

SESSION OF 2010

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2739**

As Recommended by House Committee on
Education Budget

Brief*

Sub. for HB 2739 would incorporate several bills into one relating to K-12 funding issues. The bill's major components are described below.

State Financial Aid and Local Option Budget Changes

The bill would require the general fund budget for school districts be broken into two parts - the regular general fund budget and the "local foundation budget." State financial aid would be redefined to mean an amount equal to 90 percent of the product obtained by multiplying the Base State Aid Per Pupil (BSAPP) by the enrollment of a district. The statutory amount of the BSAPP would be \$4,450; 90 percent of that amount would be \$4,005. The bill would require each school district to impose a local tax levy to finance a district's local foundation budget. The levy for the local foundation budget would be equalized to the 81.2 percentile in the same manner as the current local option budget (LOB) levy is equalized. Moneys derived from the levy and state aid would be deposited in a district's general fund.

In addition, the bill would provide that the maximum local option budget that may be adopted would be 17 or 18 percent, with an election provision for a local option budget exceeding 17 percent. However, school districts would be allowed to budget a local option budget amount equal to their legal local option budget in the 2009-2010 school year.

*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>

Local Activities Budget

The bill would authorize the board of education of a school district which has adopted a local option budget equal to the state prescribed percentage to adopt a local activities budget (LAB) and to levy a tax to fund the LAB.

After the first year (school year 2010-2011) when no election is required, a resolution authorizing the initial adoption of an LAB must be approved by the qualified electors of the district. If the district chooses to increase the LAB over the percentage stated in the resolution, the increase would be subject to election. An LAB could not exceed 5 percent of the "LAB computation factor," which would be the result of multiplying the full-time equivalent enrollment by the BSAPP.

Moneys derived from the LAB levy would be deposited in the LAB fund of the district. Moneys in the LAB fund could not be expended or transferred to the district's general fund, for the purpose of funding the cost of providing subjects or areas of instruction, including the costs of administration, support staff, supplies, equipment or buildings related to those areas of instruction required by state law. The LAB levy would not be equalized.

Weighting Changes

The bill also would repeal the high enrollment weighting and reduce the low enrollment weighting (lowered by approximately 3.5 percentage points), program weightings for bilingual (from 0.395 to 0.3812) and vocational education programs (from 0.5 to 0.4825), at-risk pupil weighting (from 0.456 to 0.44), medium density at-risk pupil weighting (from 0.06 to 0.0579) and high density at-risk pupil (from 0.10 to 0.0965) weighting.

Changes in School District Funds

The bill would allow school districts which had transferred money from the general fund to the capital outlay fund in 2008-

2009 to transfer an equal amount from the capital outlay fund to the contingency reserve fund during school year 2009-2010.

The bill would allow a school district to transfer moneys from the following funds to the district's general fund: adult supplemental education, bilingual education, virtual education, driver training, extraordinary school program, professional development, parent education, summer school, vocational education, special reserve, textbook and student material revolving, preschool aged at risk education, and the at risk education.

Equity Budget Fund

The bill would authorize a school district that is spending below the statewide average (For the 2009-2010 school year, this amount is \$8,687.) for general fund and supplemental general fund per pupil and which has adopted a local option budget equal to the state prescribed percentage to levy an *ad valorem* tax to generate additional funding to spend up to the state average. Revenues from this additional tax would be deposited into a district's equity budget fund, which would be created by the bill. This levy would not be equalized.

The amount per pupil of the equity budget and the amount per pupil for the preceding school year of the combined general fund budget and local option budget would not exceed the average actual amount per pupil for the preceding school year of the combined general fund budgets and local option budgets of all school districts.

After the first year (school year 2010-2011) when no election is required, a resolution authorizing the adoption of an equity budget must be approved by the qualified electors of the district.

Background

Sub. for HB 2739 was introduced by Representative Aurand who was the bill's only proponent in the House Education Budget Committee. A representative of the Kansas Association of School Boards was the bill's only opponent. Sub. for HB 2739 contained several other bills. The information regarding testimony related to each of those bills follows.

HB 2607 pertained to the weighting factors for school districts. Representative Aurand was a proponent of the bill. Opponents included representatives of the Wichita School District, Kansas Association of School Boards, and United School Administrators of Kansas.

HB 2647 would authorize the board of education of a school district to adopt a local activities budget. Representative Siegfroid was a proponent of the bill. Opposing the bill were representatives of the Kansas Association of School Boards and the Wichita School District.

In addition to the bills noted above, the concept contained in HB 2719, which authorized school districts to levy moneys for an equity budget fund, was amended into Sub. for HB 2739. An amendment to HB 2280 by the House Committee of the Whole also was amended into the bill. This amendment would allow school districts which had transferred money from the general fund to the capital outlay fund in 2008-2009 to transfer an equal amount from the capital outlay fund to the contingency reserve fund during school year 2009-2010.

The Division of Budget fiscal note on the original HB 2739 indicated that according to the Department of Education, enacting of HB 2739 would require a net increase of state aid to schools of approximately \$40.0 million from the State General Fund, if the school finance formula is fully funded by the state for FY 2011. However, there was no fiscal note for the amended bill.