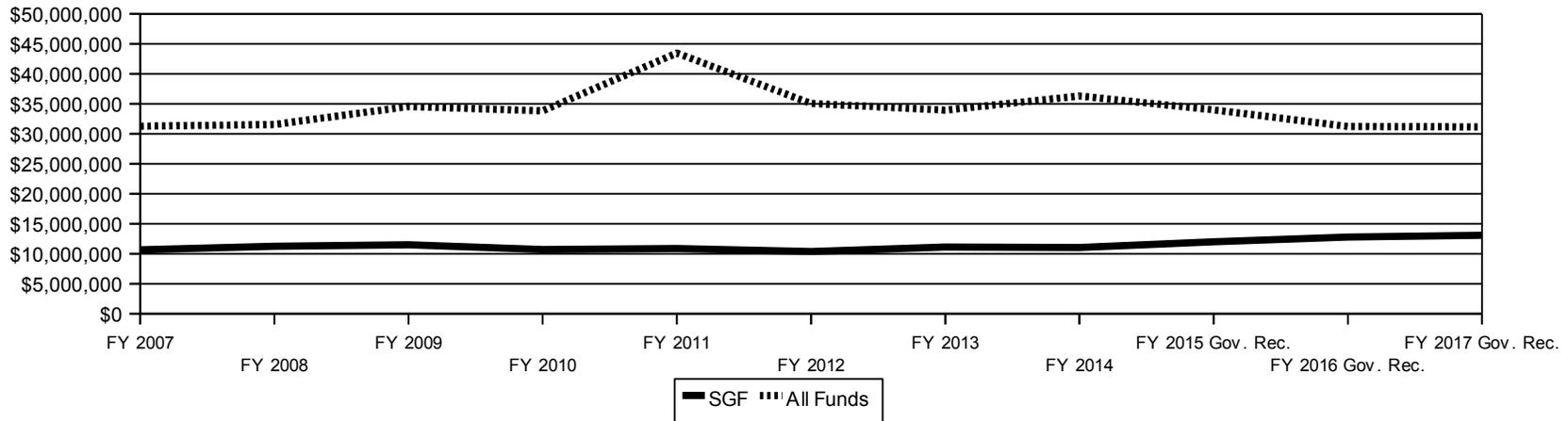
FY 2017 Governor Recommendation

The **Governor** recommends an all funds budget of \$4.6 billion, including \$3.2 billion from the State General Fund. The Governor's recommendation included an all other funds request exceeding the agency's request by \$92.4 million, due primarily to funding added from the State Highway Fund (\$107.3 million) for transportation programming which offset State General Fund

expenditures by the same amount. The Governor's recommendation is in the form of a block grant to school districts, rather than in recommendations to be distributed through a formula to general state aid, supplemental state aid, and such as has been done in the past. It does not appear the Governor recommended funding for enhancement requests.

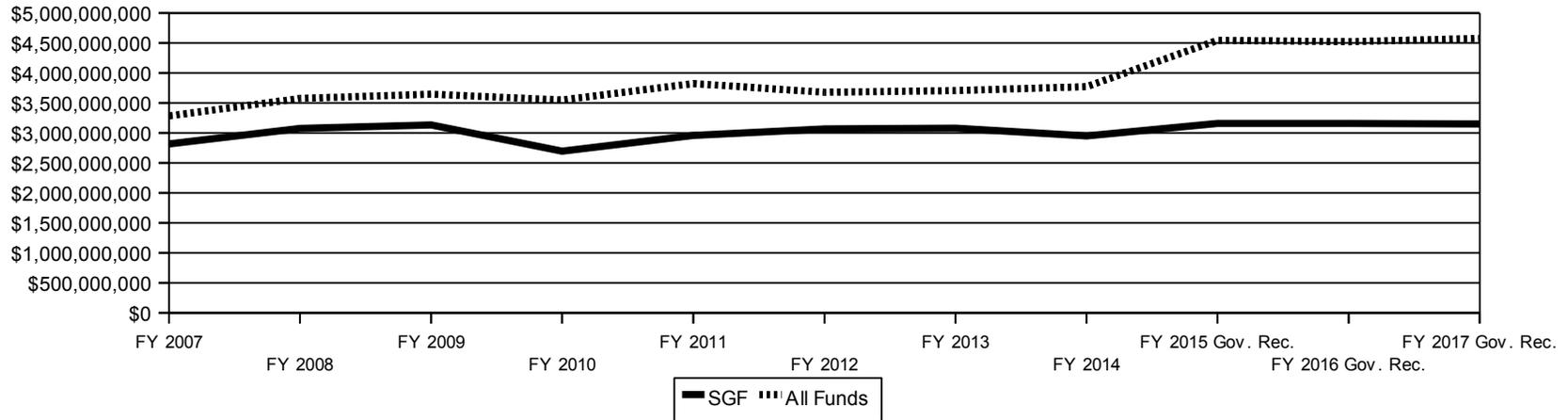
BUDGET TRENDS

OPERATIONS EXPENDITURES FY 2007 – FY 2017



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	\$ 10,663,086	4.8 %	\$ 31,269,033	0.3 %	215.7
2008	11,237,342	5.4	31,551,327	0.9	212.3
2009	11,510,498	2.4	34,561,283	9.5	213.3
2010	10,735,847	(6.7)	33,840,356	(2.1)	210.3
2011	10,876,684	1.3	43,460,681	28.4	210.3
2012	10,361,045	(4.7)	35,064,224	(19.3)	188.3
2013	11,132,026	7.4	33,956,966	(3.2)	170.0
2014	11,050,938	(0.7)	36,308,792	6.9	170.0
2015 Gov. Rec.	12,010,437	8.7	34,004,536	(6.3)	160.0
2016 Gov. Rec.	12,806,100	6.6	31,229,087	(8.2)	160.0
2017 Gov. Rec.	13,091,813	2.2	31,152,328	(0.2)	160.0
Eleven-Year Change	\$ 2,428,727	22.8 %	\$ (116,705)	(0.4)%	(55.7)

**AID AND OTHER ASSISTANCE EXPENDITURES
FY 2007 – FY 2017**



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	\$ 2,819,051,089	9.1 %	\$ 3,284,176,331	7.7 %	215.7
2008	3,075,357,811	9.1	3,575,547,560	8.9	212.3
2009	3,135,854,735	2.0	3,647,248,002	2.0	213.3
2010	2,698,815,637	(13.9)	3,549,720,129	(2.7)	210.3
2011	2,960,334,113	9.7	3,824,032,285	7.7	210.3
2012	3,066,459,334	3.6	3,678,685,623	(3.8)	188.3
2013	3,080,705,948	0.5	3,707,586,052	0.8	170.0
2014	2,952,153,298	(4.2)	3,772,343,727	1.7	171.0
2015 Gov. Rec.	3,159,595,874	7.0	4,544,224,707	21.4	160.0
2016 Gov. Rec.	3,158,696,585	(0.0)	4,521,602,735	(0.5)	160.0
2017 Gov. Rec.	3,151,872,873	(0.2)	4,576,669,638	1.2	160.0
Eleven-Year Change	\$ 332,821,784	11.8 %	\$ 1,292,493,307	39.4 %	(55.7)

Summary of Operating Budget FY 2014 - FY 2016

	Actual 2014	Agency Estimate				Governor's Recommendation			
		Estimate FY 2015	Request FY 2016	Dollar Change from FY 15	Percent Change from FY 15	Rec. FY 2015	Rec. FY 2016	Dollar Change from FY 15	Percent Change from FY 15
By Program:									
Administration	\$ 15,686,673	\$ 15,537,980	\$ 13,790,316	\$ (1,747,664)	(11.2) %	\$ 15,215,898	\$ 14,163,470	\$ (1,052,428)	(6.9)%
Governance of Education	396,823	394,302	387,142	(7,160)	(1.8)	393,597	381,401	(12,196)	(3.1)
Child Nutrition & Wellness	3,907,620	4,635,516	3,861,304	(774,212)	(16.7)	4,613,310	3,837,191	(776,119)	(16.8)
Standards and Assessment Services	9,335,247	9,031,782	7,939,070	(1,092,712)	(12.1)	9,015,059	6,823,329	(2,191,730)	(24.3)
Special Education Services	7,488,841	4,510,841	3,771,278	(739,563)	(16.4)	4,494,299	3,753,079	(741,220)	(16.5)
Title Programs & Services	3,076,282	3,689,263	3,555,363	(133,900)	(3.6)	3,676,485	3,542,163	(134,322)	(3.7)
Career and Technical Education	1,258,230	1,372,823	1,330,981	(41,842)	(3.0)	1,362,651	1,320,010	(42,641)	(3.1)
Financial Aid	3,767,502,803	4,578,907,525	4,943,655,933	364,748,408	8.0	4,539,457,944	4,519,011,179	(20,446,765)	(0.5)
TOTAL	\$ 3,808,652,519	\$ 4,618,080,032	\$ 4,978,291,387	\$ 360,211,355	7.8 %	\$ 4,578,229,243	\$ 4,552,831,822	\$ (25,397,421)	(0.6)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 16,809,653	\$ 17,759,186	\$ 17,634,168	\$ (125,018)	(0.7) %	\$ 17,357,978	\$ 16,819,357	\$ (538,621)	(3.1)%
Contractual Services	18,023,698	15,777,687	13,608,518	(2,169,169)	(13.7)	15,777,687	13,608,518	(2,169,169)	(13.7)
Commodities	858,000	659,552	597,664	(61,888)	(9.4)	659,552	597,664	(61,888)	(9.4)
Capital Outlay	617,441	209,319	203,548	(5,771)	(2.8)	209,319	203,548	(5,771)	(2.8)
Debt Service	--	--	--	--	--	--	--	--	--
Subtotal - Operations	\$ 36,308,792	\$ 34,405,744	\$ 32,043,898	\$ (2,361,846)	(6.9) %	\$ 34,004,536	\$ 31,229,087	\$ (2,775,449)	(8.2)%
Aid to Local Units	3,726,491,873	4,539,327,437	4,901,742,707	362,415,270	8.0	4,499,877,856	4,477,528,056	(22,349,800)	(0.5)
Other Assistance	45,851,854	44,346,851	44,504,782	157,931	0.4	44,346,851	44,074,679	(272,172)	(0.6)
TOTAL	\$ 3,808,652,519	\$ 4,618,080,032	\$ 4,978,291,387	\$ 360,211,355	7.8 %	\$ 4,578,229,243	\$ 4,552,831,822	\$ (25,397,421)	(0.6)%
Financing:									
State General Fund	\$ 2,963,204,236	\$ 3,206,854,258	\$ 3,654,280,488	\$ 447,426,230	14.0 %	\$ 3,171,606,311	\$ 3,171,502,685	\$ (103,626)	(0.0)%
Expanded Lottery Act Revenues Fund	37,512,000	39,490,000	39,490,000	--	--	39,490,000	36,158,948	(3,331,052)	(8.4)
Children's Initiatives Fund	12,037,437	12,037,447	12,697,635	660,188	5.5	12,037,447	12,037,447	--	--
Transportation Fund Shift	140,295,558	107,850,000	--	(107,850,000)	(100.0)	107,250,000	107,250,000	--	--
All Other Funds	655,603,288	1,251,848,327	1,271,823,264	19,974,937	1.6	1,247,845,485	1,225,882,742	(21,962,743)	(1.8)
TOTAL	\$ 3,808,652,519	\$ 4,618,080,032	\$ 4,978,291,387	\$ 360,211,355	7.8 %	\$ 4,578,229,243	\$ 4,552,831,822	\$ (25,397,421)	(0.6)%

Summary of Operating Budget FY 2016 - FY 2017

	Agency Estimate				Governor's Recommendation			
	Request FY 2016	Request FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:								
Administration	\$ 13,790,316	\$ 14,126,234	\$ 335,918	2.4 %	\$ 14,163,470	\$ 14,293,513	\$ 130,043	0.9 %
Governance of Education	387,142	390,690	3,548	0.9	381,401	384,834	3,433	0.9
Child Nutrition & Wellness	3,861,304	3,548,790	(312,514)	(8.1)	3,837,191	3,524,491	(312,700)	(8.1)
Standards and Assessment Services	7,939,070	7,667,132	(271,938)	(3.4)	6,823,329	6,551,076	(272,253)	(4.0)
Special Education Services	3,771,278	3,824,712	53,434	1.4	3,753,079	3,806,148	53,069	1.4
Title Programs & Services	3,555,363	3,616,019	60,656	1.7	3,542,163	3,602,555	3,542,163	100.0
Career and Technical Education	1,330,981	1,368,661	37,680	2.8	1,320,010	1,357,471	37,461	2.8
Financial Aid	4,943,655,933	5,118,291,167	174,635,234	3.5	4,519,011,179	4,574,301,878	55,290,699	1.2
TOTAL	\$ 4,978,291,387	\$ 5,152,833,405	\$ 174,542,018	3.5 %	\$ 4,552,831,822	\$ 4,607,821,966	\$ 54,990,144	1.2 %
By Major Object of Expenditure:								
Salaries and Wages	\$ 17,634,168	\$ 18,418,207	\$ 784,039	4.4 %	\$ 16,819,357	\$ 17,396,057	\$ 576,700	3.4 %
Contractual Services	13,608,518	12,941,739	(666,779)	(4.9)	13,608,518	12,941,739	(666,779)	(4.9)
Commodities	597,664	589,688	(7,976)	(1.3)	597,664	589,688	(7,976)	(1.3)
Capital Outlay	203,548	224,844	21,296	10.5	203,548	224,844	21,296	10.5
Debt Service	--	--	--	--	--	--	--	--
Subtotal - Operations	\$ 32,043,898	\$ 32,174,478	\$ 130,580	0.4 %	\$ 31,229,087	\$ 31,152,328	\$ (76,759)	(0.2)%
Aid to Local Units	4,901,742,707	5,075,410,677	173,667,970	3.5	4,477,528,056	4,531,851,491	54,323,435	1.2
Other Assistance	44,504,782	45,248,250	743,468	1.7	44,074,679	44,818,147	743,468	1.7
TOTAL	\$ 4,978,291,387	\$ 5,152,833,405	\$ 174,542,018	3.5 %	\$ 4,552,831,822	\$ 4,607,821,966	\$ 54,990,144	1.2 %
Financing:								
State General Fund	\$ 3,654,280,488	\$ 3,802,378,793	\$ 148,098,305	4.1 %	\$ 3,171,502,685	\$ 3,164,964,686	\$ (6,537,999)	(0.2)%
Expanded Lottery Act Revenues Fund	39,490,000	39,490,000	--	--	36,158,948	35,430,948	(728,000)	(2.0)
Children's Initiatives Fund	12,697,635	12,697,635	--	--	12,037,447	12,037,447	--	--
Transportation Fund Shift	--	--	--	--	107,250,000	107,250,000	--	--
All Other Funds	1,271,823,264	1,298,266,977	26,443,713	2.1	1,225,882,742	1,288,138,885	62,256,143	5.1
TOTAL	\$ 4,978,291,387	\$ 5,152,833,405	\$ 174,542,018	3.5 %	\$ 4,552,831,822	\$ 4,607,821,966	\$ 54,990,144	1.2 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of \$3,158,925,023 for the Department of Education in FY 2015. Several adjustments have subsequently been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made.

- An increase of \$885,207 (\$820,634 in operations; \$64,573 in special education), based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.

- A reduction of \$46,313,992, as the result of the Governor’s December 9th State General Fund allotment.

These adjustments change the FY 2015 approved State General Fund to \$3,113,496,238. That amount is reflected in the table below as the currently approved FY 2015 State General Fund amount. The agency’s budget was submitted prior to the December allotment, so the agency’s revised budget estimates do not incorporate the allotment.

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2015	Agency Estimate FY 2015	Agency Change from Approved	Governor Rec. FY 2015	Governor Change from Approved
State General Fund	\$ 3,113,496,238	\$ 3,206,854,258	\$ 93,358,020	\$ 3,171,606,311	\$ 58,110,073
All Other Funds	1,399,079,505	1,411,225,774	12,146,269	1,406,622,932	7,543,427
TOTAL	\$ 4,512,575,743	\$ 4,618,080,032	\$ 105,504,289	\$ 4,578,229,243	\$ 65,653,500
FTE Positions	170.0	160.0	(10.0)	160.0	(10.0)

The **agency requests** a revised estimate of \$4.6 billion, including \$3.2 billion from the State General Fund.

The revised estimate eliminates ten full-time equivalent (FTE) positions that were unfilled, reducing the agency FTE

position count to 160.0, while adding two unclassified temporary positions to carry out extensions related to existing federal grants.

The **Governor** recommends an all funds budget of \$4.6 billion, including \$3.2 billion from the State General Fund.

As a result of the November consensus revenue estimating process, the Governor added \$34,278,000 to local option

budget state aid; \$19,799,214 to capital outlay state aid; and \$5,577,859 to KPERS School, for a total addition of \$59,655,073 above the FY 2015 approved amount. The Governor reduced Juvenile Detention Centers \$600,000 and General State Aid by \$945,000 resulting in the base state aid per pupil remaining at \$3,852. (This amount - \$945,000 - resulted from property tax revenue from the 20 mill levy more than anticipated and realized during the November consensus process.)

Supplemental Detail

Supplementals	FY 2015 SUPPLEMENTALS					
	Agency Estimate			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Capital Outlay State Aid	\$ 19,799,214	\$ 19,799,214	0.0	\$ 19,799,214	\$ 19,799,214	0.0
Supplemental General State Aid (LOB State Aid)	21,666,955	21,666,955	0.0	34,278,000	34,278,000	0.0
Technical Education Transportation (State Highway Funds)	0	600,000	0.0	0	0	0.0
KPERS - School	5,577,859	5,577,859	0.0	5,577,859	5,577,859	0.0
TOTAL	\$ 47,044,028	\$ 47,644,028	0.0	\$ 59,655,073	\$ 59,655,073	0.0

The **agency** estimates \$47.0 million, from the State General Fund, to fully equalize capital outlay and supplemental-general state aid (LOB state aid). The agency also requests \$5.6 million in increased public employee retirement contributions, all from the State General Fund in FY 2015.

Capital outlay equalization aid required for full equalization increased because many school districts increased capital outlay mill levies to the eight mill maximum. According to agency

officials, this occurred because the full equalization provided via the LOB state aid caused property tax relief that, even with an increased capital outlay mill levy, provided net property tax relief to districts' property owners.

LOB state aid required for full equalization increased because the assessed valuation per pupil at the statutorily-required 81.2nd percentile increased from \$109,275 to \$116,700.

The KPERS enhancement request is due to increased KPERS employer contribution rates and increases in school employee salaries.

Due to increased participation in the career and technical education program for 11th and 12th grade students, the agency

requests an additional \$600,000 of State Highway Funds to supplement this transportation category.

The **Governor** recommended funding for capital outlay and additional funding for LOB state aid, as well as the KPERS school increase; however, there was not a recommendation for the additional technical education transportation funding.

Governor's Allotments

The consensus revenue estimating process was completed on November 10, 2014 subsequent to agencies submitting budgets with revised expenditures for the current fiscal year. The results of the new consensus revenue estimates identified a \$278.7 million State General Fund shortfall for FY 2015. This prompted the Governor to address the shortfall with an allotment plan totaling \$280.0 million which reduced

expenditures by \$60.1 million. The allotment plan also included recommendations to transfer funds and adjust Non-State General Fund expenditures an additional \$219.9 million. The adjustments included in the \$219.9 million will require legislative approval to implement. The allotments shown in the table below reflect only those allotments which have already taken place

GOVERNOR'S ALLOTMENTS			
Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Contribution rate - Schools	\$ 45,997,099	\$ 45,997,009	0.0
Reduce KPERS Contribution rate - agency	87,021	171,336	0.0
Reduce SGF funding by 4.0 percent	229,872	229,872	0.0
TOTAL	\$ 46,313,992	\$ 46,398,217	0.0

Kansas Public Employees Retirement System (KPERS) Reduction:

A reduction of \$46,084,120, from the State General Fund as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School

Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. An additional \$84,315 from special revenue funds is reduced in the Governor's budget recommendation resulting in a total reduction of \$46,168,435.

4.0 percent reduction to Cabinet-level and other SGF funded agencies

A reduction of \$229,872, as a result of the Governor’s State General Fund allotment of 4.0 percent over the last six months

or 2.0 percent for the whole fiscal year to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by holding positions open or reducing staff, according to agency officials.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY			
	Agency Request	Governor’s Recommendation	Difference
Total Request/Recommendation	\$ 4,978,291,387	\$ 4,552,831,822	\$ (425,459,565)
FTE Positions	160.0	160.0	0.0
<i>Change from FY 2015:</i>			
<i>Dollar Change:</i>			
State General Fund	\$ 447,426,230	\$ (103,626)	
All Other Funds	(87,214,875)	(25,293,795)	
TOTAL	<u>\$ 360,211,355</u>	<u>\$ (25,397,421)</u>	
<i>Percent Change:</i>			
State General Fund	14.0 %	0.0 %	
All Other Funds	(6.2)	(1.8)	
TOTAL	<u>7.8 %</u>	<u>(0.6) %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests \$5.0 billion all funds, including \$3.7 billion from the State General Fund. The agency's FY 2016 budget request includes an all funds enhancement request of \$368.0 million, including \$367.0 million from the State General Fund. An additional change from the agency's FY 2015 revised budget included changing \$96.6 million in general state aid from the transportation weighting from the State Highway Fund to the State General Fund. Summarily, those enhancement requests include \$254.0 million to increase the base state aid per pupil to \$4,200 from \$3,852; fund the first year of an all-day kindergarten initiative at \$16.4 million; and provide funding for transportation aid at \$96.6 million (in FY 2015 this transportation aid was funded with the State Highway Fund). The decrease in all other funds primarily resulted from the elimination of \$96.6 million in transportation aid. **Absent the enhancement request**, the request would be \$4.6 billion all funds, and \$3.3 billion State General Fund.

According to agency officials, several factors led to a drop in the state operations budget for FY 2016. The agency budget did not include \$542,000 in funds for the continued support of the KIDS data system. In addition, increases in rent and the monumental surcharge, led the agency to increase its salaries and wages shrinkage rate from 3.86 percent to 15.88 percent.

The agency anticipates a drop in expenditures for contractual services in FY 2016 because federal funds to support the Kansas Learning Network will be scaled back. Two smaller federal grants - Safe and Supportive Schools and the Enhance Assessment Accessibility of Technology Grant - conclude in September 2015, adding to the lowering of contractual expenditures.

The **Governor** recommends an all funds budget of \$4.6 billion, including \$3.2 from the State General Fund. The difference in the Governor's recommendation and the agency's request is an all funds total of \$425.5 million, including \$483.0 million difference in the State General Fund request. The Governor's recommendation included an all other funds request exceeding the agency's request by \$57.0 million, due primarily to funding added from the state highway fund (\$107.3 million) for transportation programming which offset State General Fund expenditures by the same amount. The Governor's recommendation is in the form of a block grant to school districts, rather than in recommendations to be distributed through a formula to general state aid, supplemental state aid, and such as has been done in the past. It does not appear the Governor recommended funding for enhancement requests.

Enhancements Detail

Enhancements	FY 2016 ENHANCEMENTS					
	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
General State Aid	253,776,000	253,776,000	0.0	0	0	0.0
Supplemental General State Aid (LOB)	29,413,499	29,413,499	0.0	0	0	0.0
Capital Outlay State Aid	24,799,214	24,799,214	0.0	0	0	0.0
Special Education Services Aid	36,055,529	36,055,529	0.0	0	0	0.0
All Day Kindergarten	16,400,000	16,400,000	0.0	0	0	0.0
Professional Development	4,250,000	4,250,000	0.0	0	0	0.0
Mentor Teacher Program	1,500,000	1,500,000	0.0	0	0	0.0
Technical Education						
Transportation	650,000	650,000	0.0	0	0	0.0
Teaching Excellence Awards	47,500	47,500	0.0	0	0	0.0
Kansas Association for Conservation and Environmental Education	35,000	35,000	0.0	0	0	0.0
Agriculture in the Classroom	35,000	35,000	0.0	0	0	0.0
Parents Education Program (Parents as Teachers)	0	460,000	0.0	0	0	0.0
Pre-K Pilot Program	0	200,188	0.0	0	0	0.0
TOTAL	\$ 366,961,742	\$ 367,621,930	0.0	\$ 0	\$ 0	0.0

Enhancement Request Related to Aid and Other Assistance

- Increase Base State Aid Per Pupil (BSAPP) to \$4,200.** The agency requests \$253.8 million, all from the State General Fund, to increase BSAPP from \$3,852 to \$4,200 in FY 2016.
- Supplemental General State Aid (Local Option Budget Equalization Aid).** The agency requests \$29.4 million, all from the State General Fund, to fully fund supplemental state aid as, the agency stated, was affirmed by the Kansas Supreme Court.

- **Capital Outlay State Aid.** The agency requests \$24.8 million, all from the State General Fund, for capital outlay state aid, that is funded through a demand transfer from the State General Fund. This program is designed to provide state equalization to less wealthy school districts for capital outlay mill levies up to eight mills.
- **Special Education Services Aid.** The agency requests \$36.1 million, all from the State General Fund, to fund special education at 85.0 percent of excess costs. (KSA 72-978 requires 92.0 percent of excess special education costs be paid via state aid.) The agency indicated in its budget that without this enhancement special education aid would be pro-rated at 78.5 percent of excess costs.
- **All-Day Kindergarten.** The agency requests \$16.4 million, all from the State General Fund, to begin implementation of a five-year phase in of all day kindergarten for school districts that choose to offer it.
- **Professional Development.** The agency requests \$4.3 million, all from State General Fund, to fund professional development for teachers. No funding for professional development was appropriated for fiscal year 2010 - 2015.
- **Mentor Teacher Program.** The agency requests \$1.5 million, all from the State General Fund, for this voluntary program maintained by local school boards for providing probationary teachers with

professional support and continuous assistance by an on-site mentor teacher. This request would partially fund this program.

- **Teaching Excellence Scholarships.** The agency requests \$47,500, all from the State General Fund, to provide assistance for teachers to attain National Board certification. The 2014 Legislature approved funding of \$327,500 for this program for FY 2015.
- **Discretionary Grant Program.** The agency requests \$35,000, all from the State General Fund, for the Kansas Association for Conservation and Environmental Education (KACEE). Funding would pay for workshops and environmental education resources for educators.
- **Kansas Foundation for Agriculture in the Classroom.** The agency requests \$35,000, all from the State General Fund, to fund this program. Funding for this program was eliminated in FY 2012. According to the agency, state funding for this program has been matched by private industry on a 60 percent state and 40 percent private basis.
- **Parents Education Program or Parents as Teachers.** The agency requests \$460,000 of Children's Initiatives Funds (CIF) to increase the funding for this program to \$7.7 million. CIF has funded this program at \$7.2 million since FY 2012.

- **Pre-K Pilot.** The agency requests \$200,188, all from the Children's Initiative Fund, to fund this program to the FY 2010 level. There currently are 12 local Pre-K Pilot programs operating in 14 counties across the state with the purpose of preparing students to enter kindergarten ready to succeed.

The **Governor's** recommendation is in the form of a block grant to school districts, rather than in recommendations to be distributed through a formula to general state aid, supplemental state aid, and such as has been done in the past. It does not appear the Governor recommended funding for enhancement requests.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 5,152,833,405	\$ 4,607,821,966	\$ (545,011,439)
FTE Positions	160.0	160.0	0.0
<i>Change from FY 2016:</i>			
<i>Dollar Change:</i>			
State General Fund	\$ 148,098,305	\$ (6,537,999)	
All Other Funds	0	0	
TOTAL	<u>\$ 148,098,305</u>	<u>\$ (6,537,999)</u>	
<i>Percent Change:</i>			
State General Fund	4.1 %	0.0 %	
All Other Funds	2.0	4.5	
TOTAL	<u>7.8 %</u>	<u>(0.6) %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests \$5.2 billion from all funds, including \$3.9 billion from the State General Fund. This is an all funds increase of \$222.8 million, or 4.4 percent, and a State General Fund increase of \$196.4 million, or 5.3 percent, above the FY 2016 agency request. The increase in this budget request from the FY 2016 request includes enhancement requests described in detail later in this analysis. According to agency officials, several factors led to a drop in the state operations budget for FY 2016. The agency budget did not include \$542,000 in funds for the continued support of the KIDS data system. In addition, increases in rent and monumental surcharge, led the agency to increase its shrinkage rate from 3.86 percent in FY 2015 to 17.49 percent in FY 2017. Another major change in the agency's operating budget include increased salary expenditures because of a 27th pay period which occurs in that fiscal year. Contractual expenditures decrease because of the conclusion of several child nutrition and wellness programs as

well as an anticipated reduction in the contract with the University of Kansas to develop and administer state assessments.

The **Governor** recommends an all funds budget of \$4.6 billion, including \$3.2 billion from the State General Fund. The Governor's recommendation included an all other funds request exceeding the agency's request by \$92.4 million, due primarily to funding added from the state highway fund (\$107.3 million) for transportation programming which offset State General Fund expenditures by the same amount. The Governor's recommendation is in the form of a block grant to school districts, rather than in recommendations to be distributed through a formula to general state aid, supplemental state aid, and such as has been done in the past. It does not appear the Governor recommended funding (\$508.6 million) for enhancement requests.

Enhancements Detail

Enhancements	FY 2017 ENHANCEMENTS					
	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
General State Aid	322,776,000	322,776,000	0.0	0	0	0.0
Supplemental General State Aid (LOB)	31,654,999	31,654,999	0.0	0	0	0.0
Capital Outlay State Aid	29,799,214	29,799,214	0.0	0	0	0.0
Special Education Services Aid	84,348,598	84,348,598	0.0	0	0	0.0
All Day Kindergarten	32,800,000	32,800,000	0.0	0	0	0.0
Professional Development	4,250,000	4,250,000	0.0	0	0	0.0
Mentor Teacher Program	1,500,000	1,500,000	0.0	0	0	0.0
Technical Education						
Transportation	700,000	700,000	0.0	0	0	0.0
Teaching Excellence Awards	47,500	47,500	0.0	0	0	0.0
Kansas Association for Conservation and Environmental Education	35,000	35,000	0.0	0	0	0.0
Agriculture in the Classroom	35,000	35,000	0.0	0	0	0.0
Parents Education Program (Parents as Teachers)	--	460,000	0.0	0	0	0.0
Pre-K Pilot Program	--	200,188	0.0	0	0	0.0
TOTAL	\$ 507,946,311	\$ 508,606,499	0.0	\$ 0	\$ 0	0.0

Enhancement Request Related to Aid and Other Assistance

- **Increase Base State Aid Per Pupil (BSAPP) to \$4,300.** The agency requests \$322.8 million, all from the State General Fund, to increase BSAPP from \$3,852 to \$4,300 in FY 2017.
- **Supplemental General State Aid (Local Option Budget Equalization Aid).** The agency requests \$31.7 million, all from the State General Fund, to fully fund supplemental general state aid as, the agency stated, was affirmed by the Kansas Supreme Court.
- **Capital Outlay State Aid.** The agency requests \$29.8 million, all from the State General Fund, to fully fund capital outlay state aid, which is funded through a demand transfer from the State General Fund. This program is designed to provide state equalization to less wealthy school districts for capital outlay mill levies up to eight mills.
- **Special Education Services Aid.** The agency requests \$84.3 million, all from the State General Fund, to fund special education at 92.0 percent of excess costs. (KSA 72-978 requires 92.0 percent of excess special education costs be paid via state aid.) The agency indicated in its budget that without this enhancement special education aid would be pro-rated at 78.4 percent prior to consensus of excess costs.
- **All-Day Kindergarten.** The agency requests \$32.8 million, all from the State General Fund, for the second year implementation of a five-year phase in of all day kindergarten for school districts that choose to offer it.
- **Professional Development.** The agency requests \$4.3 million, all from the State General Fund, to fund professional development for teachers. No funding for professional development was appropriated for fiscal year 2010 - 2015.
- **Mentor Teacher Program.** The agency requests \$1.5 million, all from the State General Fund, for this voluntary program maintained by local school boards for providing probationary teachers with professional support and continuous assistance by an on-site mentor teacher. This request would partially fund this program.
- **Teaching Excellence Scholarships.** The agency requests \$47,500 from the State General Fund to fully fund this program which provides assistance for teachers to attain National Board certification. The 2014 Legislature approved funding of \$327,500 for this program for FY 2015.
- **Discretionary Grant Program.** The agency requests \$35,000, all from the State General Fund, for the Kansas Association for Conservation and Environmental Education (KACEE). Funding would pay for workshops and

- **Kansas Foundation for Agriculture in the Classroom.** The agency requests \$35,000, all from the State General Fund, to fund this program. Funding for this program was eliminated in FY 2012. According to the agency, state funding for this program has been matched by private industry on a 60 percent state and 40 percent private basis.
- **Parents Education Program or Parents as Teachers.** The agency requests \$460,000 of Children's Initiatives Funds (CIF) to increase the funding for this program to \$7.7 million. CIF has funded this program at \$7.2 million since FY 2012.

- **Pre-K Pilot.** The agency requests \$200,188, all from the Children's Initiatives Fund, to fund this program to the FY 2010 level. There currently are 12 local Pre-K Pilot programs operating in 14 counties across the state with the purpose of preparing students to enter kindergarten ready to succeed.

The **Governor's** recommendation is in the form of a block grant to school districts, rather than in recommendations to be distributed through a formula to general state aid, supplemental state aid, and such as has been done in the past. It does not appear the Governor recommended funding for enhancement requests.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The 2014 Legislature approved funding of \$11.3 million, including \$4.5 million from the State General Fund, in FY 2015 for a \$250 bonus for all full-time employees except elected officials who were employed on December 6, 2013, and which was paid December 6, 2014. **For this agency, the FY 2015 bonus total \$66,903, including \$32,555 from the State General Fund, and affects 215 employees.**

Longevity Bonus Payments. For FY 2016 and FY 2017, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008 are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2016 payments is \$7.2 million, including \$2.8 million from the State General Fund. For FY 2017, the estimated cost for the payments is \$7.7 million, including \$3.0 million from the State General Fund. **For this agency, FY 2016 longevity payments total \$63,558, including \$30,655 from the State General Fund, and FY 2017 longevity payments total \$68,039, including \$32,760 from the State General Fund.**

Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of \$282.8 million, including \$108.2 million from the State General Fund, for FY 2016 and \$289.2 million, including \$110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of \$183,349, including \$95,827 from the State General Fund for FY 2016. This is a reduction of \$187,020, including \$97,928 from the State General Fund, for FY 2017.**

Kansas Public Employees Retirement System (KPERS) Rate Adjustments. The FY 2015 employer retirement contribution for KPERS regular and school members was scheduled to be 11.27 percent, an increase of 1.0 percent from 10.27 in FY 2014. The Governor reduced the employer contribution rate from 11.27 percent to 8.65 percent for the second half of FY 2015, for an effective contribution rate of 9.96 percent as part of the Governor's allotment plan. For FY 2016, the Governor recommends the retirement rate increase by 2.41 percent from 9.96 percent to 12.37 percent. For FY 2017, the Governor recommends the retirement rate increase by 1.2 percent from 12.37 percent to 13.57 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERS fund.

In addition, the employer contribution for the KPERS death and disability insurance rate will be increased to 1.0 percent, from 0.85 percent, for FY 2016 and for FY 2017.

The Governor further proposes offering \$1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution rates of the State/School Group. The Kansas Public Employee Retirement System estimates this plan could reduce employer contributions by \$68.43 million in FY 2016 and \$132.85 in FY 2017. The Kansas Development Finance Authority estimates that the bond service would be \$90.3 million in FY 2016 through FY 2017, assuming the Kansas credit ratings are not downgraded.

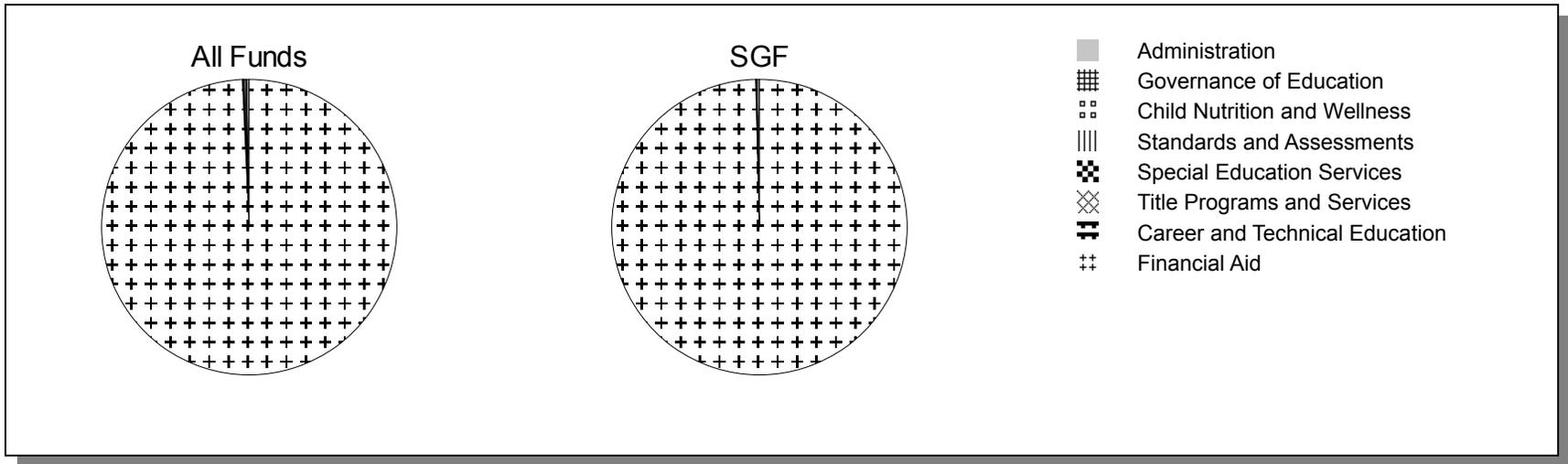
Funding Sources

Funding Source	Agency Req. Percent of Total FY 2016	Gov. Rec. Percent of Total FY 2016	Agency Req. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State General Fund	74.0 %	69.7 %	74.0 %	68.7 %
Expanded Lottery Act Revenues Fund (ELARF)	0.8	0.8	0.8	0.8
Children's Initiatives Fund	0.3	0.3	0.3	0.3
All Other Funds	24.9	29.2	24.9	30.2
TOTAL	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Note: Percentages may not add due to rounding.

PROGRAM DETAIL

EXPENDITURES BY PROGRAM—GOVERNOR’S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	\$ 14,163,470	0.3 %	\$ 9,222,296	0.3 %
Governance of Education	381,401	0.0	381,401	0.0
Nutrition and Wellness	3,837,191	0.1	238,792	0.0
Standards and Assessment Services	6,823,329	0.1	1,801,309	0.1
Special Education Services	3,753,079	0.1	518,638	0.0
Title Programs and Services	3,542,163	0.1	157,749	0.0
Career and Technical Education	1,320,010	0.0	522,814	0.0
Financial Aid	4,519,011,179	99.3	3,158,659,686	99.6
TOTAL	\$ 4,552,831,822	100.0 %	\$ 3,171,502,685	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

<u>Program</u>	<u>Actual FY 2014</u>	<u>Agency Est. FY 2015</u>	<u>Gov. Rec. FY 2015</u>	<u>Agency Req. FY 2016</u>	<u>Gov. Rec. FY 2016</u>	<u>Agency Req. FY 2017</u>	<u>Gov. Rec. FY 2017</u>
Administration	87.3	83.4	83.4	83.4	83.4	83.4	83.4
Governance of Education	2.0	--	--	--	--	--	--
Child Nutrition and Wellness	16.8	16.6	16.6	16.6	16.6	16.6	16.6
Standards and Assessment Services	18.1	16.7	16.7	16.7	16.7	16.7	16.7
Special Education Services	18.1	17.2	17.2	17.2	17.2	17.2	17.2
Title Programs and Services	15.0	12.7	12.7	12.7	12.7	12.7	12.7
Career and Technical Education	13.8	13.5	13.5	13.5	13.5	13.5	13.5
	<u>171.0</u>	<u>160.0</u>	<u>160.0</u>	<u>160.0</u>	<u>160.0</u>	<u>160.0</u>	<u>160.0</u>

A. Agency Operating Budget

AGENCY OPERATIONS BUDGET SUMMARY OF EXPENDITURES FY 2014 – 2017							
Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 16,809,653	\$ 17,759,186	\$ 17,357,978	\$ 17,634,168	\$ 16,819,357	\$ 18,418,207	\$ 17,396,057
Contractual Services	18,023,698	15,777,687	15,777,687	13,608,518	13,608,518	12,941,739	12,941,739
Commodities	858,000	659,552	659,552	597,664	597,664	589,688	589,688
Capital Outlay	617,441	209,319	209,319	203,548	203,548	224,844	224,844
TOTAL	<u>\$ 36,308,792</u>	<u>\$ 34,405,744</u>	<u>\$ 34,004,536</u>	<u>\$ 32,043,898</u>	<u>\$ 31,229,087</u>	<u>\$ 32,174,478</u>	<u>\$ 31,152,328</u>
Financing:							
State General Fund	\$ 11,050,938	\$ 12,327,330	\$ 12,010,437	\$ 12,433,389	\$ 12,806,100	\$ 12,924,871	\$ 13,091,813
All Other Funds	25,257,854	22,078,414	21,994,099	19,610,509	18,422,987	19,249,607	18,060,515
TOTAL	<u>\$ 36,308,792</u>	<u>\$ 34,405,744</u>	<u>\$ 34,004,536</u>	<u>\$ 32,043,898</u>	<u>\$ 31,229,087</u>	<u>\$ 32,174,478</u>	<u>\$ 31,152,328</u>
FTE Positions	171.0	160.0	160.0	160.0	160.0	160.0	160.0
Non-FTE Uncl. Perm. Pos.	102.0	95.0	95.0	95.0	95.0	95.0	95.0
TOTAL	<u>273.0</u>	<u>255.0</u>	<u>255.0</u>	<u>255.0</u>	<u>255.0</u>	<u>255.0</u>	<u>255.0</u>

The **agency** requests an agency operations budget (excluding aid to local units and other assistance) in FY 2015 of \$34.4 million, including \$12.3 million from the State General Fund. This is an increase of \$99,150, or 0.3 percent, above the FY 2015 approved budget. The approved budget includes \$821,000, all from the State General Fund, that was moved from aid to local for the juvenile detention facilities to operating to fund positions associated with operations of the KIDS data system. An additional \$65,000 unspent in special education funds also was reappropriated to the operating budget. The

\$250 employee bonus totaled \$66,903 in all funds and \$32,555 from the State General Fund.

The **Governor** recommends a FY 2015 all funds budget of \$34.0 million, including \$12.0 million from the State General Fund. An allotment reduction of \$229,872 from the State General Fund was recommended for FY 2015 as well as \$87,021 from the State General Fund for a KPERS employer contribution reduction.

The **agency** requests an agency operations budget in FY 2016 of \$32.0 million, including \$12.4 million from the State General Fund. The request is a reduction of \$2.4 million, or 6.9 percent, below the FY 2015 agency request. According to agency officials, several factors led to a drop in the state operations budget for FY 2016. The agency budget did not include \$542,000 in funds for the continued support of the KIDS data system. In addition, increases in rent and the monumental surcharge, led the agency to increase its salaries and wages shrinkage rate from 3.86 percent in FY 2015 to 15.88 percent in FY 2016 (representing \$959,248) in FY 2016 and 17.49 percent in FY 2017 (\$1,157,583). The agency budget document states “This is an unsustainable shrinkage rate for the agency in both fiscal years (2016 and 2017).” Also, in FY 2016, three federal grants will either decrease or end. One of the grants decreasing will affect the Kansas Learning Network contract with Southwest Plains Regional Service Center. Two grants will conclude: the Safe and Supportive Schools grant and the Enhance Assessment Accessibility Technology grant.

The **Governor** recommends an all funds budget of \$31.2 million for FY 2016, including \$1.24 million from the State General Fund. The Governor’s recommendation included the following additions from the State General Fund: \$542,000 for

B. Aid and Other Assistance

The **agency requests** a revised estimate for aid and other assistance for FY 2015 of \$4.6 billion, including \$3.2 billion from the State General Fund. This request differs from the FY 2015 approved budget by including \$22.0 million from the State General Fund to fully fund supplemental-general state aid, \$20.0 million from the State General Fund to fully fund capital outlay aid; and \$5.6 million from the State General Fund to fully fund the KPERS school contribution. A revenue transfer of \$12.0

million to fund capital improvement aid (bond and interest) is requested resulting in the change in the all other funds category from the FY 2015 approved budget.

the KIDS system and \$244,228 for the agency’s rent budget, The Governor recommended funding the state assessments *via* \$1.10 million from the State Safety Fund (formerly had been a transfer from the State Safety Fund to the State General Fund). The Governor recommended an operations budget reduction of \$458,442, all from the State General Fund. The Governor also recommended a \$183,349 all funds reduction, including \$95,827 from the State General Fund, related to an employer contributions health insurance rate reduction.

The **Governor** recommends an all funds budget of \$31.2 million for FY 2017, including \$13.1 million from the State General Fund. The Governor’s recommendation included the following additions from the State General Fund: \$542,000 for the KIDS system and \$250,114 for the agency’s rent budget, The Governor recommended funding the cost of state assessments *via* \$1.10 million from the State Safety Fund (formerly had been a transfer from the State Safety Fund to the State General Fund). The Governor recommended an operations budget reductions of \$469,661, all from the State General Fund. The Governor also recommended a \$187,020 all funds reduction, including \$97,928 from the State General Fund, related to an employer contributions health insurance rate reduction.

Enhancement requests described in detail earlier make up the differences between the FY 2015 request and the requests for FY 2016 and FY 2017.

**State Department of Education Aid and Other Assistance Programs
FY 2014 (Actual) – FY 2017 (Governor's Recommendation)**

Program	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
State General Fund							
General State Aid	\$ 1,893,463,500	\$ 1,887,654,064	\$ 1,886,709,064	\$ 2,254,430,064	\$ --	2,339,830,064	\$ --
Block Grant to USDs	--	--	--	--	2,312,899,000	--	2,259,923,000
Supplemental General State Aid	339,213,964	470,143,955	482,755,000	477,890,499	--	480,131,999	--
Special Education	385,702,584	418,360,566	418,360,566	428,295,993	424,902,949	428,295,993	423,980,455
Educable Deaf/Blind	110,000	110,000	110,000	110,000	110,000	110,000	110,000
Capital Outlay State Aid	--	45,000,000	45,000,000	50,000,000	--	55,000,000	0
KPERS - School	324,063,393	364,279,501	318,282,402	415,574,201	412,246,253	470,494,632	459,735,684
Juvenile Detention Facilities	4,692,480	5,571,500	4,971,500	4,971,500	4,971,500	4,971,500	4,971,500
School Food Assistance	2,510,486	2,510,486	2,510,486	2,510,486	2,510,486	2,510,486	2,510,486
Teaching Excellence Scholarship and Awards	--	327,500	327,500	375,000	327,500	--	327,500
Agriculture in the Classroom	--	--	--	35,000	--	35,000	--
Discretionary Grants	312,500	312,500	312,500	347,500	312,500	347,500	312,500
Mentor Teacher Grants	--	--	--	1,500,000	--	1,500,000	--
Professional Development	--	--	--	4,250,000	--	4,250,000	--
Parent Education (Parents As Teachers)	--	--	--	--	--	--	--
Technical Education Transportation	--	--	--	1,300,000	--	1,350,000	--
Kansas Pre-School Program	--	--	--	--	--	--	--
Communities in Schools	250,000	250,000	250,000	250,000	--	250,000	--
Ft. Riley Match	1,500,000	--	--	--	409,541	--	--
Transfer to Schools for the Deaf and Blind	318,498	--	--	--	--	--	--
Voluntary Retirement Incentive	15,893	6,856	6,856	6,856	6,856	1,748	1,748
TOTAL - State General Fund	\$ 2,952,153,298	\$ 3,194,526,928	\$ 3,159,595,874	\$ 3,641,847,099	\$ 3,158,696,585	3,789,078,922	3,151,872,873
School District Finance Fund	\$ 51,096,342	\$ 630,000,000	\$ 626,081,473	645,000,000	600,247,000	660,000,000	\$ 622,634,000
KPERS - ELARF	\$37,512,000	39,490,000	39,490,000	39,490,000	36,158,948	39,490,000	35,430,948
Cap. Imp. State Aid	129,726,374	147,000,000	147,000,000	155,000,000	155,000,000	162,500,000	162,500,000

**State Department of Education Aid and Other Assistance Programs
FY 2014 (Actual) – FY 2017 (Governor’s Recommendation)**

Program	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Transportation Aid - State Highway Fund	140,295,558	107,850,000	107,250,000	--	107,250,000	--	107,250,000
Communities in Schools	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Children’s Initiatives Fund							
Parent Education (Parents As Teachers)	\$ 7,237,635	\$ 7,237,635	\$ 7,237,635	\$ 7,697,635	\$ 7,237,635	\$ 7,697,635	\$ 7,237,635
Kansas Preschool Program (Pre-K Pilot)	4,799,808	4,799,812	4,799,812	5,000,000	4799812	5,000,000	4799812
Selected Federal Funds							
Elementary and Secondary Aid	\$ 151,753,321	\$ 152,622,047	\$ 152,622,047	\$ 151,298,613	\$ 151,298,613	\$ 151,300,793	\$ 151,300,793
Special Education	106,792,644	104,965,227	104,965,227	104,965,227	104,965,227	104,965,227	104,965,227
School Food Assistance	180,965,031	185,084,351	185,084,351	188,445,484	188,445,484	192,214,073	192,214,073
General State Aid - Mineral Production	--	--	--	--	--	--	28,427,000
Remainder of Other Assistance and Aid to Local Grants	9,961,716	10,048,288	10,048,288	7,453,431	7453431	7,987,277	7,987,277
GRAND TOTAL	\$ 3,772,343,727	4,583,674,288	4,544,224,707	4,946,247,489	4,521,602,735	5,120,283,927	4,576,669,638

Selected Issues in Aid and Other Assistance - State General Fund

Information below describes the general state aid formula.

General State Aid

SCHOOL FINANCE FORMULA

BASE STATE AID PER PUPIL (BSAPP)	<u>times</u>	ADJUSTED ENROLLMENT	<u>equals</u>	STATE FINANCIAL AID (SFA)
STATE FINANCIAL AID	<u>Minus</u>	LOCAL EFFORT	<u>Equals</u>	GENERAL STATE AID

Below is a history of Base State Aid Per Pupil (BSAPP):

School Year	BSAPP
1992–1993	\$ 3,600 *
1993–1994	3,600
1994–1995	3,600
1995–1996	3,626
1996–1997	3,648
1997–1998	3,670
1998–1999	3,720
1999–2000	3,770
2000–2001	3,820
2001–2002	3,870
2002–2003	3,863 **
2003–2004	3,863 **
2004–2005	3,863 **
2005–2006	4,257

School Year	BSAPP
2006–2007	4,316
2007–2008	4,374
2008–2009	4,400
2009–2010	4,012 ***
2010–2011	3,937
2011–2012	3,780
2012–2013	3,838
2013–2014	3,838
2014–2015	3,852

* In 1992–1993, some school districts did not benefit fully from BSAPP at \$3,600. In that year, state financial aid was the lesser of “formula” state financial aid or “transitional” state financial aid. Formula state financial aid was the district’s BSAPP times its adjusted enrollment, and transitional state financial aid was the district’s 1991–1992 operating budget plus its state transportation, bilingual education, and vocational education aid and the proceeds of any 1991 transportation tax levy, the sum of which was increased by 10.0 percent plus the percentage equivalent to any enrollment increase in 1992–1993 over 1991–1992.

** In 2002–2003, 2003–2004, and 2004–2005, the statute states that the BSAPP is \$3,890; however, \$3,863 was funded.

*** After the 2009 Legislative Session ended, the Governor enacted allotments and the BSAPP was lowered to \$4,218 from \$4,280; then, in November 2009, the Governor enacted an additional allotment, bringing BSAPP to \$4,012.

Supplemental General State Aid. The 2014 Legislature authorized school districts to increase the local option budget (LOB) percentage over 30 percent up to 33 percent if approved by patrons utilizing a mail ballot election. Those districts that have already had an election to increase the LOB percentage to 31.0 percent may increase the LOB to 33.0 percent by action of

the local board of education for 2014-15. An election will be required to continue the 33.0 percent for 2015-16 for those districts currently at 31.0 percent. In addition, USD 207, Ft. Leavenworth, may increase the LOB up to 33.0 percent by a vote of that local board of education.

Special Education. The 2005 Legislature increased the level of special education excess costs funding from 81.7 percent to 89.3 percent in FY 2006; then to 92.0 percent in FY 2007 and thereafter. However, in FY 2015, special education is funded at 78.5 percent of excess costs; FY 2016 at 78.5 percent; and FY 2017 at 78.4 percent.

Capital Outlay State Aid. Since 1999, there has not been a limit on school district capital outlay property tax levies nor had the state provided Capital Outlay State Aid. Because the Kansas Supreme Court was critical of school district reliance on property tax programs that were not equalized by state aid, the 2005 Legislature put a limit of eight mills on the capital outlay levy and created the Capital Outlay State Aid program.

KPERS - School. KSA 74-4934 authorizes the state to pay the employer's contribution for school members, including community college, area vocational school, and technical college members of the Kansas Public Employees Retirement System (KPERS). Beginning in FY 2005, KPERS school employer contributions paid by the state were distributed by the Department of Education to the individual school districts, deposited into special school district funds, and then paid to KPERS as an expenditure of the school districts. Prior to that time, these expenditures were not reflected as expenditures of local school districts.

School Food Assistance Program. Funding for this program is the required state match to receive national school lunch funds from the U.S. Department of Agriculture. KSA 72-5112 states that "each board shall be entitled to receive from

appropriations from the State General Fund, six cents for each type-A meal served under an approved school lunch program." (A type-A meal is the most nutritionally complete. A type-B meal contains fewer items.) The amount appropriated for FY 2015, would allow the state to reimburse local schools approximately \$.0464 per lunch, according to agency officials.

Communities in Schools. Communities in Schools is a nationwide drop-out prevention program. During the 2011-12 school year, the program provided drop-out prevention services in 53 Kansas schools, serving 15,731 students. In addition to the funding described under the Discretionary Grants program section for Communities in Schools, a \$50,000 transfer from the Family and Children Investment Fund within the Department for Children and Families assists in funding the program.

Description of Selected Aid and Other Assistance Programs with Federal Funding

For FY 2015, the agency's request includes \$487.0 million in federal flow-through payments to local school districts, private child and adult day care facilities, and other organizations. The three major federal programs are described below.

- **Title I.** These funds are targeted to schools that serve high concentrations of students from families that live in poverty. The funds are provided to help improve teaching and learning for those students most at risk of failing to meet state academic achievement standards.
- **Education of Handicapped Child.** This federal program provides grants to states to assist in providing a free, appropriated public education to

- **Education of Handicapped Child.** This federal program provides grants to states to assist in providing a free, appropriated public education to all children and youth ages 3 through 21 with disabilities.
- **Food Assistance - School Breakfast and Lunch.** According to the agency, more than 63,000 Kansas children in 1,400 school buildings start their day with a school breakfast through a federal program that provides the state with cash assistance for non-profit breakfast programs in schools and residential child care institutions. Participating schools and institutions must serve breakfasts that meet federal nutrition standards and provide free- and reduced-price breakfasts to eligible children. The National School Lunch program provides subsidies to residential child

care institutions, public, and non-profit private schools (high school grades or under) for free- or reduced-price lunches meeting federal nutrition requirements. Subsidies were provided for 54 million meals in school year 2014-2015.

Special Education and Federal Maintenance of Effort. As a requirement of receipt of federal special education funding, a state is required to maintain its level of financial support for providing special education services from one year to the next. If a state does not maintain this level of financial support, the Secretary of the U.S. Department of Education is required to reduce the state's federal allocation in future years by the amount the state failed to meet the requirement. The agency expects to maintain the required level of state support for FY 2015, but not for fiscal years 2016 and 2017. The table below calculates the shortfall in this level for those fiscal years, that is, by \$6.6 million in FY 2016 and \$5.6 million in FY 2017.

Kansas State Level Financial Support for IDEA Part B Special Education Calculations Worksheet

	<u>Actual 2014</u>	<u>Revised 2015</u>	<u>Allocated 2016</u>	<u>Allocated 2017</u>
KSDE Special Education Categorical Aid Appropriation	\$ 385,767,157	\$ 418,360,566	\$ 428,295,993	\$ 428,295,993
KSDE Special Ed Aid	43,000,000	10,000,000	--	--
Minus Gifted and Infant Toddler FTE	<u>(13,522,797)</u>	<u>(13,985,620)</u>	<u>(21,381,470)</u>	<u>(21,381,470)</u>
Subtotal:	<u>\$ 415,244,360</u>	<u>\$ 414,374,946</u>	<u>\$ 406,914,523</u>	<u>\$ 406,914,523</u>
KSDE Special Education Services State Support	\$ 403,007	\$ 363,557	\$ 367,604	\$ 371,726
Kansas State School for the Blind (KSSB) State Appropriation	5,125,179	5,402,190	5,402,190	5,402,190
KSSB - Executive Directive Funds	202,674	--	--	--
Kansas State School for the Deaf (KSSD) State Appropriation	8,548,918	8,830,096	8,830,096	8,830,096
KSSD - Executive Directive Funds	115,824	--	--	--
Deaf Blind State Appropriation	110,000	110,000	110,000	110,000
Department for Children and Families	688,037	724,451	837,524	968,004
Kansas Department of Health and Environment/Div. of Health Care Finance	9,501,800	10,519,248	11,255,595	12,043,487
Other Sources of State Aid to be Included				
Kansas State Level Maintenance of Effort	\$ 439,939,799	\$ 440,324,488	\$ 433,717,532	\$ 434,640,026
Difference from Prior Fiscal Year	13,248	384,689	(6,606,956)	922,494
% Difference from Prior Fiscal Year	0.00%	0.09%	(1.50%)	0.21%
Difference from Year Last met MOE				(5,684,462)

PERFORMANCE MEASURES

<u>Measure</u>	<u>Gov. Rec. for FY 2014</u>	<u>Actual FY 2014</u>	<u>Gov. Rec. FY 2015</u>	<u>Gov. Rec. FY 2016</u>	<u>Gov. Rec. FY 2017</u>
Number of USD field audits completed	286	286	286	286	286
Average student scores on ACT	22.1	22.0	22.0	22.0	22.0