

SPECIAL SESSION OF 2005

**SUPPLEMENTAL NOTE ON
SENATE SUBSTITUTE FOR HOUSE BILL NO. 2004**

As Recommended by Senate Committee on
Ways and Means

Brief*

Senate Substitute for HB 2004 would appropriate additional funds for schools consisting of \$159,900,000 in state aid and \$30.0 million in potential local option budget property tax relief. Major features of the proposed legislation are listed below. (Amounts of increase are in addition to appropriations made by the 2005 Legislature to fund HB 2247.)

Changes in the Formula

- BSAPP—Increase by \$39 from \$4,222 to \$4,261—\$21.5 million.
- At-Risk Weighting—Increase from 0.145 to 0.197—\$30.0 million.
- Special Education—Increase from 85 percent to 90 percent for school year 2005-2006 and to 92 percent for school year 2006-2007—\$15.8 million.
- Capital Outlay Program—Equalize capital outlay program up to the 8 mill limit, based on the formula for Capital Improvements State Aid Program—\$18.0 million.
- Local Option Budget—Equalize at 27 percent—\$6.0 million. (Provisions of HB 2247 would be retained which would raise the Local Option Budget to 29 percent in school year 2006-2007 and to 30 percent in school year 2007-2008 and thereafter.)

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- Additional Funding for Special Education–If the Kansas Supreme Court, in its final order stays or removes the 27 percent maximum LOB, the state funding of \$6.0 million would be transferred to the special education excess cost, which would increase special education to 92 percent.
- Local Option Budget–Fund the increase due to the higher BSAPP–\$7.6 million.
- Property Tax Relief–Fund supplemental general state aid to the 82nd percentile in order to allow school districts to reduce levies for local option budgets–\$30.0 million.
- Correlation Weighting–Reimpose correlation weighting with the threshold at 1,659–\$31.0 million.
- Declining Enrollment Weighting–Create the declining enrollment weighting, which is applicable to any school district that has experienced an enrollment decline from the preceding school year and has adopted the maximum LOB percent at the time of application. For school year 2005-2006, the percent would be set at 25 percent. The proposal would permit a school district to appeal to the State Board of Tax Appeals for permission to levy a property tax for up to two years. The application would be limited to a maximum 5 percent of the school district's general fund budget and state would provide equalization up to the 75th percentile.

TOTAL: \$159.9 million

Other Policy Changes

- Legislative Division of Post Audit Cost Study–Statutes would be amended to make it clear that the study is output oriented and based on student performance and cost data available through the 2004-05 school year and reflects those rules and regulations and standards which are adopted by the State Board of Education and state statutes which are in effect on July 1, 2005.

- Litigation Against the State—No money from a school district's general fund could be spent for attorney fees or other costs in support of litigation against the State of Kansas or any state officer, official, agent, or agency.
- Legislative Counsel—Current law would be amended to authorize the Legislative Coordinating Council (LCC) to contract with an attorney in private practice to serve as Legislative Counsel and represent the Legislature in matters relating to Article 6 of the *Kansas Constitution* and such other matters as directed by the LCC.
- School District Budget Deadlines—For the 2005-06 school year only, delay from August 25 to September 7 the deadline for school districts to file their budgets with county clerks.
- New Funding Dedicated to Instruction—Require that, on a per pupil basis, increased funding attributable to the \$39 increase in Base State Aid Per Pupil be spent in the classroom or for instructional purposes. Also state that it is the public policy goal of the state that at least 65 percent of money appropriated by the state to school districts must be spent in the classroom or for instructional purposes.
- School Closure Prohibited—Specify that no court of the state, appointee of the court, or a judicial panel has the authority under any case involving a violation of Article 6 of the *Kansas Constitution*, including the *Montoy* case, to enforce any order or remedy that would result in the closure of public schools or prevent the distribution of funds for public education.
- School District Contingency Funds—For the 2005-06 school year only, increase the cap on school district contingency funds from 4 percent of general funds budgets to 6 percent.
- The “At-Risk Council”—Create a six-member body which will do the following:
 - Identify those conditions or circumstances that contribute to making a student at-risk of not succeeding in school;

- Develop and recommend public school programs and services which meet the needs of at-risk students and help close the achievement gap;
- Develop and recommend tools to assess and evaluate the effectiveness of approved at-risk programs;
- Recommend funding alternatives for approved at-risk programs; and
- The Council shall make a report on its activities to the Governor and to the 2010 Commission by October 1, 2006. The Council shall make a final report, including its recommendations, to the Governor and the 2010 Commission by October 1, 2007. The Council shall terminate June 30, 2007.

The Council shall consist of the following members:

- The chair, who shall be appointed by the Governor from a list of four individuals, of whom two have been nominated by the President of the Senate and two have been nominated by the Speaker of the House; and
 - Five members who have expertise in serving at-risk students, one each appointed by the President, the Speaker, the Senate Minority Leader, the House Minority Leader, and the Commissioner of Education, who may appoint himself or herself.
 - No current member of the Legislature shall be a member of the Council. The Council shall be attached to the LCC for budgetary purposes and shall be subject to the LCC's approval. Members attending authorized meetings shall be paid for travel and subsistence.
- The bill would take effect upon publication in the *Kansas Register*.

Background

Senate Substitute for HB 2004 is in response to the supplemental opinion issued by the Kansas Supreme Court on June 3, 2005, in the school finance case, *Montoy, et al. v. State of Kansas, et al.*, in which the Court found that school finance legislation enacted by the 2005 Legislature falls short of standards set by Article 6 of the *Kansas Constitution*. When combined with appropriations for elementary-secondary education made during the 2005 regular legislative session, the total amount of new money is \$301.0 million.

The table below shows, for selected aspects of the school funding formula, how Senate Substitute for HB 2004 builds upon funding already appropriated for education by the 2005 Legislature.

**Selected Changes to Formula Based on
2005 HB 2247 and Senate Sub. for HB 2004**

Prior Law	HB 2247	Senate Sub. for HB 2004	Total
BSAPP – \$3,863 (allotment rate)	\$4,222 \$63.3 million	\$4,261 \$21.5 million	\$84.8 million
At-Risk Weighting – 0.10	0.145 \$26.0 million	0.197 \$30.0	\$56.0 million
Special Education – 81.5%	85% \$17.7	90% \$15.8 million	\$33.5 million
Bilingual Education – 0.20	0.395 \$11.0 million		\$11.0 million
LOB-equalize to 27%		\$6.0 million	\$6.0 million
LOB	Growth due to higher BSAPP \$6.4 million	Growth due to higher BSAPP \$7.6 million	\$14.0 million
LOB Property Tax-equalized to the 75th percentile		Equalize to the 82nd percentile \$30.0 million	\$30.0 million
Capital Outlay– 8 mills		Equalized \$18.0 million	\$18.0 million
Correlation Weighting – Threshold of 1,725 eliminated (current law)		Reimpose with 1,659 threshold \$31.0 million	\$31.0 million
Military dependents count (2005 HB 2059)	\$7.4 million		\$7.4 million
Federal Impact Aid Deduction reduced from 75 percent to 70 percent	\$0.8 million		\$0.8 million
Miscellaneous adjustments (enrollment, assessed valuation, etc.)	\$7.7 million		\$7.7 million
Increase the funding for 4-year-old at-risk	\$0.8 million		\$0.8 million
FY 2006 TOTAL	\$141.1 million	\$159.9 million	\$301.0 million