

SESSION OF 2004

SUPPLEMENTAL NOTE ON SENATE BILL NO. 403

As Further Amended by Senate Committee on
Education

Brief*

SB 403, as amended, would implement the Governor's education plan for Kansas, "Education First." The plan would be implemented over a three-year period with proposed revenue enhancements from increased sales, compensating (use), individual income, and property taxes. Major provisions of SB 403 are as follows:

Education Components

- ! **Base State Aid Per Pupil (BSAPP).** Over a three-year period (FY 2005-FY 2007), BSAPP would increase by \$250 or by the percentage increase in the rate of the Consumer Price Index, whichever is the greater. SB 403 provides that BSAPP would increase by \$100 in FY 2005, by an additional \$75 in FY 2006, and by an additional \$75 in FY 2007. The increase would be built on the allotment rate of \$3,863, for a total BSAPP of \$4,113 in FY 2007.
- ! **At-Risk Weighting.** At-risk weighting would increase from 10 percent to 25 percent in three increments: to 15 percent in FY 2005, to 20 percent in FY 2006, and to 25 percent in FY 2007.
- ! **Bilingual Weighting.** Bilingual weighting would increase from 20 percent to 25 percent over three years: to 22 percent in FY 2005, to 24 percent in FY 2006, and to 25 percent in FY 2007.
- ! **Correlation Weighting.** The correlation weighting threshold would be lowered from 1,725 students to 1,700 students in FY 2005.

*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>

! **Voluntary All-Day Kindergarten.** Schools would be able to count students whose parents or guardians choose to enroll them in all-day kindergarten as 1.0 FTE pupil under the school finance formula (currently they are counted as 0.5 FTE pupil), based on the number of pupils in the school who are eligible for free or reduced price lunches. The proposal would be implemented incrementally over a number of years until school districts would be able to count all kindergarten students as 1.0 FTE pupil. The qualifying percentage of students eligible for free or reduced price lunches would be 60 percent in FY 2005 and would be lowered by increments of 12 percent each year for the next seven years.

! **Capital Outlay State Aid Program.** SB 403 would create a new program that would provide state aid to school districts that make up to a four-mill property tax levy for capital outlay. The aid would be equalized on the same basis as the current school district capital improvements state aid program. School districts would be able to levy more than four mills, but would not receive state equalization aid for the additional amount.

! **School District Health Care Benefits Program.** SB 403 provides that by July 1, 2007, the board of education of each school district must develop, implement, and administer a district health care benefits program for district employees. The program must provide benefits which are comparable to the benefits provided to state employees under the State Health Care Program. Under the school district program, the district must pay the same proportionate amount for its employees which a state agency pays for the cost of single membership for state employees.

Revenue Components

! **Sales Tax.** SB 403 would increase sales and compensating (use) taxes from 5.3 to 5.5 percent, effective July 1, 2004. The rates subsequently would be increased to 5.6 percent on July 1, 2005, and to 5.7 percent on July 1, 2006. Under current law, the 5.3 percent rates are scheduled to be reduced to 5.0 percent on July 1, 2006.

! **Income Tax.** A permanent individual income tax surcharge of 5 percent, computed without regard to any applicable income tax credits, also would be imposed starting in tax year 2004.

! Property Tax. The mandatory school district general fund property tax would be increased from 20 to 21 mills for the 2005-06 school year. (Although it is not in the bill, the Governor has announced her intent that the levy will be increased to 22 mills beginning with the 2007-08 school year.)

Background

According to the Governor, the "Education First" plan will "address student and parent needs at all levels of the system and seeks to keep decision-making at the local level rather than in the judicial system." The plan would be financed with an increase in the sales and compensating use tax rate over a three-year period (FY 2005 through FY 2007), with an increase in individual income taxes imposed for FY 2005, and with an increase in the mandatory school district general fund property tax from 20 to 21 mills, effective with the 2005-06 school year.

The bill was referred separately to the Senate Assessment and Taxation Committee and the Senate Education Committee. The Assessment and Taxation Committee amended the bill to delete provisions relating to the school district general fund property tax. The Senate Committee restored the provisions. The Senate Education Committee also made amendments that were technical in nature and were suggested by the Revisor to clarify language and to resolve a statutory conflict.

The table below shows the fiscal impact of the Governor's proposal for those programs included in SB 403. The amount shown for FY 2005 would be in addition to the Governor's FY 2005 recommendations under current law. Amounts shown for FY 2006 and FY 2007 are increases over the prior year. (The proposed school district health care benefits program is not listed because it would be paid for from within existing resources.)

Program	Governor's Proposal FY 2005	Governor's Proposal FY 2006	Governor's Proposal FY 2007
BSAPP increased by total of \$250 (from \$3,863 to \$4,113)	\$ 58,000,000	\$ 43,600,000	\$ 43,600,000
At-risk weighting increased from 10% to 25%	25,400,000	26,000,000	26,500,000
Bilingual weighting increased from 20% to 25%	1,100,000	1,200,000	650,000
Correlation weighting threshold lowered from 1,725 to 1,700	12,200,000	0	0
All-day kindergartners counted as 1.0 FTE pupil, based on total students at school on free or reduced price lunch	17,000,000	10,900,000	11,600,000*
Capital outlay equalized, up to four-mill limit	15,000,000	1,000,000	1,000,000
TOTAL	\$ 128,700,000	\$ 82,700,000	\$ 83,350,000

* The percentage of students eligible for free and reduced price lunches at the school would decrease by 12 percent increments until FY 2011, when each all-day kindergartner would be counted.

The combined fiscal impact of the tax changes, as computed by the Legislative Research Department, would be as follows:

(\$ in thousands)

Fiscal Year	Sales and Use Tax Rate Increases		Subtotal: Total Impact on SGF Receipts		Additional Property Tax Local Effort	Total Tax Changes
	Individual Income Tax Surtax					
2005	\$ 69,340	\$ 97,500	\$ 166,840	\$ 0	\$ 166,840	
2006	114,175	100,000	214,175	22,893	237,068	
2007	270,106	102,500	372,606	23,974	396,580	
2008	293,537	105,000	398,537	49,472	448,009	
2009	303,811	107,500	411,311	51,550	462,861	
5-Year Total	\$ 1,050,970	\$ 512,500	\$ 1,563,470	\$ 147,889	\$ 1,711,358	

