



Legislative Update and Budget Overview

February 27, 2017

School Finance – Legislative Update

KASB

State Budget – Current Law

"Adjustments needed to maintain Zero Ending Balance" -
Spending cuts, shifts, or more revenue (\$ in millions):

FY 2017 - \$349.1 m. (Includes \$75 m. school aid payments delayed from 2016)

FY 2018 - \$592.6 m. (Includes \$100+ for KPERS and caseloads; current law transfers – payback of 2016 KPERS "loan")

FY 2019 - \$172.3 m. (Includes \$200+ for KPERS and caseloads, current law transfers)

Does not include any increase in school funding except \$14.5 m. (2018) and \$8 m. (2019) for capital improvement (bond and interest) state aid; or any other state programs.

***Jan. Revenue \$24 m. above estimates.**

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Current Year to resolve the 349.1 Million

Appropriations - House

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- HOUSE PASSED [Sub HB 2052](#) “rescission bill” for FY 2017, 2018, 2019.
 - Implements Governor’s recommendations: freezes KPERS funding at FY 16 level; assumes borrowing of \$317 million from long term investment fund plus earnings ([HB 2161](#)).
- [H K-12 Ed Budget](#); recommended Governor’s budget except no KPERS freeze; requires addition of \$83.4 m. to Governor. As amended, 50% of FY17 ending balances goes to KPERS.
- In [H Appropriations](#) hearings on [Sub HB 2052](#) and [HB 2161](#) KASB opposes further cuts and use of school district cash reserves - [KASB Testimony on Sub HB 2052](#)
- **THANK REPRESENTATIVES FOR THEIR SUPPORT IN COMMITTEE AND ON THE FLOOR.**

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Appropriations - Senate

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[Sub SB 27](#) “rescission bill” for FY 2017.

- Governor’s recommendations: freezes KPERS funding at FY 16 level; assumes borrowing of \$317 million from long term investment fund plus earnings ([SB 115](#)).
- [S Ways & Means](#) amended to reduce school district general aid 5% (\$127.9 m.), higher ed 3% (\$22.9 m.) other agencies 0-2.5% (\$3 m.); reduce borrowing to \$100 million; delay \$90 million KPERS, repay over 10 years.
- Reducing K-12 cut to 3% discussed privately but no action taken.
- Re-referred to [S Ways & Means](#).

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Several Tax Bills

Major Tax Bills - House

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Sub HB 2178 – Income tax rates. VETOED Feb. 23, House override passed; Senate override failed

- Raised upper income tax rate; eliminates income tax phase-out; repeals non-wage income/small business exemption (as in **HB 2023**), adds 3rd income tax bracket; restores medical expense deduction; estimated impact \$590 m. FY18, to \$550 m. FY19.
- **KASB testified as proponent**; also **KASB testified as proponent** of **HB 2023**.
- **HB 2370** – **Sub HB 2178** “back up” bill in H. Taxation.

HB 2237 “Rise Up Kansas” Plan; repeals exemption; raises income tax rates; eliminates phase-out; lowers food sales tax; raises motor fuels tax; supporters say raises \$820 m. in 2018, no official fiscal note year. In **H Tax**; hearing held. (**KASB testified as a proponent**)

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Major Tax Bills - Senate

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SB 188 Democrat plan - raises income tax rates.

- Raises state general fund FY 2018 – \$702.5 million; FY 2019 – \$513.8 million
- Senate failed to advance on Feb. 16.

SB 147 Senate leadership plan – raise income tax rates; raises state general fund receipts as follows: FY 2018 by \$288.1 million, FY 2019 by \$372.2 million, FY 2020 by \$377.3 million, FY 2021 by \$382.4 million, and FY 2022 by \$387.5 million.

- Offered as amendment on **SB 188**, failed. **KASB testified as proponent**.

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Major Tax Bills - Senate

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Sub SB 97 Alternative committee bill – similar to **SB 147** but flat income tax rate and reduces sales tax on food.; raised state general fund receipts as follows: FY 2018, \$200.8 million; FY 2019, \$138.9 million.

- Recommended by **S Assessment & Tax**

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HB 2143 Procurement - Requires all school boards to go through the State Department of Administration for information technology equipment, services and software, food and fuel. Exceptions:

- ▶ Purchase through an education service center
- ▶ Locally within 1% of total cost
- ▶ If items have quality difference which would negatively impact student performance or outcomes if Secretary of Administration agrees.

Deletes exemption for Services under the Bid Law.

- ▶ Would make cost more important than quality, invite legal challenges.

Similar proposal last session failed; Governor cut state aid in Budget, 8M FY2018 and 9M FY2019, counting on savings from this proposal; There has been no study or demonstration the savings actually exists as proposed by A&M Study; Bill is narrower than the study

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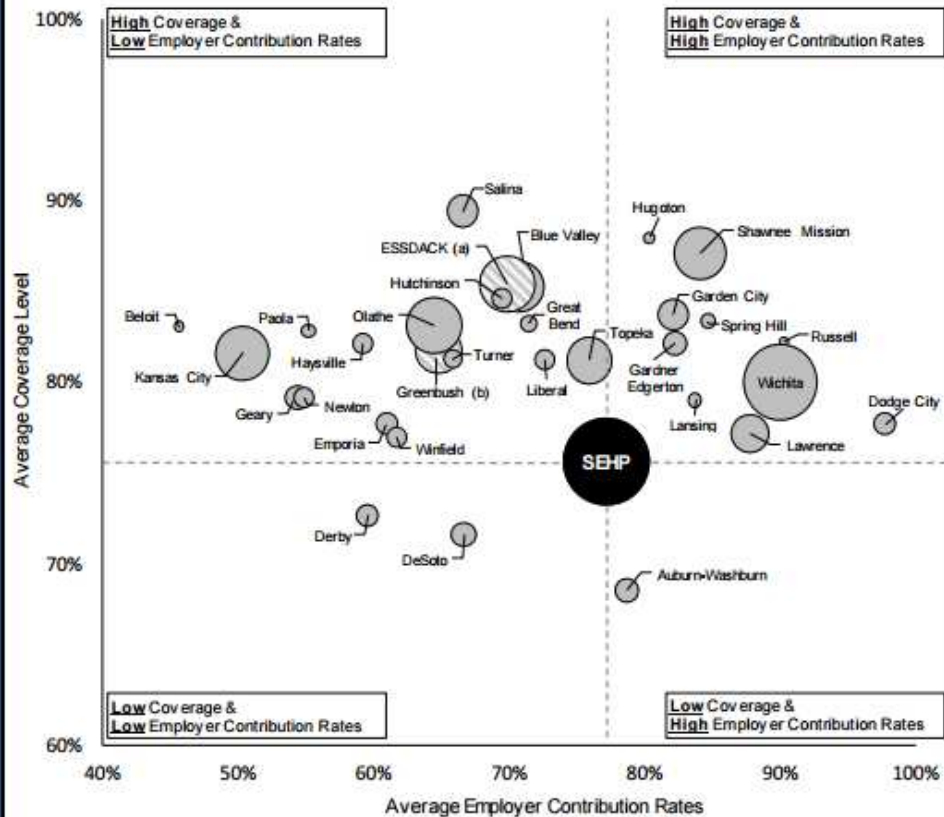
HB 2142 Requires all districts to participate in “high deductible” health savings account plan” beginning January 1, 2018.

- ▶ Legislative Post Audit Report is out on a consolidated Health Plan for school districts, the estimate of savings is less than the savings the Governor used in his budget of \$40 million in 17-18 (6mos) and \$80 million in 2018-2019.
LPA does estimate savings, around \$63 million (full year) (101 districts were audited – Lawrence included)
- ▶ \$38 million in savings through increased plan efficiencies/consolidation statewide would reduce administrative costs and they believe would eliminate the need for catastrophic coverage.
- ▶ \$25 million in savings is a result of shifting costs to employees. \$24 million is reducing coverage for most school district, \$1 million is increasing employee’s share of premiums in Wichita and other districts. Wichita is 89% of the million savings, Lawrence is a district that falls into the “other districts” in this category.



Q1: How Much Could the State Save by Consolidating K-12 Health Insurance, and How Would it Affect Districts' Current Coverage Levels?

Comparison of Current Coverage Levels and Employer Contribution Rates for a Sample of 101 Districts to the State Employee Health Plan as of 2017



(a) The ESSDACK group pool represents 38 school districts
 (b) The Greenbush group pool represents 34 school districts

Source: LPA analysis of how district coverage levels and contribution rates would be affected by consolidating under the school district pool within the State Employee Health Plan.

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Court Case ruling on adequacy is still pending

School Finance Formula Bills being discussed.

HB2242 Classroom Based Funding/base funding on average classroom costs by Congressional District; Pilot Program, those not in the pilot, would operate under an extended block grant. Hearing held in H K-12 Budget

HB2078 Allows school board to remove all or part of the \$20,000 residential exemption on the general fund 20 mills, subject to protest petition; revenue would be placed in the Special Education Fund. Hearing Held in H Ed – no action scheduled

HB2327 Essential restores the previous school finance formula with a 5 year increase in base state aid to \$5,000. Hearing Held

HB2345 Authorizes school districts to adopt a local activities budget and levy property taxes, not equalized. Hearing Held

HB2344 Requires the adoption of a local foundation budget by each school district and the levying of a property tax. Hearing Held

HB2346 Give the current allocation for K-12 education to Kansas State Board to distribute equitably and adequately.

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School Finance Formula Bills continued

HB2347 Senator Abrams/Highland – similar to last session bill – Creating the school district finance and student act

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HB 2347 Key provisions:

- Base (enrollment aid) from \$5,673 to \$8,490 based on size (no “linear transition”); un-equalized local funding, subject to vote every five years; cannot be used for instruction unless shared with all via technology.
- At-risk weighting based on poverty (not free lunch); bi-lingual weighting based on student count, not hours of instruction.
- No CTE weighting.
- Prohibits state aid for extracurricular and food service; requires participation in high deductible health serving plan.
- Contains “finding” that most efficient district size is 1,700 to 2,100 students.

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HB 2347 Key provisions:

- Requires development of school grading system with letter grades.
- Requires development of “success grants” based on postsecondary activities (positive) and remedial courses (negative).
- Require “opt in” for sex education courses.
- Creates education savings accounts for private school attendance; must be accredited by not state accredited; 70% of state funding goes to savings account, 30% stays with district.
- Expands current tax credit for private school scholarships.

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School Finance Formula Bills continued

HB2270 Creating the education finance act; modification of previous formula – Hearing Held

- Most favorable bill of the bills. Looks a lot like the old formula, with some tweaks. The only bill KSDE has had the opportunity to study and evaluate impact to schools.



School Finance

HB 2270: Major changes from previous system:

- At-risk weighting based on census poverty count, rather than free lunch count; at higher value.
- Fully funds all day kindergarten and expands preschool.
- Lowers transportation mileage threshold for students bused, but does not lower the mileage requirement.

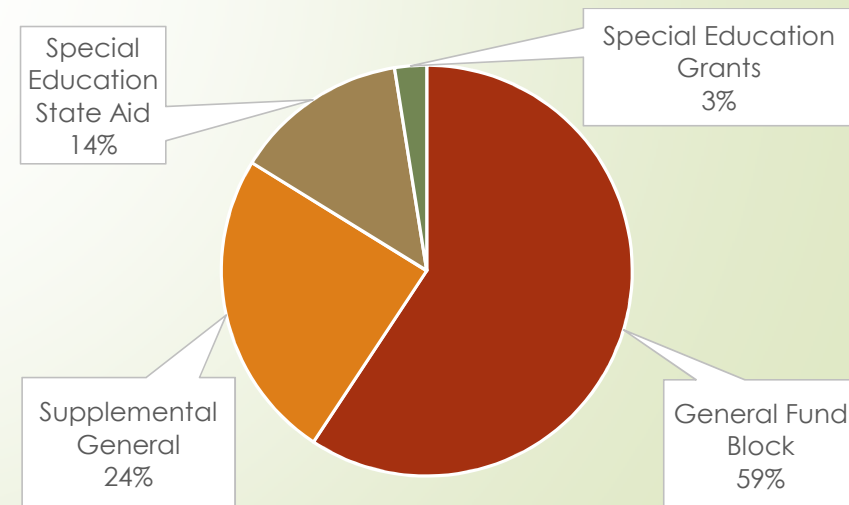
- The BSAPP amount is increased, using the Midwest CPI and from the base of \$4,400. \$4,400 is the BSAPP amount we were at before going backwards to eventually the \$3,852 pre block grant. We would be at \$4,895 Today.
- This increase would be done over a four-year period. Year 1 (17-18) -\$4,253; Year 2 (18-19)-\$4,467; Year 3 (19-20)-\$4,681; and Year 4 (20-21)-\$4,895 and then Midwest consumer price index for years following
- KSDE estimates an increase of funding to Lawrence of approximately \$5.9 million under this bill.

Breakdown of Operating Budget – Authority

Revenues	Amount
General Fund State Aid-Block Authority	56,373,363
Supplemental General Fund (LOB)	23,297,182
Special Education State Aid	12,996,000
Special Education Federal/State Grant	2,397,000
Total Budgeted Revenue Operating Expenditures	\$95,033,545

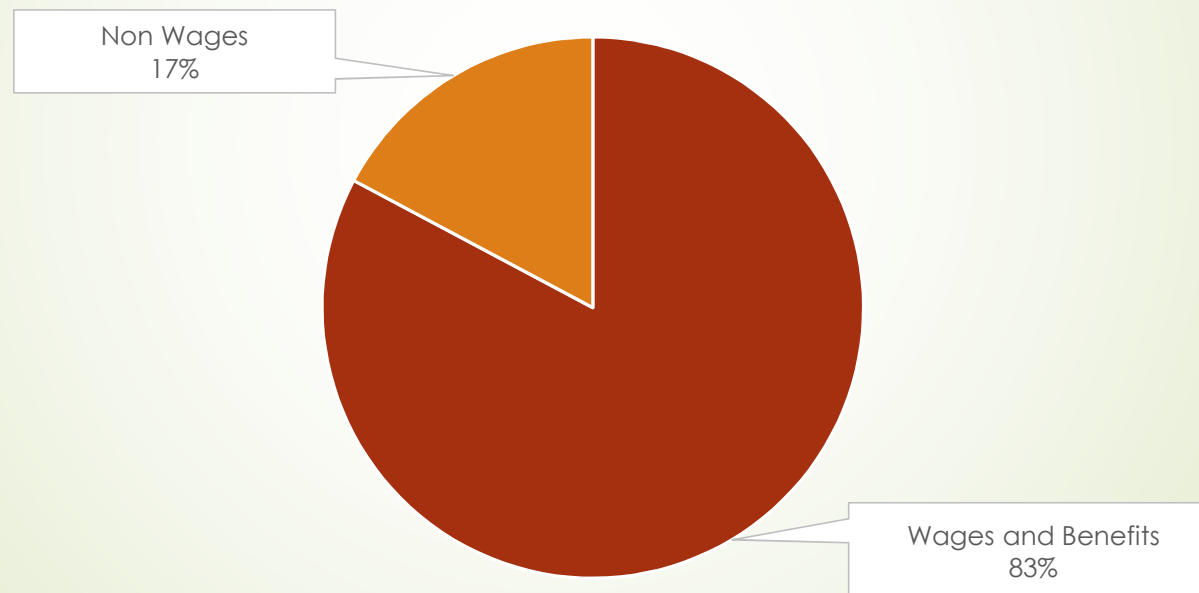
Operating Funds include in Analysis:

General Fund, Local Option Budget, Vocational Education, Special Education, Virtual Education, Professional Development, Bilingual Education, At Risk K-12, At Risk 4 Year Old.



Breakdown of Operating Budget- Allocation of Expenditures

Expenditures % of Total



Expenditure Breakdown by Area



Total Expenditures \$100,087,211

Budget Authority vs Allocated Funds

Operating Budget Authority	\$95,033,545
Allocated Expenditures	100,087,211
Allocations in excess of Budget Authority – Deficit	(\$5,053,666)
One time Funds, New Facilities Weighting, within the General State Aid Block Grant Amount- currently expires June 30,2017	915,235
Allocated Expenditures in Excess of Budget Authority – Deficit	(\$5,968,901)

Unencumbered Cash using what Legislature considers "flexible funds"

Review of Unencumbered Cash Balances - Lawrence USD497

"Flexible Funds" Per Current Legislation	7/1/2014	7/1/2015	7/1/2016	1/1/2017
At Risk 4 Year Old	578,643	353,066	246,522	168,520
At Risk K-12	2,984,551	-	-	821
Bilingual Education	60,753	-	-	140
Virtual Education	1,002,712	-	-	485
Drivers Training	58,389	50,119	35,632	41,099
Professional Development	250,051	-	-	812
Parents as Teachers	81,478	73,115	62,427	55,087
Summer School	178,326	197,548	74,516	61,551
Vocational	402,102	-	2,921	573
Contingency Reserve	6,144,657	6,469,217	5,408,306	4,290,808
1/3 Special Education	2,968,044	2,358,785	2,094,843	427,841
1/3 Student Materials Revolving	476,735	302,159	318,343	325,783
Total "Flexible" Funds	15,186,441	9,804,009	8,243,510	5,373,520
<i>Reduction of Cash Balances within "flexible funds"</i>		<i>(5,382,432)</i>	<i>(1,560,499)</i>	<i>(2,869,990)</i>
<i>Cumulative Reduction of Cash Balances within "flexible funds"</i>			<i>(6,942,931)</i>	<i>(9,812,921)</i>

2016-2017

Legislative discussions of a recession of funding during the current fiscal year – session is not over yet

The District is dealing with lower unencumbered cash balances due to deficit spending

There is a need to review spending during second semester and slow down expenditures in order to keep balances in place. Mid-year cuts are still possible through the end of the Legislative session.

Actions effective immediately:

5% reduction of non-wage budgets, buildings and departments, immediately

- ✓ Consider less spending on food, snacks, travel, professional development, administrator professional development, minimizing subs, are a few things to consider, not all inclusive.

Approval will be required by Human Resources and Superintendent on any vacancy/rehire between now and June 30, 2017

Revised budget allocations are being sent to departments and sites reflecting the 5% reduction

If a department or site, with this reduction, is unable to provide the needed resources for instruction through June 30, they can submit a request for the additional funds, and it will be reviewed by the superintendents team.

Planning for 2017-2018

Budget worksheets for departments will be distributed to Budget Managers.

Budget worksheets will be due back to Business Office by March 27, 2017, Noon

Budget Managers will be asked to review wage and non wage spending

Budget Managers will be asked to provide budget considerations, additions and reductions that net to a 3% reduction from current budget allocation

- ✓ Budget considerations will need to be noted in priority order
- ✓ Budget impact statement should accompany each budget consideration, addition or subtraction

Building Budgets should, at this time, plan for a 3% reduction on building allocations

Buildings should plan staffing based on ratio information being provided by Human Resources

Once the Legislature determines funding for 2017-2018, final plans can be made for finalizing the 2017-2018 Budget

