

January 29, 2024

REVISED

The Honorable Kristey Williams, Chairperson
House Committee on K-12 Education Budget
300 SW 10th Avenue, Room 546-S
Topeka, Kansas 66612

Dear Representative Williams:

SUBJECT: Revised Fiscal Note for HB 2485 by Representatives Thomas and K. Williams

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2485 is respectfully submitted to your committee.

HB 2485 would change current school finance law to allow the greater of the following for student enrollments to calculate State Foundation Aid for school districts: (1) preceding-year enrollment for kindergarten, grades one through 12 on September 20, as well as current-year pre-kindergarten at-risk students; or (2) current-year enrollment for kindergarten, grades one through 12 on September 20, as well as current-year pre-kindergarten at-risk students. The current law allowability of a school district to use the second preceding year enrollment count would be eliminated. Additionally, if a school district closed any school building that was an attendance center in the preceding school year, the district must determine enrollment using the current school year count. The bill would become effective upon publication in the statute book for the 2024-2025 school year.

Since the issuance of the original fiscal note by the Division of the Budget, the Department of Education notified the Division that data for one school district was incorrect in the overall fiscal effect cost estimate. The original estimate included a school district that inadvertently doubled its FTE student count for its school finance legal maximum data that was submitted to the Department. When the FTE student count for this school district was reduced from the inaccurate 624 students to the revised 312 students, the fiscal effect of the bill's enactment changed from the original net state aid increase estimate of \$542,230 to an overall net state aid decrease of \$1,743,396.

According to the Department of Education, school enrollment cannot be estimated by school district for the 2024-2025 school year; however, the Department has estimated the cost of the bill using enrollment data from the current school year with the school finance cost projections

for the 2024-2025 school year. With the enactment of HB 2485, the Department estimates that state aid to school districts would decrease by \$1,743,126, all from the State General Fund. Of this total, a reduction of \$1,530,978 would be for State Foundation Aid and a reduction of \$212,148 would be for Local Option Budget (LOB) State Aid.

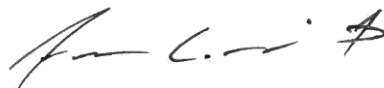
For State Foundation Aid, the Department estimates that 78 school districts would experience an increased general fund expenditure authority of \$11,188,516. In addition, by eliminating the second preceding year enrollment count along with the policy of requiring school districts that have closed a school building that was an attendance center in the preceding year, the Department estimates that 124 school districts would lose \$12,719,494 in general fund expenditure authority. The net effect on State Foundation Aid to school districts would be reduced by \$1,530,978 ($\$11,188,516 - \$12,719,494 = \$-1,530,978$). The Department estimates that 84 school districts would see no change in general fund expenditure authority.

To calculate the fiscal effect for school district authorized LOB expenditures, the Department multiplies \$-1,530,978 by 31.0 percent (average authorized LOB percentage) for a reduction of \$474,603 in overall school district LOB authority. To calculate the change in LOB State Aid entitlement on the reduction school district LOB expenditures, the Department notes that LOB State Aid averages 44.7 percent for the current school year; as a result, the reduction in state aid for the LOB would total \$212,148 ($\$-474,603 \times 44.7 \text{ percent} = \$-212,148$).

The Department notes that its estimates include consideration for school districts that closed a school building in the 2022-2023 school year, including Central Plains, Prairie Hills, Wabaunsee, Lawrence, Chase-Raymond, Newton, Kiowa County, and Hutchinson. Additionally, the Department cannot estimate a fiscal effect for FY 2026, as the agency does not know which school districts may close a school building in FY 2025. However, the Division of the Budget notes that a similar overall fiscal effect would likely be incurred for FY 2026.

The Kansas Association of School Boards indicates that the organization does not have adequate information to estimate a fiscal effect for school districts. Any fiscal effect associated with HB 2485 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Gabrielle Hull, Department of Education
Angie Stallbaumer, Kansas Association of School Boards