



**SCHOOL
FINANCE
BASICS**

SCHOOL DISTRICT BUDGET'S MAJOR FUNDS

- **General fund** 
- **Supplemental fund**
 “Local Option Budget” (LOB)
- **Special education**
- **Capital funds**
- **Bond and interest funds**

TWO PRINCIPLES BEHIND THE GENERAL FUND FORMULA

- *Differences in students result in different education costs*
 - Addressed in the **budget** calculation
- *Differences in property wealth among the school districts result in different abilities to pay for the same level of education*
 - Addressed in the **revenue** calculation



GENERAL FUND BUDGET



Based on Student Differences:

- Premise: Differences in students result in different costs to educate
 - *i.e.*, Individual characteristics, the size of the school district, the distance a student must travel to get to school

- Derived from a formula that “weights” the student count based on these differences and multiplies the weighted student count (“Total Weighted FTE”) by a specified per-student amount

DIFFERING CHARACTERISTICS AMONG STUDENTS CAUSE DIFFERENCES IN COST

■ ***Example:***

■ ***Disabled Students***



- May have acute learning challenges that require acute care, smaller pupil-teacher ratios, one-on-one attention
- Policy choice made several decades ago, through decisions at the federal and state legislative levels and by the U.S. Supreme Court

DIFFERENT **INDIVIDUAL** CHARACTERISTICS AMONG STUDENTS CAUSE DIFFERENCES IN COST

■ *Other Examples:*

- Socioeconomically disadvantaged students
- Non-English-speaking students
- Gifted students
- Students who need alternative school settings
- Students who are at risk of not succeeding in school
- Vocational education students

DIFFERENCES AMONG STUDENT ENROLLMENT CAUSE DIFFERENCES IN COST

■ *More Examples:*

■ *Student Enrollment*

- Small district size
- Large district size
- Varying transportation distances

STUDENT DIFFERENCES

In Kansas

- **Special education students**
 - Addressed by a separate formula
 - Significant issue in any state
 - Policy sources: Federal and State legislative decisions, courts
- **At-risk students**
 - Addressed through weighting
 - Proportion of Free Lunch-qualified students ranges from 6 percent to 86 percent
 - Policy source: State Legislature

STUDENT DIFFERENCES

In Kansas

- **Students in a small school district**
 - Addressed through weighting
 - Student counts range from less than 100 to more than 46,800
 - Policy source: State Legislature
- **Students pursuing vocational education**
 - Addressed through weighting
 - Importance is increasing and direction is evolving
 - Policy source: State Legislature
- **Bilingual students**
 - Addressed through weighting
 - The number of non-English speaking or bilingual students is large and growing
 - Policy source: State Legislature

WHERE DO WE BEGIN?



Funding for education starts at the school district level.

GENERAL STATE AID

(BSAPP X ADJUSTED ENROLLMENT) – LOCAL EFFORT
= GENERAL STATE AID

The BSAPP for the 2012-2013 school year is \$3,838

- This is Jill. She attends a Kansas school, full-time. She is 1.0 FTE.



- This is Jack. He attends the same school, full-time. He is also 1.0 FTE.



The district automatically gets \$3,838 for Jill and \$3,838 for Jack.

ENROLLMENT ADJUSTMENTS

- Added to reflect additional costs associated with serving certain populations, transportation, operating small and large school districts, and adding and operating new facilities.
- Known as **Weightings**.

WEIGHTINGS

- Low Enrollment
- Transportation
- Bilingual
- School Facilities
- Ancillary School Facilities
- High Enrollment
- Vocational Education
- At-Risk
 - High Density
 - Low Density
 - Non-proficient
- Declining Enrollment
- Cost of Living

LOW ENROLLMENT

Applies to school districts with an *unweighted* FTE of less than 1,622.
For this district*: FTE Enrollment X 1.014331 = Low Enrollment Adjustment

- Jill and Jack attend a school district with an enrollment of 95 FTE.



$$95.0 \times 1.014331 = 96.4$$

*The exact weight changes based on actual enrollment

VOCATIONAL EDUCATION WEIGHTING

Determined by multiplying the FTE enrollment in vocational education programs by 0.5 and by the amount of time in vocational instruction (*e.g.*, 0.5).

Revenue must be spent on vocational education.

FTE enrollment in Voc. Ed x 0.5 x 0.5 = Vocational Education Adjustment

- Jack spends one-half of each school day in a vocational education class, so .5 FTE x .5 vocational education weighting = .25 is the vocational weight for Jack



BILINGUAL EDUCATION WEIGHTING

Determined by multiplying the FTE enrollment in bilingual education programs by 0.395 and by the amount of time in bilingual instruction (*e.g.*, 0.6).

Revenue must be spent on bilingual education or at-risk education.

FTE Enrolled in Bilingual Program x 0.395 x 0.6 = Bilingual Education Weighting

- Jill is enrolled in a bilingual program taught by a teacher certified in English as a Second Language six-tenths of a school day. The weighting would be figured this way:
 - $.6 \times .395 = .24$ is the bilingual weight for Jill



AT-RISK PUPIL WEIGHTING

Applies to students who qualify for free meals under the National School Lunch Program.

No. of pupils qualifying for free lunch x 0.456 = At-Risk Pupil Weighting

- Ten students in Jack and Jill's school district qualify for free lunch. The at-risk weighting is determined as shown below:

$10.0 \times 0.456 = 4.56$ is the at-risk weight for the school district



Add all these weights together for a Total Weighted FTE:

95.00 Full Time students

96.40 Low enrollment weight

.25 Vocational education weight

.24 Bilingual weight

+ 4.56 At-risk weight

196.45 total weighted students in Jack and Jill's school district

Information on weightings for all school districts can be found at the address below on the Kansas Department of Education website.

<http://www.ksde.org/Default.aspx?tabid=1830>



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***PART ONE:
THE GENERAL FUND BUDGET* CALCULATION***

$$\begin{aligned} & \textit{Total Weighted FTE} \\ \times & \textit{Base State Aid Per Pupil ("BSAPP")} \\ \hline = & \textit{General Fund Budget*} \end{aligned}$$

*In state law, this is referred to as "state financial aid"

PART ONE:

THE GENERAL FUND BUDGET CALCULATION

Weighting the Student Count (FTE)

Fictitious District	FTE Enrollment	Low Enr. Weight	At-Risk Weights	Bilingual Weight*	Vocational Ed. Wt.**	Total Weighted FTE
A	1,000	246.4	0	0	25 = (100 x 0.5 x 0.5)	1,271.4
B	1,000	246.4	114 (250 x .456)	100 (416 x 0.6 x 0.4)	50 (200 x 0.5 x 0.5)	1,510.4
C	25,000	0	48 (105 x .456)	0	125 (500 x 0.5 x 0.5)	25,173
D	25,000	0	2,736 (6,000 x .456)	0	250 (1000 x 0.5 x 0.5)	27,986

*Assumes all bilingual students are in bilingual instruction for 0.6 of each school day

**Assumes all vocational education students are in vocational instruction for 0.5 of each school day

PART ONE:

THE GENERAL FUND BUDGET CALCULATION

Finding Total General Fund Budget (Multiplying Weighted State Aid by BSAPP)

Fictitious District	FTE Enrollment	(Total Weighted FTE	multiplied by	BSAPP)	equals	Total General Fund Budget
A	1,000	(1,271.4	X	\$3,838)	=	\$ 4,879,633
B	1,000	(1,510.4	X	\$3,838)	=	\$ 5,796,915
C	25,000	(25,173	X	\$3,838)	=	\$ 96,613,974
D	25,000	(27,986	X	\$3,838)	=	\$107,410,268

REMEMBER WHERE WE ARE:
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MAJOR FUNDS**

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REMEMBER THE TWO PRINCIPLES BEHIND THE GENERAL FUND FORMULA

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You're going here



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PART TWO: THE GENERAL FUND REVENUE CALCULATION

- **Current formula is based on a policy (legislative) decision to address the property wealth differences between districts**
 - Policy Questions: Should the property wealth in a school district determine how much is spent on each student in that school district? Should a zip code determine education taxes?
 - String of lawsuits nationwide, beginning in the 1970s, led to state equalization aid formulas across the nation.

THE GENERAL FUND REVENUE CALCULATION

■ **The Kansas experience:**

- Two equity-based lawsuits (1973 and 1992)
- 1992: School District Finance and Quality Performance Act established the basic equalization aid formula
- It has been amended and refined since then
 - see <http://skyways.lib.ks.us/ksleg/KLRD/Education.htm> for link to summary

THE GENERAL FUND REVENUE CALCULATION

$$\begin{aligned} & \textit{Total General Fund Budget} \\ - & \textit{\underline{Local Effort}} \\ = & \textit{General State Aid} \end{aligned}$$

THE GENERAL FUND REVENUE CALCULATION

■ What is the Local Effort? Some major items include:

- The statewide education property tax levy
 - 20 mills* multiplied by assessed valuation, with a \$20,000 residential exemption
- Other local property tax amounts
 - *e.g.*, delinquent, mineral production
- “Federal Impact Aid” (70 percent)
- Unencumbered cash balance

*20 mills since 1998

ABOUT THAT 20 MILL TAX... IS IT STATE OR LOCAL?

72-6431. Ad valorem tax levy required; purposes; rate; disposition of proceeds. (a) **The board of each district shall levy** an ad valorem tax upon the taxable tangible property of the district in the school years specified in subsection (b) **for the purpose of:**

(1) Financing that portion of the district's general fund budget which is not financed from any other source provided by law;

(2) paying a portion of the costs of operating and maintaining public schools in partial fulfillment of the constitutional obligation of the legislature to finance the educational interests of the state; and

(3) with respect to any redevelopment district established prior to July 1, 1997, pursuant to K.S.A. 12-1771, and amendments thereto, paying a portion of the principal and interest on bonds issued by cities under authority of K.S.A. 12-1774, and amendments thereto, for the financing of redevelopment projects upon property located within the district.

(b) The tax required under subsection (a) shall be levied at a rate of 20 mills in the school year 2011-2012 and school year 2012-2013.

(c) **The proceeds from the tax levied by a district under authority of this section,** except the proceeds of such tax levied for the purpose of paying a portion of the principal and interest on bonds issued by cities under authority of K.S.A. 12-1774, and amendments thereto, for the financing of redevelopment projects upon property located within the district, **shall be deposited in the general fund of the district....**

PART TWO: ***THE GENERAL FUND REVENUE CALCULATION***

**How does Local Effort (mostly property wealth) impact
General Fund State Aid?**

Fictitious District	FTE Enrollment	Total Weighted FTE	General Fund Budget	Assessed Valuation Per Pupil	Local Effort	General State Aid
A(1)	1,000	1,271.4	\$ 4,879,633	\$ 20,000	\$1.8M	\$3.1M
A(2)	1,000	1,271.4	\$ 4,879,633	\$500,000	\$3.1M	\$1.8M
B(1)	1,000	1,510.4	\$ 5,796,915	\$ 20,000	\$2.0M	\$3.8M
B(2)	1,000	1,510.4	\$ 5,796,915	\$500,000	\$3.8M	\$2.0M

REAL KANSAS EXAMPLES

(2011-2012 SCHOOL YEAR; EXCLUDES SPECIAL EDUCATION)

Actual District	FTE Enrollment	Total Weighted FTE	General Fund Budget	Assessed Valuation Per Pupil	Local Effort	State Aid
USD 499 Galena	792.2	1,333.4	\$ 4,821,523	\$ 18,111	\$217,227	\$4,604,296
USD 244 Burlington	824.2	1,303.3	\$ 4,926,566	\$421,790	\$6,901,056	(\$1,974,490)
USD 500 Kansas City	18,874.4	31,152.8	117,757,451	\$ 35,593	\$12,262,185	\$105,495,266
USD 229 Blue Valley	20,898.2	29,239.1	\$110,523,668	\$108,226	\$44,657,367	\$65,866,301

ONLY THE BEGINNING...

