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HISTORY OF THE KANSAS SCHOOL EQUITY AND ENHANCEMENT ACT AND OTHER SCHOOL FINANCE LAWS SINCE 2017

This memorandum provides a history of the Kansas School Equity and Enhancement Act (KSEEA) and other school finance laws since 2017. 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. The history of the School District Finance and Quality Performance Act (SDFQPA) and the Classroom Learning Assuring Student Success Act (CLASS Act) are covered in a separate memorandum.

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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 differences 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 the costs of certain student or district characteristics, such as for at-risk students or school districts with declining enrollments. In addition, the SDFQPA 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 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 SYs 2015-2016 and 2016-2017.

Finally, the 2017 Legislature enacted the Kansas School Equity and Enhancement Act (KSEEA) to replace the the expiring CLASS Act. Like the SDFQPA, the KSEEA is based on a weighted student formula that provides additional funding to meet the costs of 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 the KSEEA, 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 KSEEA Weighted Student Formula

The weighted student formula in the KSEEA is based on two factors: the Base Aid for Student Excellence (BASE) and the weighted full-time equivalent (FTE) enrollment of each school district. The total amount of aid a school district is entitled to is determined by multiplying the BASE by that district's weighted FTE enrollment. The resulting total is called Total Foundation Aid. The formula is as follows:

- Total Foundation Aid = BASE x Weighted FTE Enrollment.

After a district's Total Foundation Aid is determined, the next step is to determine the amount of State Foundation Aid the district is entitled to. This is determined by subtracting a district's Local Foundation Aid from its Total Foundation Aid. The formula is as follows:

- State Foundation Aid = Total Foundation Aid – Local Foundation Aid.

Local Foundation Aid includes the following items:

- 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
- 70.0 percent of the federal impact aid a district received.

The weighted student formula in the KSEEA operates in the same general manner as the formula under the SDFQPA.

Base Aid for Student Excellence

This history of the BASE, including the planned increases through SY 2022-2023, is outlined in the table below. Beginning in SY 2023-2024, the BASE will be adjusted by the average percentage increase in the Consumer Price Index for all urban consumers (CPI-U) in the Midwest region during the three immediately preceding school years. The KSEEA includes a provision that if appropriations in any school year for State Foundation Aid is not sufficient to pay school districts' computed entitlements, then the State Board of Education (State Board) will reduce the BASE to the amount necessary to match State Foundation Aid entitlements of school districts with the amount of State Foundation Aid available.

BASE AID FOR STUDENT EXCELLENCE (BASE)

School Year	BASE
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
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
2015-2016***	N/A
2016-2017***	N/A
2017-2018	4,006
2018-2019	4,165
2019-2020	4,436
2020-2021^	4,569
2021-2022^	4,706
2022-2023^	4,846

- * In SYs 2002-03, 2003-04, and 2004-05, the statutory BASE was \$3,890; however, \$3,863 was funded.
- ** In SY 2009-10 the statutory BASE 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 BASE.
- ^ Scheduled increases to the statutory BASE.

Definition of “Student”

The KSEEA switched from the term “pupil” used in the SDFQPA and CLASS Act to the term “student.” However, the definition largely mirrored the definition that existed under the SDFQPA, with a few exceptions. As enacted, the definition of “student” included the following provisions:

- Preschool-aged at-risk students count for 0.5 FTE in a school district’s enrollment;

- Full-day kindergarten students are counted as 1.0 FTE in a school district's enrollment. Under the SDFQPA, such students were counted as 0.5 FTE;
- Concurrently enrolled students in grades 11 and 12 count for 1.0 FTE in a school district's enrollment if school district and postsecondary enrollment is at least five-sixths time;
- Foreign exchange students are excluded unless that student is enrolled for at least one semester or two quarters;
- Out-of-state students are counted as follows, unless the student's parent is an employee of the school district where the student is enrolled or the student attended public school in Kansas prior to the enactment of the KSEEA, in which cases the student is counted as 1.0 FTE:
 - 1.0 FTE for SY 2017-2018 and SY 2018-2019;
 - 0.75 FTE for SY 2019-2020 and SY 2020-2021; and
 - 0.5 FTE for SY 2021-2022 and each school year thereafter;
- The following are not counted as a student:
 - An individual residing at the Flint Hills Job Corps Center;
 - An individual confined in and receiving educational services provided by a school district at a juvenile detention facility; and
 - An individual enrolled in a school district but housed, maintained, and receiving educational services at a state institution or psychiatric residential treatment facility; and
- Virtual school students are counted in accordance with the statute governing the distribution of state aid for virtual schools.

A 2018 amendment to the KSEEA expanded the definition of "preschool-aged at-risk student" to include three-year-old children.

Weightings in the Formula

Under the KSEEA, weightings are 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 address other district characteristics, such as a high-density at-risk population, transportation, and new facilities. Students attending the Kansas Academy of Mathematics and Science are not eligible for any weightings.

At-Risk Weighting

The KSEEA, as enacted, included an at-risk weighting of 0.484. For purposes of funding, an at-risk student is one who is enrolled full-time in grades 1 through 12, younger than 20 years

of age, and eligible for free meals under the National School Lunch Program. Any student with an Individualized Education Plan (IEP) does not have to be enrolled full-time or be younger than 20 years of age to qualify.

As enacted, the KSEEA also provided for a 10.0 percent minimum on the at-risk weighting. For any school district providing K-12 classes with fewer than 10.0 percent at-risk students, their weighting would be calculated as if the district had 10.0 percent at-risk students.

A 2018 amendment eliminated the language that provided for a 10.0 percent minimum for the at-risk student weighting in response to the Kansas Supreme Court’s fifth ruling in *Gannon v. State (Gannon V)*.

Summary of the At-Risk Weighting

The history of the at-risk weighting under the SDFQPA, the CLASS Act, and the KSEEA is summarized the the following table.

AT-RISK WEIGHTING, SY 1992-1993–PRESENT

School Year	At-Risk Weighting
1992-1993	0.05
1993-1994	0.05
1994-1995	0.05
1995-1996	0.05
1996-1997	0.05
1997-1998	0.065
1998-1999	0.08
1999-2000	0.09
2000-2001	0.09
2001-2002*	0.10
2002-2003*	0.10
2003-2004*	0.10
2004-2005*	0.10
2005-2006*	0.193
2006-2007*	0.278
2007-2008	0.378
2008-2009	0.456
2009-2010	0.456
2010-2011	0.456
2011-2012	0.456
2012-2013	0.456
2013-2014	0.456
2014-2015	0.456
2015-2016**	N/A
2016-2017**	N/A
2017-2018	0.484
2018-2019	0.484
2019-2020	0.484

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

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

High-Density At-Risk Weighting

As enacted, the KSEEA included a high-density at-risk weighting. The high-density at-risk weighting is calculated in the same manner as in the SDFQPA prior to its repeal. For school districts with an at-risk population of at least 35.0 percent, but less than 50.0 percent, 35.0 percent is subtracted from the percentage of at-risk students in the district. The difference is then multiplied by a factor of 0.7. That product is subsequently multiplied by the number of at-risk students in the district and the product is the district's high-density at-risk weighting. For school districts with at least 50.0 percent at-risk students, the number of at-risk students is multiplied by a factor of 0.105. That product is the district's high-density at-risk weighting.

However, there were two main changes from the SDFQPA. First, there is no longer a provision for school districts with a density of 212.1 students per square mile and an at-risk student population of at least 35.1 percent to receive the same weighting as those districts with at least 50.0 percent. Second, the KSEEA allows the high-density at-risk weighting to be calculated at the level of individual school buildings. In that case, a school district's high-density at-risk weighting is the greater of the regular weighting or the sum of the weightings of the individual schools.

Finally, the KSEEA, as enacted, included a sunset of July 1, 2019, for the high-density at-risk weighting. A 2018 amendment extended that sunset to July 1, 2020. The 2020 Legislature extended the sunset until July 1, 2022, through proviso language included in the 2020 budget bill (2020 SB 66).

Bilingual Weighting

The KSEEA includes a bilingual weighting. As enacted, the weighting provides two options for calculating a school district's bilingual weighting. A district's weighting is the greater of either:

- FTE enrollment in approved bilingual education programs x 0.395; or
- Headcount enrollment in approved bilingual education programs x 0.185.

No amendments have been made to the bilingual weighting since the enactment of the KSEEA.

Low Enrollment Weighting

The KSEEA, as enacted, includes a low enrollment weighting. The weighting applies to school districts with FTE enrollments that are less than 1,622. The weighting is calculated on two linear transitions: for districts with 100 or fewer students the weighting is 101.4 percent of the enrollment of the district, and that amount transitions to approximately 3.5 percent of the enrollment of the district as the enrollment approaches 1,622 students. No amendments have been made to the low enrollment weighting since the enactment of the KSEEA.

Summary of Low Enrollment Weighting

The history of the low enrollment weighting under the SDFQPA, the CLASS Act, and the KSEEA is summarized the the following table.

LOW ENROLLMENT WEIGHTING, SY 1992-1993–PRESENT

<u>School Year</u>	<u>Low Enrollment Weighting Maximum FTE Enrollment</u>
1992-1993	1,900
1993-1994	1,900
1994-1995	1,900
1995-1996	1,875
1996-1997	1,850
1997-1998	1,800
1998-1999	1,750
1999-2000	1,725
2000-2001	1,725
2001-2002	1,725
2002-2003	1,725
2003-2004	1,725
2004-2005	1,725
2005-2006	1,662
2006-2007	1,637
2007-2008	1,622
2008-2009	1,622
2009-2010	1,622
2010-2011	1,622
2011-2012	1,622
2012-2013	1,622
2013-2014	1,622
2014-2015	1,622
2015-2016*	N/A
2016-2017*	N/A
2017-2018	1,622
2018-2019	1,622
2019-2020	1,622

* During SYs 2015-16 and 2016-17, the state operated on a block grant funding system. There was no low enrollment weighting.

High Enrollment Weighting

The KSEEA, as enacted, includes a high enrollment weighting. The weighting is available to school districts with FTE enrollment greater than 1,622 and is calculated by multiplying an eligible district's FTE enrollment by a weighting factor of 0.03504. No amendments have been made to the high enrollment weighting since enactment of the KSEEA.

Summary of High Enrollment (Correlation) Weighting

The history of the high enrollment (correlation) weighting under the SDFQPA, the CLASS Act, and the KSEEA is summarized the the following table.

HIGH ENROLLMENT WEIGHTING, SY 1992-1993–PRESENT

School Year	Weighting Threshold	Weighting Factor
1992-1993	None	0.0
1993-1994	None	0.0
1994-1995	None	0.0
1995-1996	1,875 and over	0.00903
1996-1997	1,850	0.01806
1997-1998	1,800	0.03612
1998-1999	1,750	0.05418
1999-2000	1,725	0.06321
2000-2001	1,725	0.06321
2001-2002	1,725	0.06321
2002-2003	1,725	0.06321
2003-2004	1,725	0.06321
2004-2005	1,725	0.06321
2005-2006	1,662	0.0215
2006-2007	1,637	0.0299
2007-2008	1,622	0.0350
2009-2009	1,622	0.0350
2009-2010	1,622	0.0350
2010-2011	1,622	0.0350
2011-2012	1,622	0.0350
2012-2013	1,622	0.0350
2014-2015	1,622	0.0350
2015-2016*	N/A	N/A
2016-2017*	N/A	N/A
2017-2018	1,622	0.03504
2018-2019	1,622	0.03504
2019-2020	1,622	0.03504

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

Transportation Weighting

The KSEEA includes a transportation weighting. As enacted, the transportation weighting was calculated in much the same way as under the SDFQPA. The per student cost of transportation (the calculation of the per student cost of transportation was different from the SDFQPA) was plotted on a density-cost graph and a curve of best fit was used to identify the formula per pupil cost of transportation of a school district. The formula per pupil cost was then divided by the BASE and the resulting quotient was multiplied by the number of transported students. The resulting product was the school district's transportation weighting. The renewed transportation weighting also contained a four-year grandfather clause. For SY 2017-2018

through SY 2020-2021, the transportation weighting of a school district is either the value of the weighting as determined under the KSEEA or the portion of General State Aid for SY 2016-2017 that was attributable to the transportation weighting.

The 2018 Legislature amended the calculation of the transportation weighting. The transportation weighting is now calculated based on a per capita cost allowance based on a school district's density figure, which is the area of a school district in square miles divided by the number of transported students who live more than 2.5 miles away from their school. The amendment provided for per capita allowances based on a cost factor of 5.0 for students more than 2.5 miles away from their school. As enacted, the KSEEA provided for a cost factor of 2.8. Finally, the amendment limited the proportion of a school district's State Foundation Aid attributable to the transportation weighting to being no more than 110.0 percent of a school district's total transportation expenditures for the immediately preceding school year.

Career Technical Education Weighting

The KSEEA, as enacted, includes a career technical education (CTE) weighting. The weighting is calculated by multiplying the FTE enrollment in approved CTE programs by a factor of 0.5. No amendments have been made to the weighting since the enactment of the KSEEA.

Special Education Weighting

As enacted, the KSEEA includes a special education weighting. The weighting is calculated by dividing the amount of Special Education State Aid a district receives by the BASE for the current school year. The resulting quotient is the special education weighting and is added to a school district's weighted FTE enrollment. However, this weighting does not increase the amount of State Foundation Aid a school district is entitled to because the amount of Special Education State Aid a district receives is defined as Local Foundation Aid and, therefore, the value of the weighting is deducted when computing a district's State Foundation Aid entitlement. The purpose of this weighting is to increase the size of a school district's Total Foundation Aid for the purposes of calculating their LOB. No amendments have been made to the weighting since enactment of the KSEEA.

School Facilities Weighting

The KSEEA includes a school facilities weighting and the weighting largely mirrors the weighting as it existed prior to the repeal of the SDFQPA. Like under the SDFQPA, the weighting only applies for the first two years of operating a new school facility and the enrollment of the new facility is multiplied by a factor of 0.25 to calculate the weighting. To be eligible for the weighting, districts must meet the following requirements:

- The school district adopted a LOB for SY 2014-2015 of at least 25.0 percent of State Financial Aid (*Note: State Financial Aid was the statutory predecessor to Total Foundation Aid*);
- The contractual bond obligations incurred by the school district were approved at an election held on or before July 1, 2015; and

- The district meets one of the following requirements:
 - The school district commences operation of a new facility financed primarily with contractual bond obligations; or
 - The school district commences operation of a new facility financed primarily with federal funds and located on a military reservation.

Like the school facilities weighting under the SDFQPA, the weighting is being phased out under the KSEEA. No amendments have been made to the weighting since enactment of the KSEEA.

Ancillary School Facilities Weighting

The KSEEA, as enacted, includes an ancillary school facilities weighting and the weighting is generally the same as the weighting that existed prior to the repeal of the SDFQPA. A school district can apply to the State Board of Tax Appeals (SBOTA) for authority to levy local property taxes for the purpose of financing costs attributable to commencing the operation of a new school facility that exceed the amount financed by any other source. The SBOTA may approve a two-year property tax levy. A local board of education can continue to extend the levy for up to six additional years. If extended, the amount of the levy is 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. The weighting is calculated by dividing the amount of the authorized property tax levy by the BASE. Revenue from the authorized property tax is remitted to the State Treasurer, deposited in the School District Finance Fund (SDFF), and distributed back to the school district as part of its State Foundation Aid.

The eligibility requirements for the weighting changed slightly under the KSEEA. A school district is eligible for the weighting if it has met the following requirements:

- Commenced operation of a new school facility in the preceding school year or has commenced or will commence operation of a new school facility during the current school years;
- Adopted a LOB; and
- Is experiencing extraordinary enrollment growth, as determined by the State Board.

No amendments have been made to the weighting since enactment of the KSEEA.

Cost-of-Living Weighting

As enacted, the KSEEA includes a cost-of-living weighting, which may not exceed 5.0 percent of a school district's Total Foundation Aid. The weighting is funded by local property taxes. The weighting is calculated by dividing the authorized property tax levy by the BASE. These local property taxes are remitted to the State Treasurer, credited to the SDFF, and distributed to the school district as part of their State Foundation Aid.

To be eligible for the weighting, a school district must meet the following requirements:

- The average appraised value of a single-family residence is more than 25.0 percent higher than the statewide average;
- The district has a LOB of at least 31.0 percent; and
- The local school board has passed and published a resolution, subject to protest petition, authorizing the levy.

No amendments have been made to the weighting since enactment of the KSEEA.

Declining Enrollment Weighting

The KSEEA, as enacted, included a declining enrollment weighting. However, the weighting expired on July 1, 2018. As the weighting existed for SY 2017-2018, 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 local property taxes were remitted to the State Treasurer, credited to the SDFP, and distributed back to the school district as part of their State Foundation Aid.

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 1993-1994. The 1994 Legislature set the uniform levy at 35 mills in SY 1994-1995 and SY 1995-1996. The uniform levy cannot be levied for more than two years as the *Kansas Constitution* generally provides that state property taxes can only be levied for two years at a time.

The 1996 Legislature set the uniform levy at 35 mills for SY 1996-1997 and lowered the levy to 33 mills for SY 1997-1998. The 1997 Legislature subsequently amended the uniform levy for SY 1997-1998 by lowering the rate to 27 mills and adding an exemption for the first \$20,000 of appraised valuation for residential property. In addition, the 1997 Legislature set the uniform levy at 27 mills for SY 1998-1999.

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 since, the Legislature has reauthorized the uniform property tax levy at 20 mills and continued the \$20,000 exemption for residential property. The 2019 Legislature reauthorized both for SY 2019-2020 and SY 2020-2021.

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. The 2014 Legislature required

the revenue from the uniform levy to be remitted to the State Treasurer and to be deposited in the SDF. The funds are then distributed to school districts are part of their State Foundation Aid.

UNIFORM PROPERTY TAX FOR SCHOOLS, SY 1992-1993–PRESENT

School Year	Mill Rate
1992-1993	32
1993-1994	33
1994-1995	35
1995-1996	35
1996-1997	35
1997-1998	27
1998-1999	20*
1999-2000	20*
2000-2001	20*
2001-2002	20*
2002-2003	20*
2003-2004	20*
2004-2005	20*
2005-2006	20*
2006-2007	20*
2007-2008	20*
2008-2009	20*
2009-2010	20*
2010-2011	20*
2011-2012	20*
2012-2013	20*
2013-2014	20*
2014-2015	20*
2015-2016	20*
2016-2017	20*
2017-2018	20*
2018-2019	20*
2019-2020	20*
2020-2021	20*

* Includes exemption for the first \$20,000 of appraised valuation for residential property.

LOCAL OPTION BUDGETS

The KSEEA allows school districts to adopt local option budgets in addition to the State Foundation Aid the districts receive from the State each school year. In addition, the State provides equalization aid for LOBs to poorer districts, as determined by a school district's assessed valuation per pupil (AVPP). The following sections outline changes to the cap on LOBs and state equalization for LOBs since the KSEEA was enacted.

Local Option Budget Cap

When enacted in 2017, the KSEEA included a LOB cap based upon a percent of a school district's Total Foundation Aid. All school districts are capped at 33.0 percent of the district's Total Foundation Aid. However, any district that has not previously adopted a LOB in excess of 30.0 percent and wishes to adopt a LOB between 30.0 and 33.0 percent is subject to a protest petition by the electorate of the school district. The KSEEA allows for the use of the SY 2008-2009 Special Education State Aid for calculation of the LOB if the SY 2008-2009 amount is greater than the current year amount. Virtual School State Aid is excluded from Total Foundation Aid for the purposes of calculating a school district's LOB. Additionally, the KSEEA includes a provision allowing for LOBs to be calculated by an artificial BASE. In any year in which the BASE is less than \$4,490, a BASE of \$4,490 is to be used to calculate Total Foundation Aid when determining a school district's LOB. The KSEEA also provided for the artificial BASE to increase annually based upon the average percentage increase of the Midwest CPI-U during the three immediately preceding school years beginning in SY 2019-2020. The history of the artificial BASE since SY 2018-2019 is shown below.

Artificial BASE, SY 2018-2019–Present

School Year	3-Year Midwest CPI-U	Artificial BASE
2018-2019	N/A	\$4,490
2019-2020	1.5%	\$4,558

The 2018 Legislature, in response to the Kansas Supreme Court's ruling in *Gannon V*, voided any resolution providing LOB authority in excess of 30.0 percent that was adopted by a local school board prior to July 1, 2017, under the provisions of the CLASS Act and was not submitted to the electors of the school district for approval. Any school district affected by this provision was required to adopt a new resolution subject to protest petition to adopt a LOB above 30.0 percent. In addition, the 2018 Legislature required school districts to adopt a LOB of at least 15.0 percent. (*Note:* At the time, all school districts had LOBs in excess of 15.0 percent.)

A 2018 amendment provided that any school district seeking to increase its LOB for the succeeding school year must notify the State Board of its intended percentage increase by April 1 of the current school year. The State Board is required to submit all such notifications received to the Legislature.

State Equalization Aid for Local Option Budgets

The KSEEA provides for Supplemental State Aid as equalization aid to school districts that adopt LOBs. School districts are ranked by their average AVPP for the three immediately preceding school years. All districts below the 81.2 percentile of AVPP receive Supplemental State Aid. The further a school district is below the 81.2 percentile, the more equalization aid that district receives from the State. That state aid pays for a portion of a district's LOB, with the rest of the revenue coming from local property taxes. Any school district above the 81.2 percentile of AVPP receives no state aid and has to fund their LOB entirely from local property taxes. As enacted, the KSEEA included a provision specifying that equalization aid would be calculated based on a school district's LOB for the immediately preceding school year, not the current year LOB.

The 2018 Legislature, in response to the Kansas Supreme Court's ruling in *Gannon V*, eliminated the provision that required Supplemental State Aid be calculated based on a school district's LOB for the immediately preceding school year. Supplemental State Aid is now calculated based on the current year LOB.

CAPITAL OUTLAY

State law allows school districts to levy a local property tax for the purposes of funding capital outlay expenditures. The revenues from this property tax are deposited in a school district's capital outlay fund and can be expended for specific capital costs listed in statute. Additionally, state law provides for equalization in the form of Capital Outlay State Aid, which is 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 are separate from the main school finance law. While amendments have often been made in conjunction with other school finance amendments, capital outlay is not a direct part of the KSEEA.

This section describes the history of the capital outlay property tax, allowable expenditures out of the capital outlay fund, and Capital Outlay State Aid since 2017.

Capital Outlay Property Tax

State law caps the number of mills a school district may levy for capital outlay at eight mills. No subsequent amendments have been made to the maximum mill rate for capital outlay.

Allowable Capital Outlay Expenditures

The school finance amendments passed by the 2017 Legislature allow school districts to 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 allowable expenditures:

- Computer software;
- Performance uniforms;
- Housing and boarding of students enrolled in an area vocational school operated under the local board of education;
- Architectural expenses;
- Building sites;
- Undertaking and maintenance of asbestos control projects;
- School buses;
- Utility expenses;

- Property and casualty insurance; and
- Other fixed assets.

The 2018 Legislature, responding to the Kansas Supreme Court's ruling in *Gannon V*, eliminated utility expenses and property and casualty insurance as allowable capital outlay expenditures. No other amendments have been subsequently made to the list of allowable expenditures.

Capital Outlay State Aid

As part of the 2017 legislation that enacted the KSEEA, the statutes regarding Capital Outlay State Aid were recodified, but no change was made to the equalization formula. To determine a school district's Capital Outlay State Aid entitlement, all districts are ranked from highest to lowest based on their AVPP, as rounded to the nearest \$1,000. The median district is eligible to receive 25.0 percent state aid. For every \$1,000 in AVPP below the median district, state aid increases by 1.0 percent. For every \$1,000 in AVPP above the median district, state aid decreases by 1.0 percent. After determining a district's state aid rate, the amount of state aid is determined by multiplying the tax revenue raised by the school district's capital outlay property tax by the state aid rate.

No amendments have been subsequently made to the Capital Outlay State Aid formula.

CAPITAL IMPROVEMENTS

Like capital outlay, state law governing school district capital improvements and Capital Improvement State Aid are codified outside the main school finance formula. This section will survey the history of changes to school district capital improvements laws since 2017, including school district bonding authority, the ability of the State Board to approve bonds, and Capital Improvement State Aid.

School District Bonding Authority

State law allows school districts to issue bonds worth up to 14.0 percent of the district's assessed valuation with the approval of the voters of a school district. If a school district wishes to exceed the 14.0 percent cap, it must receive approval from the State Board.

Additionally, any school district experiencing extraordinary declining enrollment, which is defined as enrollment which has 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 is 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.

No amendments have been made to these provisions since 2017.

State Board Approval of Bonds

The 2017 Legislature instituted a cap on the amount of bonds the State Board may approve each school year. Beginning July 1, 2017, the amount of bond elections in excess of 14.0 percent of assessed valuation the State Board could approve was the aggregate amount of bonds retired by school districts in the state in the preceding year. Any district that has not passed a bond election in the past 25 years is not subject to this limitation. The amendments require the State Board to prioritize the following items when reviewing school district applications:

- 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.

Legislation in 2018 amended the provisions that caps the amount of bond elections in excess of 14.0 percent of assessed valuation the State Board can approve to the aggregate amount of bonds retired by school districts during the preceding school year. For any bond in excess of \$175.0 million, only the amount of \$175.0 million is applied to the cap. Additionally, the State Board is required to determine the aggregate amount of retired bonds by adjusting the amount of principal retired by the five-year compounded producer price index industry data for new school buildings as reported by the U.S. Department of Labor Bureau of Labor Statistics.

Capital Improvement State Aid

At the time of the school finance amendments made by the 2017 Legislature, there were two equalization formulas for Capital Improvement State Aid, one for bonds approved prior to July 1, 2015, and one for bonds approved on or after July 1, 2015. For all bonds approved prior to July 1, 2015, the equalization formula is as follows:

- School districts are ranked from highest to lowest based on their AVPP, as rounded to the nearest \$1,000;
- The median district receives 25.0 percent state aid;
- For every \$1,000 in AVPP below the median district, state aid increases by 1.0 percent; and
- For every \$1,000 in AVPP above the median district, state aid decreases by 1.0 percent.

For all bonds approved on or after July 1, 2015, the equalization formula is as follows:

- School districts are ranked from highest to lowest based on their AVPP, as rounded to the nearest \$1,000;
- The lowest district receives 75.0 percent state aid; and
- For every \$1,000 in AVPP above the median district, state aid decreased by 1.0 percent.

Additionally, continuing law caps 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. State law also requires 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 2017 Legislature adopted three amendments that addressed the calculation of Capital Improvement State Aid. They were as follows:

- Specified that a school district's prior year AVPP is to be used when calculating state aid;
- Any school district with an enrollment of fewer than 260 students must receive approval from the State Board prior to holding an election to approve the issuance of bonds to be eligible for Capital Improvement State Aid beginning July 1, 2017; and
- For the purpose of determining state aid payments to school districts for bonds approved on or after July 1, 2017, the State Board is required to exclude payments for any capital improvement project, or portion thereof, that proposes to construct, reconstruct, or remodel a facility used primarily for extracurricular activities, unless a State Fire Marshall report, inspection under the Americans with Disabilities Act, or other similar evaluation demonstrates the project is necessary due to concerns relating to safety or disability access.

No amendments have been made to the statute governing Capital Improvement State Aid since 2017.

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 to receive an individualized education plan (IEP) 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.

At the time of the school finance amendments made by the 2017 Legislature, state law provided for state aid in the form of reimbursement for the excess costs associated with provided special education services. The reimbursement rate was set at 92.0 percent of excess costs, but state law also provided for prorating state aid if the appropriation for Special Education State Aid does not equal 92.0 percent of excess costs.

State law also provided for reimbursement of specific types of expenditures (described below). Any excess costs associated with other expenditures could not be reimbursed. The statutes and the annual budget bill required Special Education State Aid to be distributed in a specific order, as follows:

- Medicaid replacement state aid;
 - School districts receive this aid based on the number of Medicaid-enrolled students who receive special education services in the district;
- Catastrophic state aid;
 - School districts may apply for additional funding for a student whose services cost more than twice the state aid per FTE special education teacher from the previous year and receive reimbursement for 75.0 percent of the costs above that threshold;
- Transportation aid;
 - School districts are reimbursed for 80.0 percent of transportation costs for special education; and

- Special education teacher aid;
 - School districts receive funding based on district total special education teacher and paraprofessional FTE staffing levels. Paraprofessionals are counted as 0.4 FTE. 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, is 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.

School districts who are part of a special education interlocal or cooperative can receive Special Education State Aid reimbursement. The amount a school district can receive is 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.

No amendments have been made to the statutes governing Special Education State Aid since 2017.

Percent of Excess Costs Covered by Special Education State Aid

The following table shows the percent of excess costs covered by Special Education State Aid since SY 2010-2011, including the projections for SY 2019-2020, SY 2020-2021, and SY 2021-2022 included in the Fall 2019 Education Consensus Estimates.

SPECIAL EDUCATION STATE AID FY 2011-FY 2022		
School Year	State Aid (in thousands)	Excess Costs
2010-2011*	\$ 388,982	92.0 %
2011-2012	428,133	88.4
2012-2013	430,426	82.8
2013-2014	428,703	80.1
2014-2015	428,361	80.8
2015-2016	434,754	80.0
2016-2017	435,470	79.6
2017-2018	445,982	78.5
2018-2019	490,367	81.4
2019-2020 (est.)	497,895	75.3
2020-2021 (est.)	505,381	72.0
2021-2022 (est.)	512,881	69.2

*Moneys from the American Recovery and Reinvestment Act were used to fund a portion of Special Education State Aid, thereby reducing the amount of state aid needed to reach 92.0 percent of excess costs.

KPERS EMPLOYER CONTRIBUTIONS

The State pays the employer contributions to KPERS for all KPERS-eligible school district employees in Kansas, as well as employees of community colleges, technical colleges, and school district interlocals. This part of the retirement system is known as KPERS–School. KPERS–School is composed of two parts: KPERS–USDs, which includes all eligible employees of school districts, and KPERS–Non-USDs, which includes all eligible employees of community colleges, technical colleges, and interlocals.

KPERS–USDs

Prior to 1971, there was a separate 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 KPERS. State aid for the employer contributions are distributed to school districts, who then pay the contributions to KPERS. The obligation for employer contributions follows the schedule of contribution rates included in statute.

During SY 2015-2016 and SY 2016-2017 employer contributions for KPERS–USDs were part of the block grant to school districts under the CLASS Act. With enactment of the KSEEA in 2017, KPERS–USDs became a separate form of state aid and line item of appropriation in the state budget.

The 2016 Legislature delayed employer contributions of \$64.0 million to KPERS–USDs for fiscal year (FY) 2017.

The 2017 Legislature established a 20-year schedule of layering payments to repay, with interest, the delayed FY 2017 employer contributions of \$64.0 million. The yearly layering payments for the delayed FY 2017 employer contributions are \$6.4 million. In addition, the 2017 Legislature delayed employer contributions of \$194.0 million for FY 2019 and established a 20-year schedule of layering payments to repay, with interest, the delayed FY 2019 employer contributions. The yearly layering payments for the delayed FY 2019 employer contributions are \$19.4 million.

KPERS–Non-USDs

During SY 2015-2016 and SY 2016-2017, while employer contributions for KPERS–USDs were part of the block grant, employer contributions for KPERS–Non-USDs were divided into a separate form of state aid and line item of appropriation in the state budget. With enactment of the KSEEA in 2017, KPERS–Non-USDs was not recombined with KPERS–USDs and remained a separate form of state aid. KPERS–Non-USDs is funded by a combination of the State General Fund and the Expanded Lottery Act Revenues Fund.

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 by districts formed by consolidation.

Virtual School Act

The 2008 Legislature passed the Virtual School Act (VSA). Under the VSA, a “virtual school” is defined to mean any school or education program that:

- Is offered for credit;
- Uses distance-learning technologies which 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.

Additionally, the VSA requires school districts to provide adequate training to teachers who teach in virtual schools or virtual programs.

Under the VSA, a school district is entitled to receive Virtual School State Aid for each school year the district operates a virtual school. As the VSA operated prior to the 2017 school finance amendments, state aid was 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 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 is defined as a student who attends a virtual school for no less than six hours. A part-time student is a student who attends a virtual school for less than six hours.

Out-of-state students enrolled in Kansas virtual schools cannot be counted in the FTE enrollment of virtual schools and, therefore, school districts would not receive state aid for out-of-state students. Virtual School State Aid must be deposited in a school district's virtual school fund and expenses for the operation of the virtual school must be paid from that fund. Virtual School State Aid is excluded from the amount of Total Foundation Aid used in calculating a school district's LOB.

In addition, school finance law addresses how students 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 student is required to be counted as that proportion of one pupil, rounded to the nearest tenth, that the student's attendance at the non-virtual school bears to full-time attendance. If a student is enrolled half-time at a non-virtual school and half-time at a virtual school, the student would count a 0.5 FTE towards the FTE enrollment of the school district operating the non-virtual school.

The 2017 Legislature made several amendments to the VSA. First, the term "pupil" was changed to "student" to reflect the change made in the KSEEA. Second, the Legislature amended the state aid schedule for Virtual School State Aid. The new schedule is as follows:

- \$5,000 for each full-time student who was 19 years of age or younger;
- Multiply the FTE enrollment of part-time students who were 19 years of age or younger by \$1,700; and
- \$709 for each one-hour credit course, not to exceed six credit courses per school year, completed by students above the age of 19.

No subsequent amendments have been made to the VSA since 2017.

Contingency Reserve Fund

The KSEEA established a contingency reserve fund for each school district. Expenditures from the fund can be made due to a financial contingency, as determined by a local board of education. There is no cap on the balance of a school district's contingency reserve fund.

No amendments have been made to the statute governing the contingency reserve fund since 2017.

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

The KSEEA established a process for funding school districts formed by consolidation or by disorganization and attachment. This process is substantially similar to the process that existed under the SDFQPA.

If any school district consolidation includes a school district with fewer than 150 students, the new consolidated school district is guaranteed Total Foundation Aid equal to the Total Foundation Aid of the former districts during the year preceding consolidation for the first year of operation of the consolidated district. For the next two school years, the consolidated district's Total Foundation Aid is the greater of the amount received during the first year of consolidation or the amount the district would receive under the KSEEA.

If a consolidation occurs in which all of the former school districts have more than 150 students but fewer than 200 students, the new consolidated school district is guaranteed Total Foundation Aid equal to the Total Foundation Aid of the former districts during the year preceding consolidation for the first year of operation of the consolidated district. For the next three school years, the consolidated district's Total Foundation Aid is the greater of the amount received during the first year of consolidation or the amount the district would receive under the KSEEA.

If a consolidation occurs in which all of the former school districts have more than 200 students, the new consolidated school district is guaranteed Total Foundation Aid equal to the Total Foundation Aid of the former districts during the year preceding consolidation for the first year of operation of the consolidated district. For the next four school years, the consolidated district's Total Foundation Aid is the greater of the amount received during the first year of consolidation or the amount the district would receive under the KSEEA.

If a consolidation occurs in which three or more school districts consolidate, regardless of the number of students enrolled in the districts, the new consolidated school district is guaranteed Total Foundation Aid equal to the Total Foundation Aid of the former districts during the year preceding consolidation for the first year of operation of the consolidated district. For the next four school years, the consolidated district's Total Foundation Aid is the greater of the amount received during the first year of consolidation or the amount the district would receive under the KSEEA.

These same provisions apply to the disorganization of a school district and its attachment to one or more school district. In a situation where a disorganized district is attached to multiple districts, the Total Foundation Aid of the disorganized district is 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 is allocated 30.0 percent of the disorganized district's Total Foundation Aid.

No amendments have been made to the statutes governing the funding of school districts formed by consolidation or disorganization and attachment since 2017.