May 29, 2020

KANSAS SCHOOL FINANCE HISTORY, 1992-2016

This memorandum provides a history of school finance in Kansas from 1992 through 2016. This includes the following:

- The per student funding formula, including the various weightings;
- Local option budgets, including the state equalization aid;
- Capital outlay, including state equalization aid;
- Capital improvements, including state equalization aid;
- Special Education State Aid;
- Kansas Public Employees Retirement System (KPERS) employer contributions; and
- Miscellaneous school finance provisions.

These topics will be covered in individual sections. Within those sections, changes to Kansas school finance law will be tracked through the School District Finance and Quality Performance Act (SDFQPA) and the Classroom Learning Assuring Student Success Act (CLASS Act). The history of the Kansas School Equity and Enhancement Act (KSEEA), which was enacted in 2017, is covered in a separate memorandum.
### TABLE OF CONTENTS

General School Finance History.................................................................................................................. 3
Weighted Student Formula.......................................................................................................................... 4
  Overview of SDFQPA Weighted Student Formula.................................................................................. 4
  Base State Aid Per Pupil............................................................................................................................ 4
  Definition of “Pupil”.................................................................................................................................. 5
  Weightings in the Formula........................................................................................................................ 8
  Statewide Uniform Property Tax Levy for Schools................................................................................. 17
Local Option Budgets.................................................................................................................................. 19
Capital Outlay................................................................................................................................................ 22
Capital Improvements............................................................................................................................... 24
Special Education State Aid....................................................................................................................... 26
KPERS Employer Contributions................................................................................................................ 29
Miscellaneous............................................................................................................................................... 30
GENERAL SCHOOL FINANCE HISTORY

The 1992 Legislature enacted the School District Finance and Quality Performance Act (SDFQPA) to replace the School District Equalization Act, which had allowed wide disparities in tax rates and expenditures for school districts. The SDFQPA was based on a weighted student formula that provided a base amount of money per student, but provided additional funding to meet certain student or district characteristics, such as for at-risk students or school districts with declining enrollments. The SDFQPA also allowed school districts to adopt Local Option Budgets (LOBs) in addition to aid provided by the State. The SDFQPA, although regularly amended, was the primary school finance law from school year (SY) 1992-1993 through SY 2014-2015.

The 2015 Legislature repealed the SDFQPA and then enacted the Classroom Learning Assuring Student Success Act (CLASS Act) to replace the SDFQPA. The CLASS Act replaced the weighted student formula of the SDFQPA with a two-year block grant to school districts. School districts could still adopt LOBs, but state equalization aid was included in the block grant. The CLASS Act was the main school finance law for SY 2015-2016 and 2016-2017.

Finally, the 2017 Legislature enacted the Kansas School Equity and Enhancement Act (KSEEA) to replace the expiring CLASS Act. Like the SDFQPA, the KSEEA is based on a weighted student formula that provides additional funding to meet certain student or district characteristics. The KSEEA is currently the primary school finance law for Kansas.
WEIGHTED STUDENT FORMULA

This section provides the history of the main weighted student formula in Kansas school finance law, including the history of the per student funding amount, the definition of a student, the weightings in the formula, and the statewide uniform property tax levy for schools.

Overview of SDFQPA Weighted Student Formula

The weighted student formula in the SDFQPA was based on two factors: the Base State Aid Per Pupil (BSAPP) and the weighted full-time equivalent (FTE) enrollment of each school district. The total amount of aid a school district was entitled to was determined by multiplying the BSAPP by that district’s weighted FTE enrollment. The resulting total was called State Financial Aid. The formula was as follows:

- State Financial Aid = BSAPP x Weighted FTE Enrollment.

After a district’s State Financial Aid was determined, the next step was to determine the amount of General State Aid to which the district was entitled. This was determined by subtracting a district’s Local Effort from its State Financial Aid. The formula was as follows:

- General State Aid = State Financial Aid – Local Effort.

Local Effort included the following items:

- Revenue from the statewide uniform property tax levy for school (through SY 2013-2014);
- The unencumbered balance of a district’s general fund;
- Certain grants received by a district;
- Special Education State Aid;
- Any tuition for non-resident pupils of a district; and
- A portion of the federal impact aid a district received.

Base State Aid Per Pupil

The history of the BSAPP is outlined in the table below. The SDFQPA included a provision that if appropriations in any school year for General State Aid were not sufficient to pay school districts’ computed entitlements, the State Board of Education (State Board) would reduce the BSAPP to the amount necessary to match General State Aid entitlements of school districts with the amount of General State Aid available.
## BASE STATE AID PER PUPIL (BSAPP)

<table>
<thead>
<tr>
<th>School Year</th>
<th>BSAPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-1993</td>
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<td>1996-1997</td>
<td>3,648</td>
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<td>1997-1998</td>
<td>3,670</td>
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<td>1998-1999</td>
<td>3,720</td>
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<tr>
<td>1999-2000</td>
<td>3,770</td>
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<td>2000-2001</td>
<td>3,820</td>
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<tr>
<td>2001-2002</td>
<td>3,870</td>
</tr>
<tr>
<td>2002-2003*</td>
<td>3,863</td>
</tr>
<tr>
<td>2003-2004*</td>
<td>3,863</td>
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<tr>
<td>2004-2005*</td>
<td>3,863</td>
</tr>
<tr>
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<tr>
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<td>4,316</td>
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<tr>
<td>2007-2008</td>
<td>4,374</td>
</tr>
<tr>
<td>2008-2009</td>
<td>4,400</td>
</tr>
<tr>
<td>2009-2010**</td>
<td>4,012</td>
</tr>
<tr>
<td>2010-2011</td>
<td>3,937</td>
</tr>
<tr>
<td>2011-2012</td>
<td>3,780</td>
</tr>
<tr>
<td>2012-2013</td>
<td>3,838</td>
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<td>2013-2014</td>
<td>3,838</td>
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<td>3,852</td>
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<td>2015-2016***</td>
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</tr>
<tr>
<td>2016-2017***</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* In SYs 2002-03, 2003-04, and 2004-05, the statutory BSAPP was $3,890; however, $3,863 was funded.

** In SY 2009-10, the statutory BSAPP was $4,492. After the 2009 Legislative Session ended, the Governor enacted two separate allotments that decreased the BASE to $4,012.

*** During SYs 2015-16 and 2016-17, the State operated on a block grant funding system and there was no official BSAPP.

### Definition of “Pupil”

#### Under the SDFQPA

The SDFQPA used the term “pupil” when determining a school district’s weighted FTE enrollment. A 1993 amendment provided that a pupil enrolled in grade 11 who is concurrently enrolled in a school district and a postsecondary education institution is counted as 1.0 FTE pupil if the school district and postsecondary enrollment is at least five-sixths time. Otherwise, the combined enrollment is determined to the nearest one-tenth of FTE. (Under prior law, only pupils in grade 12 who were involved in concurrent enrollment were counted as 1.0 FTE if their combined enrollment was at least five-sixths time.)

In 1994, an amendment specified that the term “pupil” excluded pupils who resided at the Flint Hills Jobs Corps Center and pupils confined in and receiving services provided by a school district at a juvenile detention facility.
Subsequent legislation expanded this exclusion:

- A 1995 amendment excluded pupils who resided at the Forbes Juvenile Attention Facility;

- A 1999 amendment added the term “juvenile detention facility” and defined it to include any community juvenile corrections center or facility, the Forbes Juvenile Attention Facility, and four newly designated facilities: Sappa Valley Youth Ranch of Oberlin, Parkview Passages Residential Treatment Center of Topeka, Charter Wichita Behavior Health System, LLC, and Salvation Army/Koch Center Youth Services;

- A 2000 amendment deleted two facilities due to closure and added six new facilities. Facilities deleted were the Parkview Passages Residential Treatment Center of Topeka and Charter Wichita Behavior Health System, LLC. Facilities added were the Clarence M. Kelly Youth Center, Trego County Secure Care Center, St. Francis Academy at Atchison, St. Francis Academy at Ellsworth, St. Francis Academy at Salina, and St. Francis Center at Salina;

- A 2001 amendment added three new facilities: Liberty Juvenile Services and Treatment (Unified School District [USD] 259 [Wichita]), King’s Achievement Center (USD 265 [Goddard]), and Clarence M. Kelley Transitional Living Center (USD 501 [Topeka]);

- A 2003 amendment modified the definition of “juvenile detention facility” to mean:
  - A secure public or private facility, but not a jail, used for the lawful custody of accused or adjudicated juvenile offenders;
  - A level VI treatment facility licensed by the Kansas Department of Health and Environment which is a psychiatric residential treatment facility for individuals under the age of 21, and which conforms with the regulations of the Centers for Medicare and Medicaid Services and the Joint Commission on Accreditation of Health Care Organization governing such facilities; and
  - A facility specifically identified in statute (no new facilities were added to the listing by the 2003 Legislature);

- A 2007 amendment allowed a student in the custody of the Secretary of Social and Rehabilitation Services or the Commissioner of the Juvenile Justice Authority and who is enrolled in USD 259 (Wichita), but housed, maintained, and receiving educational services at the Judge James V. Riddle Boys Ranch to be counted as two pupils;

- Another 2007 amendment specified that a pupil enrolled in a district, but housed, maintained, and receiving educational services at a psychiatric residential treatment facility was not to be counted as a pupil;

- A final 2007 amendment modified the definition of the term “juvenile detention facility” to mean any public or private facility, but not a jail, used for the lawful custody of accused or adjudicated juvenile offenders; and
A 2009 amendment allowed a student in the custody of the Secretary of Social and Rehabilitation Services or the Commissioner of the Juvenile Justice Authority and who is enrolled in USD 409 (Atchison) to be counted as two pupils.

In addition, the following amendments were adopted to exclude some students from the definition of pupil:

- A 2004 amendment excluded pupils who are not residents of the state of Kansas but who are enrolled in a virtual school in a Kansas school district; and
- A 2005 amendment excluded a foreign exchange student unless that student was enrolled for at least one semester or two quarters.

A 1998 amendment to the SDFQPA added preschool-aged at-risk pupils who are enrolled in a school district and receiving services under an approved at-risk pupil assistance plan to the definition of the term “pupil.” Preschool-aged at-risk pupils were defined as four-year-olds who were selected by the State Board in accordance with guidelines consistent with those governing selection of pupils for participation in the Head Start program. Such a student counted as 0.5 FTE in the school district. The 1998 amendment authorized the State Board to select not more than 1,350 pupils to be counted in any school year. This cap was subsequently amended, as follows:

- A 1999 amendment expanded the program to serve up to 1,794 pupils;
- A 2000 amendment expanded the program to serve up to 2,230 pupils;
- A 2001 amendment expanded the program to serve up to 3,756 pupils in SY 2001-2002 and 5,500 pupils in SY 2002-2003; and
- A 2005 amendment removed the cap on the number of children who can be served.

**Under the CLASS Act**

While the CLASS Act provided a block grant of funding to school districts based on the amount of state aid school districts received for SY 2014-2015, the Act retained a general definition of “pupil” that mirrored the definition under the SDFQPA. A pupil was defined, as follows:

- Any person who is regularly enrolled in a school district and attending kindergarten or any of the grades 1 through 12;
- Any person who is regularly enrolled in a school district and attending kindergarten or any of the grades 1 through 12 in another district in accordance with an agreement between school districts; or
Any person who is regularly enrolled in a school district and attending special education services provided for preschool-aged exception children in the school district.

In addition, the definition of “enrollment” specifically excluded foreign exchange students unless that student was enrolled for at least one semester or two quarters.

Weightings in the Formula

Under the SDFQPA, weightings were added to each school district’s regular FTE enrollment in order to reflect additional costs associated with serving certain student populations, including at-risk, bilingual, and special education. Additional weightings addressed other district characteristics, such as a high-density at-risk population, transportation, and new facilities. Students attending the Kansas Academy of Mathematics and Science did not contribute to any weightings.

The CLASS Act, which provided block grant funding to school districts based on the amount of state aid received during SY 2014-2015, contained no weightings. Since the CLASS Act did not include weightings, the block grant is not discussed.

At-Risk Weighting

As enacted, the SDFQPA contained an at-risk weighting of 0.05. The definition of an at-risk student was a student who was eligible to receive free lunches as part of the National School Lunch Program. The following amendments were adopted to the at-risk weighting under the SDFQPA:

- A 1997 amendment increased the at-risk weighting from 0.05 to 0.065 beginning in SY 1997-1998;
- A 1998 amendment increased the weighting to 0.08 beginning in SY 1998-1999;
- A 1999 amendment increased the weighting to 0.09 beginning in SY 1999-2000;
- A 2001 amendment increased the weighting to 0.10 beginning in SY 2001-2002;
- A 2005 amendment increased the weighting to 0.193 beginning in SY 2005-2006; and
- A 2006 amendment adopted a three-year increase to the weighting, as follows:
  - 0.278 for SY 2006-2007;
  - 0.378 for SY 2007-2008; and
  - 0.456 for SY 2008-2009 and each school year thereafter.
The 2001 amendment also directed that an amount equal to 0.01 of the weighting be used by school districts for achieving mastery of basic reading skills by completion of the third grade in accordance with standards established by the State Board. A school district was required to include information in its at-risk pupil assistance plan on the district’s remediation strategies and its results in achieving the State Board’s third grade reading master standards. This requirement was in effect for SY 2001-2002 through SY 2006-2007.

The 2014 Legislature changed the definition of an at-risk student to exclude any pupil enrolled less than full-time in grades 1 through 12 or any student over 19 years of age. This provision did not apply for any student who had an individualized education program (IEP).

Summary of the At-Risk Weighting

The history of the at-risk weighting is summarized in the following table.


<table>
<thead>
<tr>
<th>School Year</th>
<th>At-Risk Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-1993</td>
<td>0.05</td>
</tr>
<tr>
<td>1993-1994</td>
<td>0.05</td>
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<tr>
<td>1994-1995</td>
<td>0.05</td>
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<td>1995-1996</td>
<td>0.05</td>
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<tr>
<td>1996-1997</td>
<td>0.05</td>
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<tr>
<td>1997-1998</td>
<td>0.065</td>
</tr>
<tr>
<td>1998-1999</td>
<td>0.08</td>
</tr>
<tr>
<td>1999-2000</td>
<td>0.09</td>
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<tr>
<td>2000-2001</td>
<td>0.09</td>
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<tr>
<td>2001-2002*</td>
<td>0.10</td>
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<tr>
<td>2002-2003*</td>
<td>0.10</td>
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<tr>
<td>2003-2004*</td>
<td>0.10</td>
</tr>
<tr>
<td>2004-2005*</td>
<td>0.10</td>
</tr>
<tr>
<td>2005-2006*</td>
<td>0.193</td>
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<tr>
<td>2006-2007*</td>
<td>0.278</td>
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<tr>
<td>2007-2008</td>
<td>0.378</td>
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<tr>
<td>2008-2009</td>
<td>0.456</td>
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<td>2009-2010</td>
<td>0.456</td>
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<tr>
<td>2010-2011</td>
<td>0.456</td>
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<tr>
<td>2011-2012</td>
<td>0.456</td>
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<tr>
<td>2012-2013</td>
<td>0.456</td>
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<td>2013-2014</td>
<td>0.456</td>
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<tr>
<td>2014-2015</td>
<td>0.456</td>
</tr>
<tr>
<td>2015-2016**</td>
<td>N/A</td>
</tr>
<tr>
<td>2016-2017**</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* 0.01 was targeted at master of third grade reading skills.

** During SY 2015-16 and SY 2016-17, the State operated on a block grant funding system. There was no at-risk weighting.

High-Density At-Risk Weighting

A 2006 amendment to the SDFQPA provided for a high-density at-risk weighting for school districts with high percentages of at-risk students beginning in SY 2006-2007. School districts that had between 40.0 percent and 49.9 percent at-risk students received an additional weighting of 0.04. Districts with 50.0 percent or more at-risk students students received an additional weighting of 0.08. Finally, school districts with a density of 212.1 students per square
mile and an at-risk student population of at least 35.1 percent received an additional weighting of 0.8.

The 2008 Legislature amended the high-density at-risk weighting. School districts with between 40.0 percent and 49.9 percent at-risk students received an additional weighting of 0.06. School Districts with 50.0 percent or more at-risk students or districts with a density of 212.1 students per square mile and an at-risk student population of at least 35.1 percent received an additional weighting of 0.1.

A 2012 amendment provided for a linear transition formula to calculate the high-density at-risk weighting for districts having between 35.0 percent and 49.9 percent at-risk students. For such school districts, 35.0 percent was subtracted from the percentage of at-risk students in the district; that sum was then multiplied by 0.7. The resulting product was multiplied by the number of at-risk students to determine the high-density at-risk weighting. For school districts with 50.0 percent or more at-risk students, or for districts with a density of 212.1 students per square mile and an at-risk student population of at least 35.1 percent, the number of at-risk students was multiplied by 0.105 to determine the high-density at-risk weighting.

Nonproficient Pupil Weighting

The 2006 Legislature created the nonproficient pupil weighting beginning with SY 2006-2007. This weighting applied to students who were not eligible for free lunches under the National School Lunch Program and did not score as proficient on the state assessments for reading or math during the preceding school year. The weighting factor was 0.0465.

The 2014 Legislature eliminated the nonproficient pupil weighting.

Bilingual Weighting

As enacted, the SDFQPA included a bilingual weighting based on the FTE enrollment in approved bilingual education programs. The FTE enrollment was multiplied by 0.2. A 2005 amendment increased the weighting from 0.2 to 0.395 beginning in SY 2005-2006.

Low Enrollment Weighting

As enacted, the SDFQPA included a low enrollment weighting for school districts with FTE enrollments below 1,900. The maximum FTE enrollment for the weighting was amended several times, including:

- A 1995 amendment planned to decrease the maximum FTE enrollment for the weighting from 1,900 to 1,800 over a four-year period, as follows:
  - SY 1995-1996: 1,875;
  - SY 1996-1997: 1,850;
  - SY 1997-1998: 1,825; and
  - SY 1998-1999 and each year thereafter: 1,800;
• A 1997 amendment accelerated the schedule established by the 1995 Legislature so that the maximum FTE enrollment for the weighting was 1,800 beginning in SY 1997-1998;

• A 1998 amendment lowered the maximum FTE enrollment to 1,750;

• A 1999 amendment lowered the maximum FTE enrollment to 1,725;

• A 2005 amendment changed the formula for computing the low enrollment weighting and lowered the maximum FTE enrollment to 1,662; and

• A 2006 amendment decreased the maximum FTE enrollment to 1,637 for SY 2006-2007 and to 1,622 for SY 2007-2008 and each year thereafter.

Summary of Low Enrollment Weighting

The history of the low enrollment weighting is summarized in the following table.


<table>
<thead>
<tr>
<th>School Year</th>
<th>Low Enrollment Weighting Maximum FTE Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-1993</td>
<td>1,900</td>
</tr>
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<td>1993-1994</td>
<td>1,900</td>
</tr>
<tr>
<td>1994-1995</td>
<td>1,900</td>
</tr>
<tr>
<td>1995-1996</td>
<td>1,875</td>
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<td>1996-1997</td>
<td>1,850</td>
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<tr>
<td>1997-1998</td>
<td>1,800</td>
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<td>1998-1999</td>
<td>1,750</td>
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<tr>
<td>1999-2000</td>
<td>1,725</td>
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<td>2000-2001</td>
<td>1,725</td>
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<td>2001-2002</td>
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<td>2002-2003</td>
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<td>2004-2005</td>
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<td>2005-2006</td>
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<td>2015-2016*</td>
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</tr>
<tr>
<td>2016-2017*</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* During SY 2015-16 and SY 2016-17, the State operated on a block grant funding system. There was no low enrollment weighting.
High Enrollment (Correlation) Weighting

As enacted, the SDFQPA did not contain a high enrollment (correlation) weighting. The 1995 Legislature created a correlation weighting to provide extra funding to school districts with larger FTE enrollments. The weighting was to be phased in over a four-year period, as follows:

- SY 1995-1996: The weighting would be available to all school districts with FTE enrollments of at least 1,875 and the weighting factor would be 0.009031;
- SY 1996-1997: The weighting would be available to all school districts with FTE enrollments of at least 1,850 and the weighting factor would be 0.018062;
- SY 1997-1998: The weighting would be available to all school districts with FTE enrollments of at least 1,825 and the weighting factor would be 0.027090; and
- SY 1998-1999 and each year thereafter: The weighting would be available to all school districts with FTE enrollments of at least 1,800 and the weighting factor would be 0.036121.

The 1997 Legislature accelerated the implementation schedule of the correlation weighting so that the weighting was fully implemented in SY 1997-1998. The following amendments to the correlation weighting were subsequently adopted:

- A 1998 amendment lowered the threshold for the weighting to enrollments of at least 1,750 beginning in SY 1998-1999 and increased the weighting factor to 0.054183;
- A 1999 amendment lowered the threshold for the weighting to enrollments of 1,725 and increased the weighting factor to 0.063211;
- A series of 2005 amendments lowered the threshold for the weighting to enrollments of 1,662 and decreased the weighting factor to 0.0215; and
- A 2006 amendment changed the name of the weighting to "high enrollment weighting." The amendment also lowered the threshold for the weighting to enrollments of 1,637 for SY 2006-2007 and 1,622 for SY 2007-2008 and each year thereafter. Finally, the amendment increased the weighting factor to 0.0299 for SY 2006-2007 and 0.035 for SY 2007-2008 and each year thereafter.

Summary of High Enrollment (Correlation) Weighting

The history of the low enrollment weighting is summarized in the following table.

<table>
<thead>
<tr>
<th>School Year</th>
<th>Weighting Threshold</th>
<th>Weighting Factor</th>
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<tr>
<td>1995-1996</td>
<td>1,875 and over</td>
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<td>2012-2013</td>
<td>1,622</td>
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<tr>
<td>2014-2015</td>
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<tr>
<td>2015-2016*</td>
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</tr>
<tr>
<td>2016-2017*</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* During SY 2015-16 and SY 2016-17, the State operated on a block grant funding system. There was no high enrollment weighting.

### Transportation Weighting

As enacted, the SDFQPA included a weighting to cover the costs attributable for the transportation of pupils who live 2.5 miles or more away from their school buildings by the usually traveled road.

The preceding year’s cost of providing transportation to public and nonpublic school pupils, adjusted to exclude the costs of transporting pupils who live less than 2.5 miles from school, was determined. The resulting amount was divided by the number of public school pupils enrolled in the district who resided 2.5 miles or more by the usually traveled road from the school attended and for whom transportation was made available by the district. The resulting quotient was the per pupil cost of transportation.
The per pupil cost of transportation of each school district was then plotted on a density-cost graph. A statistical technique was then employed to construct a “curve of best fit” for all school districts. Based on a district’s density (the number of pupils enrolled in the district who reside 2.5 miles or more by the usually traveled road from school divided by the number of square miles in the district), the point on the curve of best fit was identified for each district. This was the formula per pupil cost of transportation of the district.

The formula per pupil cost was then divided by the BSAPP and the quotient multiplied by the number of residential public school pupils in the current school year who lived more than 2.5 miles from school and for whom transportation was being provided. The resulting product was the school district’s transportation weighting.

No amendments were made to the transportation weighting prior to the repeal of the SDFQPA.

**Vocational Education Weighting**

The SDFQPA, as enacted, included a weighting for vocational education programs. This weighting was calculated by multiplying the FTE enrollment in approved vocational education programs by a factor of 0.5. No amendments were made to this weighting prior to repeal of the SDFQPA.

**Special Education Weighting**

The 2001 Legislature created the special education weighting in the SDFQPA. The weighting was calculated by dividing the amount of Special Education State Aid a school district received by the BSAPP. The resulting quotient was the special education weighting and was added to a school district’s weighted FTE enrollment. However, this weighting did not increase the amount of General State Aid a school district was entitled to because the Special Education State Aid a school district received was defined as local effort and, therefore, the value of the weighting was deducted when computing a district’s General State Aid entitlement. The result of this weighting was to increase the size of a school district’s State Financial Aid for the purpose of calculating their LOB.

A 2002 amendment provided that each school district that had paid amounts for special education and related services pursuant to a special education cooperative agreement or a special education interlocal agreement was entitled to Special Education State Aid in proportion to the amount paid by the district in the current school year for the provision of special education services to the aggregate of all amounts paid by all school districts participating in the interlocal or cooperative entity in the current school year. This amendment allowed all school districts to calculate their LOBs off of an enlarged State Financial Aid amount.

**School Facilities Weighting**

As enacted, the SDFQPA included a school facilities weighting designed to cover the costs associated with the first two years of the operation of a new school facility. To calculate the weighting, the enrollment in a new school facility was multiplied by a factor of 0.25.
A series of amendments by the 2005 and 2006 Legislatures limited the school facilities weighting to those school districts who had adopted LOBs of at least 25.0 percent of State Financial Aid.

A 2014 amendment placed additional limitations on the weighting. In addition to limiting the weighting to school districts with a LOB of 25.0 percent of State Financial Aid, the weighting could only apply to new school facilities financed by the proceeds of a bond issuance approved by the electorate of a school district on or before July 1, 2014. Additionally, school districts located on military reservations in Kansas could qualify for the weighting if the district met the following requirements: the district commenced operation of a new school facility in SY 2013-2014 or SY 2014-2015; the construction of such facility was financed primarily with federal funds; and the facility is located on a military reservation. The effect of this amendment was to eventually phase out the school facilities weighting.

Ancillary School Facilities Weighting

A 1993 amendment permitted a school district to seek approval from the State Board of Tax Appeals (SBOTA) for authority to levy a property tax to pay certain costs associated with commencing operation of new school facilities. In order to request this authority, the school district had to meet the following requirements:

- Begun operation of one or more new school facilities in the preceding or current school year, or both;
- Adopted a maximum 25.0 percent LOB; and
- Had an enrollment increase in each of the previous three school years which averaged 7.0 percent or more. [Note: A 1995 amendment replaced this enrollment increase standard with the standard that the district must be experiencing extraordinary enrollment growth, as determined by the State Board.]

Under this procedure, the school district applied to the SBOTA to levy a property tax for an amount equal to the cost of operating a new facility (or facilities) not financed from any other source provided by law, such as the school facilities weighting. The SBOTA could then authorize the district to levy an amount not to exceed the costs attributable to commencing facility operation above the amount provided for this purpose by school finance law. This separate taxing authority could not exceed two years. All proceeds from this property tax were deposited in the school district’s supplemental general fund and budgeted in the district’s LOB.

The 1997 Legislature amended this existing process by creating the ancillary school facilities weighting. This amendment placed the existing process within the weighted student formula and required the proceeds of the property tax be remitted to the State Treasurer for credit to the School District Finance Fund (SDFF). The weighting was calculated by dividing the amount of the levy authority approved by the SBOTA by the BSAPP. The remitted property tax was then distributed back to the school district as part of their General State Aid. This amendment also allowed a school district to continue the tax levying authority beyond the initial two-year period for an additional three years.
A 2011 amendment allowed any school district having authority for the ancillary school facilities weighting to spend the motor vehicle-related revenue derived as a result of the property taxes used to fund the weightings. Prior law allowed a school district to collect the revenue, but not spend the revenue.

The 2013 Legislature amended the weighting to allow a school district that had levied a property tax for two years to continue to levy the tax for up to six additional years. The amount of the levy was reduced to 90.0 percent in the first year of the six-year period, 75.0 percent in the second year, 60.0 percent in the third year, 45.0 percent in the fourth year, 30.0 percent in the fifth year, and 15.0 percent in the sixth year.

**Cost-of-Living Weighting**

A 2006 amendment to the SDFQPA created the cost-of-living weighting. Any school district with a maximum LOB and in which the average appraised value of a single-family residence was more than 25.0 percent higher than the statewide average value could apply to the State Board for the weighting. The value of the weighting could not exceed 5.0 percent of a school district's State Financial Aid. The weighting was funded by local property taxes. A local school board was required to pass and publish a resolution authorizing the property tax levy, subject to protest petition. If approved, these local property taxes were remitted to the State Treasurer, credited to the SDFF, and distributed to the school district as part of their General State Aid.

The 2011 Legislature allowed any school district having authority for the cost-of-living weighting to spend the motor vehicle-related revenue derived as a result of the weighting. Prior law allowed a school district to receive this revenue, but not spend the revenue.

**Declining Enrollment Weighting**

The 2005 Legislature created the declining enrollment weighting in the SDFQPA. Any school district at the maximum available LOB and that had declining enrollment from the prior school year could seek approval from the SBOTA to levy a property tax for up to two years. The value of the levy was capped at 5.0 percent of a district's general fund budget. The levy was equalized by the State up to the 75th percentile of assessed valuation per pupil (AVPP). The local property taxes were remitted to the State Treasurer, credited to the SDFF, and distributed back to the school district as part of their General State Aid.

A 2007 amendment allowed any school district that was authorized to make a levy for the declining enrollment weighting in school year 2006-2007 to make a levy at a rate necessary to generate the same revenue that was generated in school year 2007-2008 if the school district adopted a LOB in the current school year equal to the maximum percentage allowed in school year 2006-2007 (30.0 percent of State Financial Aid).

A 2011 amendment allowed any school district having authority for the declining enrollment weighting to spend the motor vehicle-related revenue derived as a result of the weighting. Prior law allowed a school district to receive this revenue, but not spend the revenue.
Statewide Uniform Property Tax Levy for Schools

When enacted, the SDFQPA established a statewide uniform property tax levy for K-12 schools of 32 mills in SY 1992-1993 and 33 mills in SY 1993-1994. The 1994 Legislature set the uniform levy at 35 mills in SY 1994-1995 and SY 1995-1996. The uniform levy could not be levied for more than two years since the *Kansas Constitution* specifies that state property taxes can only be levied for two years at a time.


The 1998 Legislature then amended the uniform levy for SY 1998-1999 by lowering the rate to 20 mills and set the rate at 20 mills for SY 1999-2000. The exemption for the first $20,000 of appraised valuation for residential property was retained.

The 1999 Legislature extended the 20 mill rate and residential property exemption to SY 2000-2001. Every two years through 2015, the Legislature reauthorized the uniform property tax levy at 20 mills and continued the $20,000 exemption for residential property.

From SY 1992-1993 through SY 2013-2014 the proceeds from the uniform levy were retained by school districts. These proceeds were considered part of Local Effort and deducted when calculating a school district’s General State Aid entitlement. Any proceeds from the uniform levy that exceeded a district’s State Financial Aid amount were remitted to the State Treasurer and deposited in the SDFF. The 2014 Legislature required that all revenue from the uniform levy be remitted to the State Treasurer and be deposited in the SDFF. The funds were then distributed to school districts as part of their General State Aid under the SDFQPA and as part of the block grant under the CLASS Act.

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<td>20*</td>
</tr>
<tr>
<td>2016-2017</td>
<td>20*</td>
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* Includes exemption for the first $20,000 of appraised valuation for residential property.
LOCAL OPTION BUDGETS

The SDFQPA allowed school districts to adopt local option budgets in addition to the General State Aid the districts received from the State each school year. In addition, the State provided equalization aid for LOBs to poorer districts, as determined by a school district’s AVPP. The following sections outline changes to the cap on LOBs and state equalization for LOBs under the SDFQPA and the CLASS Act.

Local Option Budget Cap

In 1992, the SDFQPA provided for a maximum LOB of 25.0 percent of a school district's State Financial Aid. As enacted, the law originally required the maximum percentage of LOB be decreased in the future by the percentage increase in BSAPP. A 1995 amendment eliminated the provision reducing the LOB cap based on future growth of the BSAPP.

The 2005 Legislature increased the LOB cap to 27.0 percent of State Financial Aid for SY 2005-2006, 29.0 percent for FY 2006-2007, and 30.0 percent for SY 2007-2008 and all years thereafter. In addition, the amendment required any local school board wishing to adopt a LOB in excess of 25.0 percent to adopt a resolution that was then subject to a protest petition by the electorate of the school district.

Legislation enacted in 2006 accelerated and increased the rise of the LOB cap, increasing the cap to 30.0 percent for SY 2006-2007 and providing for a cap of 31.0 percent for SY 2007-2008 and all years thereafter. Any school district wishing to adopt a LOB in excess of 30.0 percent was required to receive approval of the electorate of the district at an election.

A 2009 amendment to the SDFQPA allowed the LOB authority of school districts to be calculated using a BSAPP of $4,433 for any year in which the actual BSAPP was lower than $4,433. [Note: This provision was commonly known as the artificial base.] School districts were also allowed to calculate their LOB authority using the greater of Special Education State Aid they had received for SY 2008-2009 or the current school year.

The 2014 Legislature increased the artificial base used for the calculation of LOBs to $4,490 for SY 2014-2015 and SY 2015-2016; the artificial base would then return to $4,433 for SY 2016-2017 and each year thereafter. This amendment also excluded Virtual School State Aid from State Financial Aid for the purpose of calculating LOB authority. Additionally, the legislation provided that any school district with an LOB in excess of 30.0 percent may take school board action to adopt a LOB of up to 33.0 percent for SY 2014-2015, but was required to conduct a mail-ballot election in order to adopt a LOB in excess of 31.0 percent for any school year thereafter.

The CLASS Act, which was enacted in 2015, amended the calculation of the LOB cap. LOBs were no longer capped as a percent of a district’s State Financial Aid since the CLASS Act repealed the SDFQPA and the formula that calculated State Financial Aid. Instead, a school district's LOB was capped at the LOB adopted for SY 2014-2015, with one exception. If a school district successfully conducted a mail-ballot election prior to July 1, 2015, it could receive LOB authority up to 33.0 percent of its State Financial Aid for SY 2014-2015.
State Equalization Aid for Local Option Budgets

As enacted, the SDFQPA provided Supplemental General State Aid as equalization aid to school districts that adopted LOBs. School districts were ranked by their AVPP for the preceding school year and all districts below the 75th percentile of AVPP received Supplemental General State Aid. The further a school district was below the 75th percentile, the more equalization aid that school district received from the State. The state aid paid for a portion of a district's LOB, with the rest of the revenue coming from local property taxes. Any school district above the 75th percentile of AVPP received no state aid and had to fund their LOB entirely from local property taxes.

The 2006 Legislature amended the equalization formula to provide state aid to school districts up to the 81.2 percentile of AVPP. As a result, more districts were eligible for state aid and poorer districts received more state aid.

The CLASS Act, as enacted in 2015, provided for a new equalization formula for Supplemental General State Aid. State aid was recalculated based on quintiles below the 81.2 percentile of AVPP in SY 2014-2015. Equalization aid was capped at a percentage of Supplemental General State Aid received in SY 2014-2015. The amount of the cap was determined by in which quintile a district was located. Each quintile was approximately 46 school districts and were as follows:

- Lowest quintile: 97.0 percent of Supplemental General State Aid received in SY 2014-2015;
- Second lowest quintile: 95.0 percent of Supplemental General State Aid received in SY 2014-2015;
- Middle quintile: 92.0 percent of Supplemental General State Aid received in SY 2014-2015;
- Second highest quintile: 82.0 percent of Supplemental General State Aid received in SY 2014-2015; and
- Highest quintile: 72.0 percent of Supplemental General State Aid received in SY 2014-2015.

The 2016 Legislature, in response to the Kansas Supreme Court’s ruling in Gannon II that the Supplemental General State Aid formula included in the CLASS Act was unconstitutionally inequitable, amended the equalization formula. The equalization factor would be determined by rounding the AVPP of all school districts to the nearest $1,000 and then arranging the AVPP of all districts from largest to smallest. The median school district would receive 25.0 percent state aid. For every $1,000 a school district's AVPP was above the median, the district's equalization rate would be reduced by 1.0 percent. For every $1,000 a school district's AVPP was below the median, the district's equalization rate would be increased by 1.0 percent. [Note: This was the same equalization formula used for Capital Outlay State Aid prior to enactment of the CLASS Act.]

However, this revised Supplemental General State Aid formula was never implemented. The Kansas Supreme Court ruled the revised formula inequitable in its Gannon III decision. In
response, the 2016 Special Session reinstated the Supplemental General State Aid formula that had existed prior to the enactment of the CLASS Act.
CAPITAL OUTLAY

State law, even prior to the enactment of the SDFQPA, allowed school districts to levy a local property tax for the purposes of funding capital outlay expenditures. The revenues from this property tax were deposited in a school district’s capital outlay fund and could be expended for specific capital costs listed in statute. Additionally, beginning in SY 2005-2006 state law provided for equalization in the form of Capital Outlay State Aid, which was provided to some school districts to supplement the revenue raised by the capital outlay property tax. The provisions of state law governing school district capital outlay were separate from the main school finance laws. While amendments have often been made in conjunction with other school finance amendments, capital outlay was not a direct part of the SDFQPA or the CLASS Act.

This section describes the history of the capital outlay property tax, allowable expenditures out of the capital outlay fund, and Capital Outlay State Aid.

Capital Outlay Property Tax

State law capped the number of mills a school district could levy for capital outlay since before the SDFQPA. When the SDFQPA was enacted in 1992, the maximum number of mills a school district could levy was four mills, or the mill rate necessary to produce the same amount of revenue that would have been produced by a four mill levy in SY 1988-1989. A 2005 amendment increased the cap to eight mills.

Allowable Capital Outlay Expenditures

When the SDFQPA was enacted, school districts could make capital outlay expenditures for the “acquisition, construction, reconstruction, repair, remodeling, additions to, furnishing and equipping of buildings necessary for school district purposes.” This included the following:

- Housing and boarding of students enrolled in an area vocational school operated under the local board of education;
- Architectural expenses;
- Acquisition of building sites;
- Undertaking and maintenance of asbestos control projects;
- Acquisition of school buses; and
- Acquisition of other equipment.

The 2013 Legislature amended the statute outlining allowable capital outlay expenditures. School districts could make capital outlay expenditures for the “acquisition, construction, reconstruction, repair, remodeling, additions to, furnishing, maintaining and
equipping of school district property and equipment necessary for school district purposes.” This included the following items:

- Acquisition of computer software;
- Acquisition of performance uniforms;
- Housing and boarding of students enrolled in an area vocational school operated under the local board of education;
- Architectural expenses;
- Acquisition of building sites;
- Undertaking and maintenance of asbestos control projects;
- Acquisition of school buses; and
- Acquisition of other fixed assets.

### Capital Outlay State Aid

During the 2005 Special Session, legislation provided for Capital Outlay State Aid. This form of equalization aid was designed to supplement the revenue raised by a school district’s capital outlay property tax. To determine a school district’s Capital Outlay State Aid entitlement, all districts were ranked from highest to lowest based on their AVPP, as rounded to the nearest $1,000. The median district received 25.0 percent state aid. For every $1,000 in AVPP below the median district, state aid increased by 1.0 percent. For every $1,000 in AVPP above the median district, state aid decreased by 1.0 percent. After determining a district’s state aid rate, the amount of state aid was determined by multiplying the tax revenue raised by the school district’s capital outlay property tax by the state aid rate.

The statutory formula for Capital Outlay State Aid was unchanged from SY 2005-2006 through SY 2014-2015. However, the Legislature did not fund the formula from SY 2009-2010 through SY 2013-2014. The 2014 Legislature fully funded the statutory Capital Outlay State Aid formula for SY 2014-2015.

The 2015 Legislature amended the formula for Capital Outlay State Aid. Under the amended formula, school districts were still ranked from highest to lowest based on their AVPP, as rounded to the nearest $1,000. However, the district with the lowest AVPP received 75.0 percent state aid and the state aid rate decreased by 1.0 percent for every $1,000 in AVPP above the lowest district.

The 2016 Legislature, responding to the Kansas Supreme Court’s ruling in Gannon II that the new formula was unconstitutionally inequitable, reinstated the previous formula and fully funded the formula.
CAPITAL IMPROVEMENTS

Like capital outlay, state law governing school district capital improvements and Capital Improvement State Aid were codified outside the main school finance formula. This section will survey the history of changes to school district capital improvements laws from 1992 through 2016.

Legislation enacted in 1992 established the School District Capital Improvements State Aid Program. The program was designed to provide equalization aid to assist school districts in making bond and interest payments. To do so, the School District Capital Improvements Fund was created in the State Treasury. Under this new equalization program, any school district that was obligated to make payments from its bond and interest fund could receive state aid if its AVPP qualified the district for state aid. Under the 1992 legislation, there were two state aid rates: one for bond obligations incurred prior to July 1, 1992, and one for bond obligations incurred on or after July 1, 1992. For both sets of bonds, school districts were ranked from highest to lowest based on their AVPP, as rounded to the nearest $1,000. The median district received 5.0 percent state aid for all bond obligation incurred prior to July 1, 1992, and 25.0 percent state aid for all bond obligations incurred on or after July 1, 1992. For every $1,000 in AVPP below the median district, state aid increased by 1.0 percent. For every $1,000 in AVPP above the median district, state aid decreased by 1.0 percent. If a school district was eligible to receive state aid, the state aid entitlement was calculated by multiplying its state aid rate by the district's bond and interest fund payment obligations for the current school year.

A 1993 amendment clarified the law by specifying that school districts could only receive state aid in making bond and interest payments if the district's general obligation bonds were issued after the school district’s electorate approved the issuance of bonds at an election. Another 1993 amendment limited school district bonding authority to 14.0 percent of a district's assessed valuation. Continuing law allowed school districts to apply to the State Board for approval to exceed the 14.0 percent cap.

The 2006 Legislature required that any school district experiencing extraordinary declining enrollment, which was defined as enrollment that had declined at a rate of 5.0 percent or by at least 50 students per year during the previous three school years, to seek a recommendation from the Joint Committee on State Building Construction (JCSBC) prior to issuing new bonds. The JCSBC was then required to make a recommendation to the State Board. If the JCSBC recommends against the issuance of any bonds, the district cannot receive state aid for the bonds, unless approved by the State Board. Any district not eligible to receive state aid is not required to receive a recommendation from the JCSBC.

The 2015 Legislature amended the state aid formula for school district capital improvements. The calculation of state aid for school district bonds approved at an election held prior to July 1, 2015, was unchanged; however, bonds approved on or after July 1, 2015, were subjected to a different equalization formula. Under the amended formula, school districts were still ranked from highest to lowest based on their AVPP, as rounded to the nearest $1,000.; however, the district with the lowest AVPP received 75.0 percent state aid and the state aid rate decreased by 1.0 percent for every $1,000 in AVPP above the lowest district.

A 2016 amendment placed a cap on the amount of state aid school districts can receive for bonds approved on or after July 1, 2016. Under the cap, state aid expenditures for bonds
approved on or after July 1, 2016, cannot exceed the six-year average of total expenditures for Capital Improvement State Aid. Additionally, the amendment directed the State Board to prioritize state aid for the following items:

- Safety of the current facility and disability access to a facility;
- Enrollment growth and imminent overcrowding;
- Impact on the delivery of educational services due to inflexible design or limits on the installation of technology; and
- Energy usage and other operational inefficiencies.

The 2016 amendment also required the State Board to approve the amount of State Aid payment a school district will receive prior to an election to approve the issuance of bonds.
SPECIAL EDUCATION STATE AID

The federal Individuals with Disabilities Education Act (IDEA) requires states to provide special education services to children with disabilities between the ages of 3 and 21. This includes children with developmental delays, hearing or visual impairments, emotional disturbances, or autism. IDEA requires each special education student receive an individualized education plan that identifies the services to be provided to the student.

In Kansas, the Special Education for Exceptional Children Act (SEECA), which was enacted in 1974, generally mirrors the federal law, but it imposes several additional special education requirements on school districts. These include:

- Identifying and providing services to gifted students;
- Using interventions in the regular education classroom before referring a student to special education; and
- Providing special education services to children who reside in the district but attend a private school.

To assist school districts in the provision of special education services, the State has provided Special Education State Aid to school districts. Since enactment of the SEECA, state aid has been provided in the form of reimbursement to school districts. At the time of the enactment of the SDFQPA, reimbursement was provided for the following:

- 80.0 percent of actual travel allowances paid to special education teachers;
- 80.0 percent of the actual travel expenses incurred for providing transportation to special education students;
- 80.0 percent of the actual expenses incurred for the maintenance of an exceptional child at some place other than the residence of such child for the purpose of providing special education services, up to $600 per child; and
- After subtracting the total reimbursements for the first three items from the appropriation for Special Education State Aid, reimbursement for each FTE special education teacher employed by a school district, with paraprofessionals counting at 0.4 FTE. Any special education teacher in excess of the number of special education teachers necessary to comply with the student-teacher ratio prescribed by the State Board was not eligible for reimbursement.

A 1994 amendment to the SEECA provided for catastrophic state aid beginning in SY 1994-1995. For any special education student whose services cost were in excess of $25,000, a school district could receive state aid in the amount of 75.0 percent of those costs above $25,000.
The 1999 Legislature eliminated a provision that prohibited a special education teacher in excess of the number of special education teachers necessary to comply with the student-teacher ratio prescribed by the State Board from receiving reimbursement through Special Education State Aid.

A 2002 amendment allowed school districts who are part of a special education interlocal or cooperative to receive Special Education State Aid reimbursement. The amount a school district would receive was based on the amount of funding contributed by the district to the interlocal or cooperative and the amount of Special Education State Aid the interlocal or cooperative received. If a member of an interlocal or cooperative paid 20.0 percent of the costs for the interlocal or cooperative to provide special education services, then the amount of Special Education State Aid received by the school district would equal 20.0 percent of the amount of state aid received by the interlocal or cooperative.

The 2005 Legislature passed a formula to provide for Special Education State Aid to cover a percent of the excess costs associated with providing special education services. This amendment did not change the items for which school districts could receive reimbursement. The percent of excess costs covered by state aid was planned to increase over a three-year period, as follows:

- SY 2004-2005: 85.0 percent;
- SY 2005-2006: 88.0 percent; and
- SY 2006-2007 and each year thereafter: 91.0 percent.

An amendment during the 2005 Special Session changed the planned increase in the percent of excess costs to be covered by Special Education State Aid. The new schedule was as follows:

- SY 2005-2006: 89.3 percent; and
- SY 2006-2007 and each year thereafter: 92.0 percent.

The 2010 Legislature amended the law relating to catastrophic state aid for SY 2009-2010 by increasing the threshold for eligibility from $25,000 to $36,000. Beginning in SY 2010-2011, the threshold for catastrophic state aid reimbursement was increased to twice the state aid per FTE special education teacher from the previous year. Additionally, the amendments required any state and federal special education aid, including Medicaid Replacement State Aid, be deducted when determining the amount of reimbursement for catastrophic state aid.

The 2010 Legislature also required the State Board, beginning in SY 2011-2012, to determine the minimum and maximum amount of state aid paid to school districts for the costs of special education teachers. Minimum and maximum factors were determined by dividing the total amount of Special Education State Aid available for special education teachers by the FTE enrollment of all school districts to determine an average per pupil amount. Any district with a special education per pupil amount below 75.0 percent of the statewide average received additional state aid; districts receiving at least 150.0 percent of the statewide average received less state aid. This provision expired on June 30, 2013.
A 2013 amendment required that a special education teacher at the Kansas State School for the Blind or Kansas State School for the Deaf, if paid for by a school district, be considered a special education teacher of the school district for the purpose of determining the amount of Special Education State Aid a district is to receive for special education teachers.
Prior to 1971, there was an independent school district retirement system that covered all school district employees. The State took over the school district retirement system in 1971 and merged the system with the Kansas Public Employees Retirement System (KPERS). This part of KPERS became known as KPERS–School. KPERS–School included the employer contributions for all KPERS-eligible school district employees in Kansas. In addition, KPERS–School included employer contributions for community colleges, technical colleges, and school district interlocals.

From 1971 through 2005, the State paid the KPERS–School employer contributions directly to KPERS. The 2005 Legislature, however, directed the KPERS–School employer contributions be distributed to school districts, interlocals, community colleges, and technical colleges, and then be paid to KPERS by those institutions. In 2015, with the enactment of the CLASS Act, the Legislature included the KPERS employer contributions for school districts in the block grant. As a result, KPERS–School was divided into two parts: KPERS–USDs and KPERS–Non-USDs, which included the employer contributions for community colleges, technical colleges, and interlocals. State expenditures for KPERS–Non-USDs continued to be appropriated as a separate line item in the budget.
MISCELLANEOUS

This section provides the history of several miscellaneous school finance provisions, including the Virtual School Act, the law governing school districts’ contingency reserve funds, and funding for districts formed by disorganization and attachment and districts formed by consolidation.

Virtual School Act

The 2008 Legislature passed the Virtual School Act (VSA). Under the VSA, a school district was entitled to receive Virtual School State Aid for each school year the district operates a virtual school. As enacted, the VSA was calculated by adding together the following:

- Multiplying the number of FTE pupils enrolled in a virtual school by an amount equal to 105.0 percent of the BSAPP;
- Multiplying the FTE number of nonproficient at-risk students enrolled in an approved at-risk program offered by the virtual school by an amount equal to 25.0 percent of the BSAPP; and
- Multiplying the number of pupils enrolled in at least one advanced placement course provided by the virtual school by an amount equal to 8.0 percent of the BSAPP, if the pupils are enrolled in a resident school district that:
  - Does not offer advanced placement courses; and
  - Contains more than 200 square miles or has an enrollment of at least 260 pupils.

Out-of-state students enrolled in Kansas virtual schools could not be counted in the FTE enrollment of virtual schools and, therefore, school districts could not receive state aid for out-of-state students. Virtual School State Aid was required to be deposited in a school district’s virtual school fund and expenses for the operation of the virtual school had to be paid from that fund.

In addition, simultaneous amendments to the SDFQPA addressed how pupils attending both a non-virtual school and a virtual school could be counted as part of the weighted student funding formula. For the purpose of counting such students at non-virtual schools, a pupil was required to be counted as that proportion of one pupil, rounded to the nearest tenth, that the pupil’s attendance at the non-virtual school bears to full-time attendance. If a pupil was enrolled half-time at a non-virtual school and half-time at a virtual school, the pupil would count as 0.5 towards the FTE enrollment of the school district operating the non-virtual school.

The VSA, as enacted, also required school districts to provide adequate training to teachers who teach in virtual schools or virtual programs. Additionally, the VSA defined “virtual school” to mean any school or education program that:

- Is offered for credit;
● Uses distance-learning technologies that predominantly use internet-based methods to deliver instruction;

● Involves instruction that occurs asynchronously with the teacher and pupil in separate locations;

● Requires the pupil to make academic progress toward the next grade level and matriculation from kindergarten through high school graduation;

● Requires the pupil to demonstrate competence in subject matter for each class or subject in which the pupil is enrolled as part of the virtual school; and

● Requires age-appropriate pupils to complete state assessment tests.

A 2014 amendment excluded Virtual School State Aid from the amount of State Financial Aid used in calculating a school district’s LOB.

The 2015 Legislature amended the calculation of Virtual School State Aid. State aid was now determined by the enrollment status of a pupil who was 18 years of age or younger (full-time or part-time) or the number of one-hour credit courses completed by pupils above the age of 18. For SY 2015-2016, the state aid schedule was as follows:

● $5,000 for each full-time pupil who was 18 years of age or younger;

● Multiply the FTE enrollment of part-time pupils who were 18 years of age or younger by $4,045; and

● $933 for each one-hour credit course completed by pupils above the age of 18.

For SY 2016-2017, the state aid schedule was as follows:

● $5,000 for each full-time pupil who was 18 years of age or younger;

● Multiply the FTE enrollment of part-time pupils who were 18 years of age or younger by $1,700; and

● $933 for each one-hour credit course completed by pupils above the age of 18.

A full-time student was defined as a student who attends a virtual school for no less than six hours. A part-time student was defined as a student who attends a virtual school for less than six hours.

Contingency Reserve Fund

The SDFQPA created a contingency reserve fund within the budget of each school district and capped the balance of the fund at 1.0 percent of a district’s general fund budget. A 1993 amendment increased the cap to 2.0 percent of a district’s general fund. Additionally, the
1993 amendment provided that if the amount in the contingency reserve fund of a school district exceeded the cap due to a decrease in enrollment, the district could maintain the excess amount in the contingency reserve fund until the amount was depleted by expenditures from the fund.

The 1995 Legislature increased the cap on the contingency reserve fund from 2.0 percent to 4.0 percent of a school district’s general fund budget. Additionally, the restraints on school district use of the contingency reserve fund were relaxed. Under prior law, in order to use the contingency reserve fund, an expenditure had to be for a financial emergency or contingency that could not reasonably have been foreseen at the time the general fund budget of the school district was adopted. Under the 1995 amendment, the standard for expenditures from the fund was that expenditures must be attributable to financial contingencies not anticipated when the general fund budget was adopted.

A 2002 amendment removed the restriction that expenditures from the contingency reserve fund be attributable to financial contingencies not anticipated when the general fund budget was adopted. Now local school boards determined when a financial contingency existed, which allowed expenditures from the fund.

A 2005 amendment increased the contingency reserve fund cap from 4.0 percent to 6.0 percent of a school district’s general fund budget for SY 2005-2006 only. The cap was scheduled to return to 4.0 percent for FY 2006-2007. The 2006 Legislature subsequently made the 6.0 percent cap permanent.

The 2009 Legislature increased the contingency reserved fund cap from 6.0 percent to 10.0 percent of a school district’s general fund budget until SY 2012-2013, at which point the cap would return to 6.0 percent. This amendment did not affect any school district whose State Financial Aid was computed under law related to district formed by consolidation or disorganization, or district with decreasing enrollments. Any such school districts could maintain the excess amount in the contingency reserve fund until the amount in the fund was depleted.

A 2012 amendment made the 10.0 percent cap on the contingency reserve fund permanent.

The 2013 Legislature eliminated the cap entirely.

**Funding for School Districts Formed by Consolidation and School Districts Formed by Disorganization and Attachment**

The 1999 Legislature amended the SDFQPA to provide a method to calculate funding for school districts that consolidated. According to the 1999 amendment, a school district formed by consolidation was entitled to State Financial Aid, for the first two school years of operation, equal to the combined State Financial Aid of the former school districts during the preceding school year.

A 2002 amendment changed how State Financial Aid for consolidated school districts was calculated. If the consolidation was effectuated beginning in SY 2001-2002 and prior to July 1, 2004, the consolidated school district was entitled in the first year of consolidation to State Financial Aid equal to the combined State Financial Aid of the former districts during the preceding school year. For the three succeeding school years, the consolidated district was
entitled to the amount of State Financial Aid it received in the first year of consolidation or the amount of State Financial Aid the district would receive under the SDFQPA in that year, whichever was greater. For consolidations that occurred on or after July 1, 2004, the consolidated school district was entitled in the first year of consolidation to State Financial Aid equal to the combined State Financial Aid of the former districts during the preceding school year. For the next school year, the consolidated district was entitled to the amount of State Financial Aid it received in the first year of consolidation or the amount of State Financial Aid the district would receive under the SDFQPA in that year, whichever was greater.

The 2002 amendment also addressed the disorganization of a school district and the attachment of the entire district to another school district. The provisions relating to the funding of school districts formed by disorganization and attachment were identical to the provisions related to consolidation.

Legislation in 2004 amended provisions of the SDFQPA addressing school district consolidation and district disorganization and attachment. These amendments did not affect school districts that were consolidated or disorganized prior to July 1, 2004. If a consolidation was effectuated prior to July 1, 2005, the consolidated school district was entitled in the first year of consolidation to State Financial Aid equal to the combined State Financial Aid of the former districts during the preceding school year. For the two succeeding school years, the consolidated district was entitled to the amount of State Financial Aid it received in the first year of consolidation or the amount of State Financial Aid the district would receive under the SDFQPA in that year, whichever was greater. For consolidations that occurred on or after July 1, 2005, the consolidated school district was entitled in the first year of consolidation to State Financial Aid equal to the combined State Financial Aid of the former districts during the preceding school year. For the next school year, the consolidated district was entitled to the amount of State Financial Aid it received in the first year of consolidation or the amount of State Financial Aid the district would receive under the SDFQPA in that year, whichever was greater.

The 2004 amendment also addressed the disorganization of a school district and the attachment of the entire district to another school district. The provisions relating to the funding of school districts formed by disorganization and attachment were identical to the provisions related to consolidation.

The 2006 Legislature eliminated the provision that determined the amount of State Financial Aid consolidated and enlarged school districts were entitled to based on whether consolidation or reorganization occurred prior to or after July 1, 2005. All school districts that consolidated or reorganized after July 1, 2004, were entitled in the first year of consolidation or attachment to the combined State Financial Aid of the school districts as they existed prior to consolidation or attachment. For the two succeeding school years, the consolidated or enlarged school district was entitled to the greater of the amount of State Financial Aid it received in the first year of consolidation or attachment, or the amount of State Financial Aid the district was to receive under the operation of the SDFQPA in that year.

A 2008 amendment further changed law relating to school district consolidation and disorganization and attachment. The amendment provided that if any school district consolidation included a school district with fewer than 150 pupils and was completed prior to July 1, 2011, the new consolidated school district was guaranteed State Financial Aid equal to the State Financial Aid of the combined districts in the year preceding consolidation for the first three years of operation of the consolidated district. Any consolidation that included a school district with fewer than 150 pupils and was completed after July 1, 2011, received the combined State Financial Aid for the first two years of the operation of the consolidated district.
consolidation occurred in which all of the former school districts had more than 150 pupils but fewer than 200 pupils, the new consolidated school district was guaranteed the combined State Financial Aid for the first four years of the operation of the consolidated district. If a consolidation occurred in which all of the former school districts had more than 200 pupils, the new consolidated school district was guaranteed the combined State Financial Aid for the first five years of the operation of the consolidated district. If three or more school districts consolidated, regardless of the number of pupils enrolled in the districts, the new consolidated school district was guaranteed the combined State Financial Aid for the first five years of the operation of the consolidated district. In all scenarios, a consolidated district received either the combined State Financial Aid of the former school districts or the amount of State Financial Aid the new district was entitled to receive under the operation of the SDFQPA, whichever was greater. These amendments were also made to the provisions in law relating to the funding of school districts formed by disorganization and attachment.

The 2009 Legislature amended the provisions relating to school district disorganization and attachment to address situations where a disorganized school district was attached to more than one school district. In such a situation, the State Financial Aid of the disorganized district was allocated to the receiving districts on the same proportional basis that the assessed valuation of the territory attached to each district bears to the assessed valuation of the entire disorganization district. For example, if a school district receives territory that equals 30.0 percent of a disorganized district’s assessed valuation, then the receiving school district was allocated 30.0 percent of the disorganized district’s State Financial Aid.