



Legislative Update SB 30 and SB 19

Board of Education – June 12, 2017

Since 2011 – Governor Tax Experiment



- The belief that tax cuts would dramatically stimulate economic growth
 - In 2012 income tax revenues were cut by nearly 5 billion over 5 years, with no reduction in spending
 - Since then financial fixes, designed to preserve the experiment, instead spent down balances, increased taxes on consumers, borrowed money, and shortchanged core services
 - The State general fund balance of approximately \$700 million was spent to zero
 - Two sales tax increases occurred, giving Kansas the highest sales tax on food in the nation
 - Proceeds from long-term, record –breaking highway bonds, totaling \$850 million was used to pay for tax cuts.
 - 2016-2017 budget deficit grew to \$300 million
 - Growth rates trailed the region and the nation.
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Senate Bill 30 – Tax Bill

SB 30 was approved on June 5, 2017, vetoed by the Governor, the veto was then overridden by the Senate and House, putting an end to the failing tax experiment.

SB 30 abandons the idea of eliminating income tax and restores the “three legged” stool of state and local finance that has been the norm for Kansas prior to 2012. This type of tax policy strives to balance property, income and sales taxes.

SB 30 is projected to raise state revenues by approximately \$600 million per year. The new revenue will fund current budgets under consideration by the Legislature and a new school finance plan awaiting action by the Governor.

SB 30 Raises income tax rates; repeals small business LLC exemptions; eliminates the phasing out of income tax; restores certain exemptions and deductions repealed or reduced since 2012; leaves in place State Sales tax rate

Important to note that taxes for a school finance system do not remove dollars from Kansas economy. School districts will spend these revenues on salaries and benefits that employees will spend in Kansas and on goods and services from Kansas businesses. Strong education systems increase graduation rates and prepare for college and career success, which in turn, increases individual and state income and employment.





SB 19 – School Finance Plan



SB 19, a school finance plan, was passed on June 5, 2017, and is awaiting action by the Governor. The Governor has until Monday June 19 to sign, veto or allow the bill to become law without his signature. Once the Governor acts or the bill becomes law it will go to the courts for review and ruling on adequacy.

The school finance bill addresses the key components school districts have identified as critical to a new school finance system.

Accountability: It embraces a new accreditation system based on the Kansas State board of Education's "Kansas CAN" goals for student success.

Adequacy: It returns to a system of per pupil based funding and raises the foundation level per pupil; fully funds all-day kindergarten; expands preschool funding; and provides a base adjustment indexed to inflation. However there is still a concern that the bill falls short of what it will take to help all students reach state education goals.

Equity: It includes adjustments for different student costs, increasing funding for at-risk, bilingual and special education students.

Efficiency: It avoids new mandates on school operations, uses previous year enrollment for funding; allows district continued flexibility in cash reserves; and restores incentives for school consolidation.

Excellence: It continues local funding options and provides some increased local flexibility, equalized at levels established as constitutional by the Court.



Highlights of the School Finance Plan

- **Sunset of school finance formula:** July 30, 2027.
 - **Accreditation system:** must equal or exceed goal of each student meeting the Rose capacities; State Board report on system each January.
 - **Legislative Post Audit Reviews:** 2018 – virtual schools; 2019, 2022 and 2025 – cost to achieve performance outcomes; 2020 – at-risk student funding; 2021 and 2026 – successful schools comparison; 2023 – bilingual weighting; 2024 – transportation cost.
 - **Legislative reviews:** revise base aid by July 1, 2021; review virtual aid in 2020; review successful schools model in 2022 and 2026.
 - **USD financial report:** KSDE makes financial report each January showing funding and expenditures, with demographic information.
 - **Tax credit scholarship act:** requires participating private schools to be accredited by the State Board or an accrediting agency approved by State Board by July 1, 2020; total cap on contributions is not increased but individuals and LLCs may make contributions (currently limited to corporations).
 - **Increment tax financing:** excludes capital outlay levies.
 - **20 mill levy:** reauthorized for two years.
 - **Property tax abatements:** allowed for 20 mill statewide levy; not allowed for capital outlay levies
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Highlights of the School Finance Plan

- **Enrollment Count:** Enrollment will be based on the September 20 count of the preceding school year.
- **Kindergarten and preschool at-risk:** count kindergarten as 1 FTE regardless of attendance in FY 2017-19 or whichever year district begins to offer all-day kindergarten.
- **Three-year average enrollment option:** permitted for districts receiving federal impact aid..
- **Military students:** adjust enrollment by the gross increase in military students from Feb. 20 count.
- **Out-of-state students:** next two years, count as 1 FTE; 2019-20 and 20-21, count as 0.75 FTE; 2021-22 and beyond, count as 0.5; exemption for students whose parents are employed in the district or were enrolled previous year.
- **Overall funding and base state aid:** House base of \$4,006 in FY 2018 and \$4,128 million; three-year rolling average of consumer price index (Midwest) beginning in 2020, no earmarking of appropriations for weightings.
- **Virtual school aid:** same as current law (\$5,000 for full time students; \$1,700 for part-time students; \$709 per course for adult students).
- **Other Weightings same as previous law:**
 - **Low and high enrollment weighting:** as previous law.
 - **Ancillary weighting:** same as previous law.
 - **Cost-of-living weighting:** same as previous law.



Highlights of the School Finance Plan

- **Transportation aid:** use Legislative Post Audit formula with 2.8 factor; four-year grandfather for districts that would receive less than in current year.
 - **Bilingual weighting:** greater of contact hours enrollment at previous weighting (0.395) or headcount bilingual enrollment weighting (0.185).
 - **At-risk weighting:** 0.484 with 10 percent minimum; up from 0.456 under previous law.
 - **High density at-risk:** same as previous law, except also applies to individual school buildings in districts that do not qualify.
 - **At-risk education funds:** must be used for best practices identified by State Board, beginning in FY 2019.
 - **CTE weighting:** Same as previous law in FY 2018 and 2019; then expires.
 - **Career and postsecondary education fund:** authorizes expenditures for CTE programs, postsecondary courses, and distance learning courses.
 - **CTE cost study:** requires KSDE to do a cost study of CTE programs and make recommendations in 2018
 - **New facilities weighting:** same as previous law but only for bonds approved prior to July 1 2015.
 - **Special education weighting:** special education aid divided by base aid per pupil.
 - **New special education funding:** \$12 million added each year; goes through current formula, not regular FTE enrollment.
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Highlights of the School Finance Plan

- **Local Option Budget:** up to 33 percent of foundation aid; subject to protest petition over 30 percent but not election.
 - **Artificial LOB base:** indexed to three-year rolling average of CPI beginning in FY 2020.
 - **Supplemental (LOB) state aid:** equalized 81.2 percent as under prior law; use three-year rolling average in assessed valuation per student beginning in FY 2019.
 - **Capital outlay authorized uses:** expanding to include utilities, property and casualty insurance and maintenance of existing fixtures. *Would require a new resolution and protest petition before this could be effective*
 - **Capital outlay state aid:** equalized as under current law.
 - **Bond and interest aid:** districts with less than 260 students must obtain State Board approval for aid for new facilities; state aid is prohibited for extracurricular facilities as defined by the State Board unless for safety or disability access; the State Board may not authorize new bonds statewide in excess of the amount of bonds retired in the previous year; exemptions are districts which have not had a bond issue in the previous 25 years or have not reached the 14 percent cap requiring State Board approval.
 - **Teacher Mentoring:** State funding of \$800,000 for mentor teacher state aid is included in SB19, State guidelines have been revised and requires districts to have an updated approved plan in place by July 14, 2017. (*We have updated our plan and submitted it to the State*)
 - **Teacher Professional Development:** State funding of \$1.7 million for teacher professional development aid is included in SB19. Professional development programs will be required to meet standards and criteria set by the State Board, in order to be eligible for the state aid.
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Estimated New Funding - Per KSDE Estimates

*General Fund	4,063,627
Local Foundation Budget	1,386,284
*Special Education	714,767
Total Estimate per KSDE (a)	6,164,678

* Portions of this increase in funding will have restricted use based on the weighting definition, such as At-Risk, Bilingual, Special Education, etc. and within State Approved guidelines for those funds.

(a) Until the State Department of Education provides guidance through State budget forms, formulas, and interpretations of law for restricted funds, this information is subject to change as will the limitations on how some of the funds can be spent.

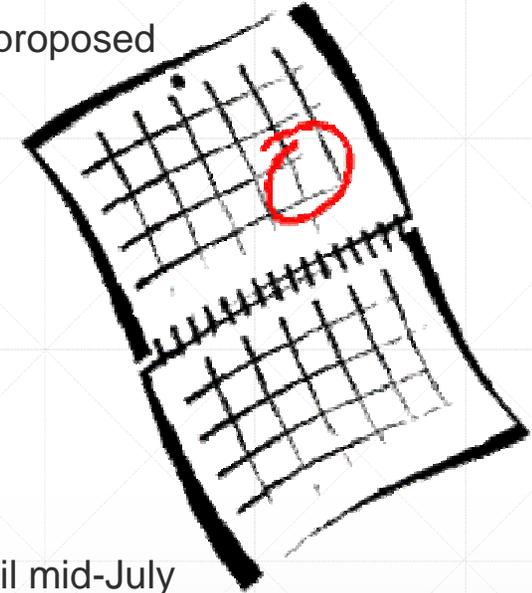
As a reminder, Lawrence is deficit spending between 4 and 5 million, as noted in previous board presentations. A portion of this new revenue will need to go towards reducing the budget deficit that exists, with a plan to eliminate entirely over the next few years.

Timeline

June 26, 2017 Board Presentation of estimated new funds and 2017-2018 Budget proposed

Normal Year

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| <input type="checkbox"/> July 24, 2017 | Budget for Publication |
| <input type="checkbox"/> August 14, 2017 | Budget Hearing |
| <input type="checkbox"/> August 25, 2017 | Budget Certification with State and County |



Current Situation

- SB 19 is pending action by the Governor. He has until Monday June 19.
 - Kansas Supreme Court must rule on Adequacy, “guestimate” this could take until mid-July
 - KSDE can’t release state budget forms or hold budget workshops until after the Court makes its decision
 - Anticipate special board meetings may need to take place if the normal meeting schedule falls outside the timing of the court decision and KSDE ‘s release and instruction for state budget documents.
 - There is also the potential of a June 30 shut down. KSDE is looking at direction from the Attorney General and Courts as to what the June 30 shutdown date means to school districts if the bill is in place but the court has not yet ruled on adequacy by June 30.
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