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ABSTRACT

This paper summarizes the main provisions of Kansas' School District Finance and Quality Performance Act (SDFQP). The paper discusses state financial aid and how this is affected by decreasing enrollment, program weight, low-enrollment weight, correlation weight, transportation weight, at-risk pupil weight, school-facilities weight, and ancillary school-facilities weight. The paper describes the effects of local efforts on school financing and outlines local-effort amounts, district general funds, contingency reserve funds, and other special funds. The paper also focuses on local-option budgets, particularly revenue and balances, and how these budgets influence school spending. Other issues covered here include special taxing authority for operating costs associated with the opening of new facilities, state-funding sources for the SDFQP, adjustment for overpayments and underpayments, and expenditure caps. Attention is also focused on school reform, such as the accreditation of schools, academic standards and assessments, school-site councils, the public-education performance report card, and a study of the impact of the school accreditation system. The paper likewise examines the SDFQP committee, a 16-member committee charged with monitoring implementation and operation of the SDFQP system, the school-district capital improvements state aid program, and other matters.  
 (RJM)

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## SUMMARY OF THE SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE ACT AND THE SCHOOL DISTRICT CAPITAL IMPROVEMENTS STATE AID PROGRAM (AS AMENDED THROUGH 1998)

The 1992 Kansas Legislature enacted Senate Sub. for Senate Sub. for H.B. 2892, the School District Finance and Quality Performance Act (SDFQPA) which on July 1, 1992, replaced the School District Equalization Act as the principal public school aid distribution program. The 1992 Legislature also enacted H.B. 2835, a new program designed to provide state aid to assist school districts in meeting their bond and interest payment obligations.

The main provisions of these laws, as amended through 1998, are summarized below.

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### PART I—DISTRIBUTION/FINANCIAL PROVISIONS

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#### State Financial Aid

In 1993-94 and thereafter, the State Financial Aid (SFA) of a school district is determined by multiplying the base state aid per pupil (BSAPP) of a district by the district's adjusted enrollment.\* Beginning in 1998-99, the BSAPP is \$3,720. However, if appropriations in any school year for general state aid to school districts are not sufficient to pay districts' computed entitlements, the State Board of Education will reduce the BSAPP to the amount necessary to match general state aid entitlements of districts with the amount of general state aid available. The law also provides explicitly that the BSAPP is subject to reduction in proportion to any reduction in the amount of the appropriation from the State General Fund for general state aid under an executive order designed to maintain State General Fund ending balances of \$100 million.

\* For 1992-93 only, SFA was the lesser of "formula" SFA or "transitional" SFA. Formula SFA was a district's BSAPP times its adjusted enrollment, and transitional SFA was a district's 1991-92 operating budget plus its state transportation, bilingual education, and vocational education aid and the proceeds of any 1991 transportation tax levy, the sum of which was increased by 10 percent plus the percentage equivalent of any enrollment increase in 1992-93 over 1991-92.

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Adjusted enrollment is calculated by adding to the enrollment of a district (that is, the September 20 count of full-time equivalent pupils\* regularly enrolled in the district or, for districts operating on a quarterly or trimestral basis, the September 20 count plus the February 20 count less September 20 duplications) the "program," "low enrollment," "correlation," "transportation," "at-risk pupil," "school facilities" and "ancillary school facilities" weightings.

**Decreasing Enrollment.** When its full-time equivalent enrollment in the current school year has decreased from the preceding school year, the district uses the enrollment of the preceding school year for budgeting purposes. (The low enrollment and correlation weights used for budget preparation by such districts also are those applicable in the preceding year. All other weights are determined on a current year basis.)

**Program Weight.** This weight is provided for pupil attendance in certain educational programs which differ in cost from regular programs. The programs so identified are bilingual education and vocational education. To obtain the enrollment adjustment attributable to these programs, the State Board of Education computes the full-time equivalent enrollment in each such program and multiplies the bilingual education enrollment by 0.2 and the vocational education enrollment by 0.5. The sum of these two products is the program weight enrollment adjustment of the district. The amount produced by each such weight must be expended for bilingual education or vocational education, as the case may be. (Categorical state aid programs previously directed toward bilingual and secondary vocational students were eliminated in connection with adoption of this weight methodology.)

**Low Enrollment Weight.** The enrollment adjustment produced by this weight is assigned to school districts having enrollments of under 1,750 in order to recognize the higher costs attributable to the operation of low enrollment districts.

The low enrollment weight is determined by constructing linear transitions between the 1991-92 median budget per pupil (BPP) of districts having enrollments of 75-125 and 200-399 and between the 1991-92 median BPP of districts having enrollments of 200-399 and 1,900 or more. This procedure provides the basis for determining a "schedule amount" for each school district which qualifies for the low enrollment weight. The 1991-92 median BPP of districts having 75-125 enrollment serves as the schedule amount for districts having enrollments of less than 100. For districts with enrollments of more than 100, the schedule amount is determined from the linear transition schedule based upon the district's enrollment in the current school year. (The increments in the linear schedule for districts having enrollments of 100 to 299 vary from the increments in the schedule for districts having enrollments of more than 300.) The amount of the median BPP of districts having enrollments of 1,900 or more is subtracted from the schedule amount determined for each district entitled to low enrollment weight. The result is divided by the median BPP of districts having enrollments of 1,900 or more and the quotient so derived is applied to a district's current year enrollment to produce the low enrollment weight.

**Correlation Weight.** The enrollment adjustment produced by this weight is assigned to the larger enrollment school districts as a correlate to the low enrollment weight. Beginning in

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\* See Attachment I for "pupil" definition.

the 1998-99 school year, the correlation weight is provided to all school districts having enrollments of 1,750 and over. The correlation weight adjustment is 5.4183 percent.

**Transportation Weight.** The State Board of Education determines the expenditures in the preceding year for transporting public and nonpublic school pupils on regular school routes. Calculations are then made to net out a portion of these costs designed to represent 50 percent of the costs of transporting pupils who reside less than 2.5 miles from school. The remaining amount is divided by the number of pupils enrolled in the district who were residing 2.5 miles or more by the usually traveled road from the school attended and for whom transportation was made available by the district. The result (quotient) is the per pupil cost of transportation. The per pupil cost of transportation of each district is then plotted on a density-cost graph to which a statistical technique is applied to construct a "curve of best fit" for all school districts. This procedure recognizes the relatively higher costs per pupil of transportation in sparsely populated areas as contrasted with densely populated areas. Based on the school district's density (number of resident pupils enrolled in the district who reside 2.5 miles or more by the usually traveled road from the school attended divided by the number of square miles of territory in the district), the point on the curve of best fit is identified for each district. This is "the formula per pupil cost of transportation" of the district. This figure is divided by the BSAPP and the quotient is multiplied by the number of resident pupils in the current school year who live more than 2.5 miles from school and for whom transportation is being provided. This produces the district's transportation weight enrollment adjustment. (The former transportation categorical aid program was abolished.)

**At-Risk Pupil Weight.** The enrollment adjustment attributable to this weight is determined on the basis of the number of pupils of a district who qualify for free meals under the National School Lunch Program and for whom a district maintains an approved at-risk pupil assistance program. To obtain this weight for a district which maintains an at-risk pupil assistance plan, the State Board of Education multiplies the number of pupils who qualify for free meals under the federal program by 0.08. Amounts attributable to this weight must be expended on at-risk pupil assistance programs.

**School Facilities Weight.** This weight is assigned to enrollment of districts for costs associated with beginning operation of new facilities. In connection with operation of a new facility, the weight is available for two school years—the year in which the facility operation is commenced and the following year. The enrollment adjustment factor is 0.25 for each pupil who is enrolled in the district and is attending the new school facility. This weight is available only if a district has utilized the full amount of the local option budget authority authorized for the school year. (See subsequent discussion of the local option budget.)

For the 1996-97 school year only, the school facilities weight was increased from 0.25 to 0.33 for districts that qualify for the weight and which, in addition, (1) were experiencing extraordinary growth as determined by the State Board of Education and (2) had received approval from the State Board of Tax Appeals (SBOTA) to levy a tax for the purpose of financing costs associated with operation of new facilities. The additional amount of the weight (0.08) served to offset a like amount of additional local option budget authority that had been approved by SBOTA—applicable only to Blue Valley (USD 229) and Olathe (USD 233).

**Ancillary School Facilities Weight.** Beginning in 1997-98, an amount equal to the levy approved by SBOTA to defray costs associated with commencing operation of a new facility

is converted to a pupil weight called "ancillary school facilities weighting," this weight to be calculated each year by dividing the amount of the levy authority approved by SBOTA by BSAPP. (The school district levies a property tax for the amount approved by SBOTA. See "Special Taxing Authority for Operating Costs Associated with the Opening of New Facilities" (page 10).) The proceeds of the tax levy are forwarded to the State Treasurer who credits the money to the State School District Finance Fund (SSDFF). Effectively, there was no change in the previous policy that this element of new facilities spending authority be supported entirely by the property taxpayers of the school district. The main differences are that this spending authority becomes a part of the school district general fund rather than additional LOB authority and the proceeds of this school district tax levy are credited to the SSDFF rather than to the district's supplemental general fund.)

## **Local Effort**

A district's "local effort" is, in essence, a credit against its SFA entitlement. Local effort is defined as the sum of the following revenues received in the current school year:

- proceeds of the school district general fund property tax levy, (27 mills in 1997 and 20 mills in 1998—with \$20,000 residential exemption);
- unexpended and unencumbered balances remaining in the general fund (except for revenues specifically characterized by law as not being operating expenses);
- unexpended and unencumbered balances remaining in the program-weighted funds (except amounts in the vocational fund of a district which is operating an area vocational school);
- remaining proceeds of the former general fund tax levy prior to its repeal;
- remaining proceeds of the former transportation fund tax levy prior to its repeal;
- amounts credited to the school district general fund from industrial revenue bond and port authority bond in lieu of tax payments;
- motor vehicle tax receipts (school district portion phased out in FY 2000);
- mineral production tax receipts;
- rental/lease vehicle excise tax receipts;
- tuition a school district receives for enrollment of nonresident students in "regular" education services; and
- 75.0 percent federal Impact Aid in accord with federal law and regulations, except for Ft. Leavenworth where 100.0 percent of such aid is treated as local effort.

## **General State Aid/Remittance of Excess Local Effort Amounts**

In each school year, the State Board of Education determines each district's general state aid entitlement. This is done by subtracting the district's local effort from its SFA. The distribution of general state aid is made in accord with appropriation acts.

If a district's local effort exceeds its SFA, the district is entitled to no general state aid and the excess amount is remitted to the State Treasurer for deposit in the State Treasury. These funds are credited to the State School District Finance Fund. This remittance by the school district occurs on June 1 of the school year.

The law specifies that in each of the months of July through May, the State Board of Education determines the amount of general state aid that will be required by each district to maintain operations for that month. In making this determination, the State Board takes into account each district's access to local effort sources and the obligations of the district's general fund that must be satisfied. In June, the balance of a school district's general state aid entitlement is paid. These payments are deposited in the school district general fund. Beginning in the 1993-94 school year, the following administrative procedure was implemented. Each district requests the amount of state aid required to meet district obligations in July and August. In September the payment is based on 9.5 percent of the preceding year's general state aid and the general fund cash balance on July 1 (combined). In each of the months of October through May, the payment is 9.5 percent of the current year's estimated entitlement. In June, the balance of a district's general state aid is paid.

The State Board determines when the payments will be made. The Board certifies the general state aid amounts to the Director of Accounts and Reports. This certification and the amount of general state aid paid from the State General Fund must be approved by the Director of the Budget. The Director of Accounts and Reports prepares warrants payable to school districts based upon vouchers approved by the State Board.

## **General Fund**

The general fund of a district is the fund from which operating expenses are paid and to which is deposited general state aid, proceeds from the levy at the uniform general fund tax rate, payments relating to transfers of territory, PL 81-874 funds (except for major disaster amounts and amounts received under the low-rent housing program), and other moneys specified by law.

"Operating expenses" are the expenditures and lawful transfers from the general fund, except for expenditures specified in K.S.A. 1996 Supp. 72-6430, as amended. These latter expenditures include nongeneral fund payments pertaining to changes of school district boundaries, reimbursed student activities, educational services for pupils of the Flint Hills Job Corps Center, pupils confined in juvenile detention facilities, and pupils confined in the Forbes Juvenile Attention Facility (technical correction needed) for which state reimbursement grants are provided, lawful nongeneral fund expenditures, and certain federal fund (except specified PL 81-874) expenditures.

If a school district's expenditures in a school year exceed the general fund budget, the excess amount is deducted from the general state aid entitlement of the district in the next school year.

### **Contingency Reserve Fund**

A contingency reserve fund is created in each school district. This fund consists of money deposited therein or transferred thereto according to law. A district is authorized to transfer money from its general fund to the contingency reserve fund, subject to the limitation that the amount in this fund may not exceed 4.0 percent of the amount of the general fund budget of the district in the current school year. If the amount in the fund exceeds the statutory cap due to a decrease in enrollment, the district may maintain the "excess" amount in the fund until the amount is depleted by expenditures from the fund. Money may be spent from this fund for financial contingencies not anticipated at the time the general fund budget was adopted.

### **Other Special Funds**

The law identifies two categories of special operating funds (excluding the contingency reserve fund). These are "program weighted funds" and "categorical funds." The program weighted funds include the transportation, vocational education, and bilingual education funds. The categorical funds include the special education, food service, driver training, adult education, adult supplementary education, area vocational school, inservice education, parent education, summer program, extraordinary school program, and educational excellence grant program funds. (The technology education fund was continued and other special funds of school districts as previously had been authorized by law were not affected by the 1992 enactment.)

### **Transfers From the School District General Fund**

A transfer from a district's general fund to any other fund is an operating expense in the year the transfer is made. Transfers may be made from the general fund of a district to any categorical fund of the district in any school year. Similarly, money may be transferred to a program weighted fund or to the technology education fund, subject to the following conditions:

- the transfer may not be made before the money in the program weighted fund is needed; and
- the transfer amount may not exceed the obligation which is the object of the transfer.

As noted above, a school board may transfer money to the contingency reserve fund.

The board may transfer money to the capital outlay fund subject to the following conditions: the district must be levying at least 3.5 mills or the amount that would have been produced by a 3.5 mill levy in 1988-89, whichever is the greater amount; no transfer may be made prior to June 1 of any school year; and the amount of any such transfer may not exceed

1 percent of the general fund budget in districts with 10,000 or more enrollment nor more than 2 percent in other districts.

With regard to capital outlay, it should be noted that school districts are authorized to make general fund expenditures for acquiring equipment and repairing school buildings.

Districts are authorized to transfer back to the general fund amounts transferred to other funds during the same school year.

### **Miscellaneous Revenue**

Miscellaneous revenue a district receives, such as interest on idle funds, which is not required by law to be deposited in some specific fund may be credited to any program weighted fund, categorical fund, or the capital outlay fund. Such revenues may be deposited in the district's general fund in years in which an allotment system is applied to State General Fund appropriations or when a portion of previously appropriated general state aid is lapsed by the Legislature, but amounts so deposited may not exceed the amount of general state aid lost due to the allotment or lapse. (The provisions described in the preceding sentence, carried forward from former law, probably have no practical application under the current school finance law.) Under certain circumstances, payments to school districts by the federal government for mineral rights may be deposited in a district's bond and interest fund. (This also is a continuation of previous school finance policy.)

### **Property Tax Levy**

School districts must levy a general fund property tax on the district's assessed valuation of 27 mills in 1997, and 20 mills in 1998 and 1999.\* For all three years, \$20,000 of the appraised valuation of residential property is excluded in the application of the uniform property tax levy. The revenue produced from this levy is used to fund a district's SFA. It is treated as a part of a school district's local effort (see previous discussion of "local effort").

## **Local Option Budget/Supplemental General State Aid**

### **Local Option Budget (LOB)**

As a general principle, the law provides that, in addition to the SFA funding, a school district board may approve LOB spending in any amount up to 25.0 percent of its SFA. The LOB

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\* The original law imposed a school district property tax levy of 32 mills in 1992, 33 mills in 1993, and 35 mills in 1994 and thereafter. In December of 1993, a Shawnee County District Judge opined that the school district uniform property tax was a "state" levy. As such, in accord with the *Kansas Constitution*, the levy could not be imposed for a period in excess of two years. This finding was not contested in the appeal of the District Court decision to the Kansas Supreme Court. Subsequently, the 1994 Legislature amended the law to impose the uniform school district general fund tax rate of 35 mills for 1994 and 1995.



limitation is called the "state prescribed percentage." However, certain limitations and constraints on the LOB authority, discussed below, are applicable.\*

**All School Districts.** Beginning in 1997-98, the board of education of a "below average spending" school district on its own motion may adopt an LOB. In this respect, the State Board of Education (SBOE) makes the following determinations:

- The average budget per full-time equivalent (FTE) pupil (unweighted) for the preceding school year is computed for each of four school district enrollment groupings—under 100, 100-299.9; 300-1,799.9; and 1,800 and over. This computation uses the combined school district general fund budget and LOB. (See "Enrollment Groupings—Determination of Averages" below.)
- The FTE budget per pupil (unweighted) of each school district for the preceding school year is determined (combined general fund budget and LOB).
- The district's FTE budget per pupil for the preceding year is subtracted from the preceding year's average budget per pupil for the district's enrollment grouping.
- If the district's budget per pupil is below the average budget per pupil for the district's enrollment grouping, the budget per pupil difference is multiplied by the district's FTE pupil enrollment in the preceding year. (If the district's budget per pupil exceeds the average for the enrollment grouping, this procedure does not apply.)
- The product (of multiplying the district's budget per pupil difference by FTE enrollment) is divided by the amount of the district's general fund budget in the preceding year. The result is the LOB percentage increment that is available to the district in the next school year. This LOB authority is determined in accord with the following schedule: 20.0 percent of the calculated amount in 1997-98; 40.0 percent in 1998-99; 60.0 percent in 1999-2000; 80.0 percent in 2000-01; and 100.0 percent in 2001-02, and thereafter.

If a district was authorized to adopt and did adopt an LOB in 1996-97 and qualifies for LOB authority as a "below average spending" district, calculated as described above, the LOB percentage of the district is the sum of the LOB percentage the district was authorized to budget in that year and the percentage for which the district qualifies under the formula. If the district was not authorized to adopt an LOB in 1996-97, the district qualifies for the LOB authority calculated under the formula. In subsequent years, the district's LOB authority is calculated in the same manner as applies to a district that had an LOB in 1996-97 and that also qualified for LOB authority as a "below average spending" district.

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\* In the 1992-93 school year, a district could not use LOB authority if its formula SFA equaled or exceeded its transitional SFA. If the transitional SFA was greater than the formula SFA, the district could adopt an LOB which was the lesser of 25 percent of the district's SFA or the difference between the amount of formula SFA and the transitional SFA for the district. (See discussion of "formula" and "transitional" SFA in the footnote on page 1 of this memorandum.)

Any LOB percentage of a school district that qualifies for additional LOB authority under the above formula is recognized as perpetual authority. This includes LOB authority acquired by adoption of an LOB resolution and gained pursuant to this formula.

**Enrollment Groupings—Determination of Averages.** For the grouping of school districts with enrollments under 100, the average FTE amount is the average amount for school districts having enrollments of 75-125; for the grouping of school districts with enrollments of 100-299.9, the average FTE amount is determined under a linear transition schedule beginning with the average FTE amount for districts having enrollments of 75-125 and ending with the average FTE amount of districts having enrollments of 200-399.9; for the grouping of school districts with enrollments of 300-1,799.9, the average FTE amount is determined under a linear transition schedule beginning with the average FTE amount of districts having enrollments of 200-399.9 and ending with the average FTE amount of districts having enrollments of 1,800 and over; and for the grouping of school districts with enrollments of 1,800 and over, the average FTE amount is the average amount for all such districts.

**School Districts That Had LOBs in 1996-97.** The board of education of any "average" or "above average spending" school district that had an LOB in 1996-97 may adopt on its own motion an LOB equal to the following percentage of the district's general fund budget based upon the LOB percentage the district was authorized to adopt in 1996-97: 100.0 percent in 1997-98, 95.0 percent in 1998-99, 90.0 percent in 1999-2000, 85.0 percent in 2000-01, and 80.0 percent in 2001-02, and thereafter.

In the event that in any year the LOB authority of the district is greater if computed under the formula applicable to "below average spending" districts than under this provision, the additional LOB authority under that formula applies in determining the total LOB authority of the district.

**Alternative Procedure.** As an alternative to the procedures described above, a school district board of education may adopt a resolution for a specified LOB percentage that is subject to a 5.0 percent protest petition election. In the resolution the board will include the number of years for which the LOB authority is sought. The resolution must be published once in a newspaper having general circulation in the district. The protest petition must be filed with the county election officer of the home county of the school district within 30 days after the publication. If no resolution is timely filed, the board may adopt the LOB. If a petition is filed and the resolution is abandoned, such a resolution may not again be adopted for nine months following the publication of the resolution. Subsequent resolutions to increase this authority (always subject to the aggregate 25.0 percent cap) also are authorized. The duration of subsequent resolutions may not exceed that of the original resolution.

**Districts Whose LOB Authority First Exceeds the Average for the Enrollment Grouping After the 1997-98 School Year.** If, after the 1997-98 school year, a school district has gained LOB authority under the "below average spending" formula and has obtained increased LOB authority by adoption of a resolution such that the district no longer qualifies for LOB authority under the formula applicable to "below average spending" districts, the LOB authority is:

- if the district is operating under an LOB with a fixed LOB percentage increase and a specified number of years to which it applies, the sum of the LOB percentage authority of the district for the preceding year and the additional LOB authority in the district's resolution; or

- if the district is operating under a resolution authorizing continuous and permanent LOB authority, the LOB percentage adopted by the board.

If the district's resolution for additional LOB authority is not perpetual and after some specified number of years this authority is lost, the district's LOB authority is the percentage authorization for the current school year computed under the formula as if the additional LOB authority resulting from the expired LOB resolution had not been in effect in the preceding school year.

**"Additional" LOB Authority—Subject to Protest Petition Election.** In addition to the LOB authority available under the foregoing provisions, beginning in 1997-98, a school district is authorized to adopt a resolution to increase its LOB authority under one of two alternative procedures:

- A school district board of education may seek authority for continuous and permanent LOB authority, in which case, if the proposition is successful, the board in any school year may increase its LOB to any level it chooses, subject to the 25.0 percent aggregate cap.
- The board may seek temporary authority to increase the LOB by a specified percentage for a specified number of years.

If the board seeks continuous and permanent LOB authority, it has the option of either submitting the question directly to the electors or adopting a resolution that is subject to a 5.0 percent protest petition election. If the board seeks temporary LOB authority, only the protest petition election procedure is applicable. When the question is submitted directly to the electors and the proposal fails, the question may not again be submitted for nine months. When the protest petition election provision applies there is no specific time limitation imposed upon the interval between elections when LOB proposals are lost. There is, however, a nine-month limitation when a resolution is abandoned. Under the protest petition election procedure, the board is required to publish the resolution once in a newspaper having general circulation in the district. Unless the resolution is abandoned (as described above), an election on the question is required if a petition signed by 5.0 percent of the qualified electors of the district is filed with the county election officer within 30 days after the publication.

If the district chooses a resolution that specifies an LOB percentage increase and a number of years to which the resolution applies, the district is authorized to adopt subsequent resolutions to increase its LOB authority, subject to the 25.0 percent aggregate cap. The duration of a subsequent resolution may not exceed that contained in the initial resolution. (The protest petition and election provisions described apply in these instances.)

(These provisions do not apply to a district that already has continuous and permanent authority to increase its LOB.)

**Transitional Provision.** A district operating under LOB authority obtained prior to passage of the 1997 legislation, with authority that extends to the 1997-98 school year or beyond, may continue to operate under the resolution until its expiration or abandon the resolution and operate under the new provisions of the law.

## **Revenue for LOB**

School districts are authorized to levy property taxes to fund their portion of the LOB. State aid is provided for the purpose of equalizing the ability of a district to utilize this provision.

Supplemental general state aid is based on an equalization feature designed to treat each district as if its assessed valuation per pupil (AVPP) were equal to that of the district at the 75th percentile of AVPP. For each school district that uses all or a portion of its LOB, the State Board divides the district's AVPP\* in the preceding year by the 75th percentile AVPP and subtracts the ratio so determined from 1.0. If the ratio resulting from this calculation equals or exceeds 1.0, the district is entitled to no LOB supplemental general state aid. (This is because the district's AVPP equals or exceeds the AVPP at the 75th percentile.) If the ratio resulting from the calculation is less than 1.0, the district's adopted LOB is multiplied by such ratio to determine the district's LOB supplemental general state aid entitlement.

A proportional proration provision applies in the event the state appropriations for this aid are not sufficient to fully fund school district entitlements.

School districts also receive a share of the motor vehicle tax, rental/leased vehicle sales tax, recreational vehicle tax, and industrial revenue bond payments in lieu of taxes as resources to the supplemental general fund.

## **Authorized LOB Expenditures**

With one exception, school districts may spend LOB revenues for any purpose for which expenditures from the general fund are authorized or these revenues may be transferred to the general fund of the district or to any program-weighted or categorical fund of the district. The exception is that school district boards are prohibited from making LOB expenditures or transfers to the general fund for a lease-purchase agreement involving acquisition of land or buildings under K.S.A. 72-8225, as amended.

## **LOB Balances**

Any unexpended and unencumbered cash balance remaining in the supplemental general fund at the conclusion of any school year is treated as follows:

- If the district received no supplemental general state aid for its LOB in the current school year and if the district is authorized to adopt an LOB in the ensuing school year, the cash balance remaining in the supplemental general fund at the end of the school year must be maintained in that fund or transferred to the general fund. However, if such a district is not authorized

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\* Where Kansas Neighborhood Revitalization Act tax increment financing rebates are involved, the county clerk submits to the Commissioner of Education an adjustment (reduction) in the district's assessed valuation, determined by dividing the total of tax increment rebates paid by the district during the preceding 12 months by the total of the ad valorem levy rates of the district in the previous year.

- to adopt an LOB in the ensuing school year, the cash balance in the supplemental general fund must be transferred to the district's general fund.
- If the district received supplemental general state aid in the current school year, transferred or expended the entire amount of the budgeted LOB for the school year, and is authorized to adopt an LOB in the ensuing school year, the cash balance remaining in the supplemental general fund must be maintained in that fund or transferred to the general fund. However, if such a district is not authorized to adopt an LOB in the ensuing year, the total cash balance remaining in the supplemental general fund must be transferred to the general fund.
  - If the district received supplemental general state aid in the current school year, did not transfer or expend the entire amount budgeted in the LOB for the school year, and is authorized to adopt an LOB in the ensuing school year, the State Board will determine the ratio of the amount of supplemental general state aid received to the amount of the district's LOB for the school year and multiply the total amount of cash balance remaining in the supplemental general fund by that ratio. An amount equal to the amount of the product must be transferred to the general fund of the district. The amount remaining in the supplemental general fund must be maintained in that fund or transferred to the general fund. However, if such a district received supplemental general state aid in the school year, did not transfer or expend the entire amount budgeted in the LOB for the school year, and is not authorized to adopt an LOB in the ensuing school year, the total amount of the cash balance remaining in the supplemental general fund must be transferred to the general fund.

### **Supplemental General State Aid Payments**

Supplemental general state aid payments are made at times determined by the State Board. The State Board certifies to the Director of Accounts and Reports the amount due to each district and the Director prepares the warrants. The aid is deposited in the district's supplemental general fund. The practice is that this aid is paid in three installments during the school year, each payment in an amount approximately equal to one-third of the district's annual entitlement. Payments are made on November 1, February 1, and June 1.

### **Special Taxing Authority for Operating Costs Associated With the Opening of New Facilities**

#### **New School Facilities—Special Taxing Authority**

A school district is authorized to seek approval from SBOTA for authority to levy a property tax to pay certain costs associated with commencing operation of new school facilities. In order to seek this authority, the school district must have begun operation of one or more new school facilities in the preceding or current school year, or both; have adopted the maximum 25 percent LOB; and have had extraordinary enrollment growth, as determined by the State Board of Education.

Under the procedure, the school district applies to SBOTA for authority to levy a property tax for an amount equal to the cost of operating the new facility that is not financed from any other source provided by law. (This amount may be adjusted for any year to reflect the inapplicability in that year of the school facilities weighting adjustment.) SBOTA may authorize the district to levy an amount not in excess of the costs attributable to commencing facility operation above the amount provided for this purpose under the school finance law. The separate tax levying authority is for a period of not to exceed two years. The proceeds of the special tax are forwarded to the State Treasurer who credits the money to the SSDFF. The district then receives "ancillary school facilities weight" in the amount of the levy authority approved by SBOTA. (See "Ancillary School Facilities Weight" earlier in this memorandum.)

This tax levying authority may be extended beyond the initial two-year period for an additional three years, in accord with the following requirements. The school district's board of education must determine that the costs attributable to commencing operation of the new school facility (or facilities) are significantly greater than the costs of operating other school facilities in the district. The tax that then may be levied is the amount computed by the State Board of Education by first determining the amount produced by the tax levied for operation of the facility (or facilities) by the district in the second year of the initial tax levying authority and by adding the amount of general state aid attributable to the school facilities weight in that year. Of the amount so computed, 75 percent, 50 percent, and 25 percent, respectively, are the amounts that may be levied during the three-year period. The proceeds of the levy, forwarded to the State Treasurer and credited to the SDDFF, also produce ancillary school facilities weight for the district.

## **Other Matters**

### **State Funding Sources for the School District Finance and Quality Performance Act**

State funding for school districts under the law is from State General Fund appropriations for general state aid (as part of the state portion of SFA) and for supplemental general state aid (LOB) and from the State School District Finance Fund (SSDFF) for general state aid (as part of the state portion of SFA). The SSDFF is a "no limit" appropriation. Revenue credited to this fund is from remitted excess local effort (see "General State Aid/Remittance of Excess Local Effort Amounts" herein), remitted state aid overpayments under this law (see "Adjustments for Overpayments and Underpayments" herein), remitted school district property taxes levied upon approval of SBOTA for the excess costs of operating new facilities (see "Ancillary School Facilities" and "Special Taxing Authority for Operating Costs Associated with the Opening of New Facilities" herein) and any amount transferred to the fund.\*

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\* See Attachment II for summary of 1992 income and sales and use tax enhancements the proceeds of which initially were earmarked for school finance purposes as demand transfers from the State General Fund to the SSDFF.

### **Adjustments for Overpayments and Underpayments**

If a school district is paid more than it is entitled to receive under any distribution pursuant to this law (or laws repealed by this act), the State Board notifies the district of the amount of the overpayment and the district remits the amount to the State Board. Any such amounts are then remitted to the State Treasurer and are credited to the SSDFF. If a district fails to remit the amount due, the amount is deducted from future payments due the district. If a district is paid less than its entitlement, the State Board makes the payment during the current school year or within 60 days after the end of the school year.

### **Other Miscellaneous 1992 Changes**

- Separate treatment of the Fort Leavenworth school district was discontinued. The district was brought within the general school finance law.
- The separate tax levying authorities for technology education and mandated transportation were abolished. Separate funds for technology education and transportation were continued. Expenditures for these purposes continue to be made from these funds.
- The following special funds of school districts were repealed and reestablished: special education fund, vocational education fund, driver training fund, food service fund, and transportation fund. The policies with respect to such funds and the purposes therefor were not changed.
- A new area vocational school fund was established in each school district which operated an area vocational school. State and federal moneys for vocational education are deposited in this fund, as are tuition and fees or charges received for vocational education courses. The expenses directly attributable to the operation of the area vocational school are paid from this fund.
- The State Board of Education was authorized to make necessary revisions to accommodate establishment of a new school district or district boundary are changes.
- Several sections of law were amended to conform existing statutes with provisions and terminology in the SDFQPA, and statutes pertaining to the School District Equalization Act made obsolete by the SDFQPA were repealed.

.....

### **HISTORICAL NOTE**

#### **1992-93 Expenditure Cap**

Notwithstanding the general SFA and LOB provisions, in the 1992-93 school year only, a school district could not increase its SFA or SFA and LOB (combined) by more than 10 percent

(plus enrollment growth) over the adjusted "operating" expenditures in the 1991-92 school year (the sum of the 1991-92 legally adopted budget of operating expenses, state transportation aid, bilingual education aid, vocational education aid, and proceeds of any special transportation tax levy).



## **PART II—SCHOOL REFORM**

### **Accreditation of Schools**

The State Board of Education must design and adopt a school performance accreditation system. This system must be based on improvement in performance that reflects high academic standards and is measurable.

### **Academic Standards and Assessments**

The State Board will provide for assessments in the core academic areas of mathematics, science, reading, writing, and social studies. These assessments will be administered at three grade levels, as determined by the State Board. The State Board also must establish curriculum standards for mathematics, science, reading, writing, and social studies. These must be equal to the best standards. The standards must be reviewed at least every three years. Compatibility between the statewide assessments and the curriculum standards must exist.

The State Board determines performance levels on the statewide assessments, the achievement of which represents excellence in the academic area at the grade level to which the assessment applies. The State Board specifies the measure of excellence both for individual performance and school performance on the assessments.

The provisions requiring the State Board to provide for an assessment program, develop curriculum standards in specified academic areas, and ensure coordination between curriculum standards and assessments are not to be construed as impinging upon any school district's authority to determine its own curriculum.

### **School Site Councils**

Each school in every district is required to establish a school site council composed of the principal and representatives of teachers and other school personnel, parents of pupils attending the school, the business community, and other community groups. Site councils provide advice and counsel in evaluating state, school district, and school site performance goals and objectives, and in determining the methods that should be employed at the school site to meet these goals and objectives.

### **Public Education Performance Report Card**

On or before January 1, 1997, the State Board will prepare a public education performance report card consisting of statewide aggregated data pertaining to performance on statewide assessments and other measurable performance indicators specified by the State Board as part of the school performance accreditation system. The "report card" will show comparative data over multiple years, as determined by the State Board. Also, on or before January 1, 1997, the State Board will prepare a report card for each school building operated by a school district and provide the school district board with information showing, for multiple years, both the statewide and school building data.

## **Study of Impact of the School Accreditation System**

Under the direction of Kansas Inc. a study was made of changes in pupil performance attributable to the school accreditation system. The main purpose of the study was to ascertain, through evaluation of the 48 school districts that began school performance accreditation implementation in 1991-92, the extent to which pupil academic performance has changed under the school accreditation system and to provide an explanation of the factors that had contributed materially to the changes that occurred. In carrying out its responsibility, Kansas Inc. was directed to convene an advisory committee (7-11 members) to assist in designing the research plan, giving direction to the party conducting research, analyzing research findings, and preparing the report of the results. The advisory committee was to be representative of the State Board of Education, teachers, school administrators, school district boards of education, business, and the public. The study was to be conducted between July 1, and November 30, 1997, based on data for the 1996-97 school year, and was to be reported to the Legislature at the commencement of the 1998 Session.

The study *A Report on Results Achieved by Schools That Piloted the Kansas Quality Performance Accreditation System* (two volumes), was presented to the 1998 Legislature by the principal investigator, Dr. Arie van der Ploeg of the North Central Regional Education Laboratory.

## **PART III—COMMITTEE ON SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE (SDFQP)**

### **SDFQP Committee**

A 16-member SDFQP Committee was established. Twelve of the members include the following persons or their designees: chairperson and ranking minority member of the House Committees on Education, Taxation, and Appropriations and the Senate Committees on Education, Assessment and Taxation, and Ways and Means. The remaining four members are representatives of the general public, two each of whom are appointed by each the Governor and the State Board of Education. These members serve at the pleasure of the appointing authority.

The Committee, which functions until June 30, 1994 when it is abolished, organizes annually and elects a chairperson and vice chairperson. Any action of the Committee requires a majority vote (nine) of all the members.

The Committee may meet at any time upon the call of the chairperson. (Nine members constitutes a quorum.) Professional staff services are provided to the Committee pursuant to Legislative Coordinating Council direction. Committee members receive compensation, subsistence, and mileage in accord with K.S.A. 75-3223, as amended.

The responsibility assigned to the Committee is to:

- monitor implementation and operation of the SDFQPA and the QPA system;
- evaluate the SDFQPA and determine if there is a fair and equitable relationship between the costs of weighted components and the assigned weights;
- determine if additional school district operations should be weighted;
- evaluate the effect of the act and system on local control;
- determine if the act impedes successful accomplishment of the mission for Kansas education;
- evaluate the reform and restructuring components of the law and assess their impact;
- evaluate the system of financial support, reform, and restructuring of public education in Kansas and in other states to ensure that the Kansas system is the most efficient and effective;
- review the amount of the BSAPP and determine if the amount of SFA for school districts is sufficient to provide quality educational opportunities for Kansas children;
- explore ways of decreasing LOB spending authority in conjunction with increases in the amount of the BSAPP, by adjusting any weighted component of the act, or by weighting any additional school district operation;

- explore alternative funding sources; and
- evaluate the state policy regarding qualification of educational programs for categorical state aid and whether entitlement formulas are equitable.

The Committee was required to be familiar with the activities of the Kansas Commission on Education Restructuring and Accountability and consult with the Commission and consider its reports and recommendations. (The Commission expired February 1, 1993.)

The Committee must make an annual report, including proposed legislation, concerning school finance and restructuring to the Legislature, the Governor, and the State Board of Education.

**The SDFQPA Committee expired on June 30, 1994.**

## **PART IV—SCHOOL DISTRICT BONDS AND INTEREST STATE AID**

### **School District Capital Improvements State Aid Program**

A new state aid program, based on an equalization concept, provides assistance to school districts in making bond and interest payments. Eligibility for this state aid is contingent upon the district's general obligation bonds having been issued pursuant to approval of the electors by election. The law creates the new School District Capital Improvements Fund in the State Treasury.

Each school year, any school district that is obligated to make payments from its bond and interest fund is entitled to receive state aid inversely to its assessed valuation per pupil (AVPP). The State Board of Education administers this program. Each year, the State Board determines each school district's AVPP\*, rounded to the nearest \$1,000; determines the median AVPP of all districts in the state; assigns a percentage factor (called the "state aid computation percentage") to the median AVPP; and, for each \$1,000 of AVPP above or below the state median AVPP, changes the factor by 1.0 percentage point inversely to AVPP. The percentage assigned to a district is its "state aid percentage factor." A district's factor may not exceed 100.0 percent. The state aid computation factor is 5.0 percent for contractual bond obligations incurred by school districts prior to July 1, 1992 and 25.0 percent for contractual bond obligations incurred on or after July 1, 1992.

The school district's entitlement of state aid each year is determined by applying its state aid percentage factors (as applicable) to the bond and interest fund payment obligations for that year.

This program is funded by a demand transfer from the State General Fund to the School District Capital Improvements Fund. Each year, the State Board of Education certifies the school district entitlements under this program to the Director of Accounts and Reports who then executes the transfer. This demand transfer amount is exempted from across-the-board reductions based on executive orders designed to maintain a \$100 million State General Fund ending balance.

Aid payments are to be made at times determined by the State Board of Education to be necessary in order to assist school districts in making scheduled payments pursuant to contractual bond obligations.

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\* Where Kansas Neighborhood Revitalization Act tax increment financing rebates are involved, the county clerk submits to the Commissioner of Education an adjustment (reduction) in the district's assessed valuation, determined by dividing the total of tax increment rebates paid by the district during the preceding 12 months by the total of the ad valorem levy rates of the district in the previous year.

## ATTACHMENT I

### "PUPIL" DEFINED

- A person regularly enrolled in a district and attending kindergarten or any of grades 1-12 maintained by the district.
- A person regularly enrolled in a district and attending kindergarten or any of grades 1-12 in another district in accord with an agreement under K.S.A. 72-8233, as amended.
- A person regularly enrolled in a district and attending special education services provided by the district for preschool-aged exceptional children.
- A preschool-aged at-risk pupil (as defined below).

EXCEPT AS PROVIDED BELOW, A PUPIL'S ATTENDANCE FULL-TIME IS TO BE COUNTED AS 1.0 PUPIL:

A pupil attending part-time is counted as that proportion of one pupil (to the nearest 1/10) that the pupil's attendance bears to full-time attendance, except that:

- A pupil attending kindergarten is counted as  $\frac{1}{2}$  pupil.
- A pupil enrolled in and attending a postsecondary education institution that is authorized under Kansas law to award academic degrees is counted as 1.0 pupil if the pupil's enrollment and attendance together with the pupil's enrollment in grades 11 or 12 is at least  $\frac{5}{6}$  time. Otherwise, the pupils concurrent (combined) enrollment is counted to the nearest 1/10 of full-time attendance.
- A pupil enrolled in and attending an area vocational school, area vocational-technical school, or approved vocational education program is counted as 1.0 pupil if the pupil's vocational education enrollment and attendance together with the pupil's attendance in any of grades 9-12 is at least  $\frac{5}{6}$  time. Otherwise, the pupil's concurrent enrollment (combined) is counted to the nearest 1/10 of full-time attendance.
- A pupil enrolled in a district and attending special education services provided by the district, except special education services for preschool-aged exceptional children, is counted as 1.0 pupil.
- A pupil enrolled in a district and attending special education services provided by the district for preschool-aged exceptional children is counted as  $\frac{1}{2}$  pupil.
- A pupil in the custody of the Secretary of Social and Rehabilitation Services and enrolled in USD 259 (Wichita) but who is housed, maintained, and is receiving educational services at the Judge James V. Riddel Boys Ranch is counted as 2.0 pupils.
- A pupil enrolled in a district but housed, maintained, and receiving educational services at a state institution may not be counted.
- A pupil residing at the Flint Hills Job Corps Center may not be counted.

- A pupil confined in and receiving educational services provided by a district at a juvenile detention facility may not be counted.
- A pupil confined in the Forbes Juvenile Attention Facility may not be counted (technical correction needed).

### **"PRESCHOOL-AGED AT-RISK PUPIL" DEFINED**

- A preschool-aged at-risk pupil is an at-risk pupil who is 4 years old, is under the age of eligibility for attendance at kindergarten, and has been selected by the State Board of Education in accordance with guidelines consonant with guidelines for selection of pupils in head start programs. Participation is limited to 1,350 such children in any school year.

A preschool-aged at-risk pupil enrolled in a district and receiving services under an approved at-risk pupil assistance plan maintained by the district is counted as 1/2 pupil.

## ATTACHMENT II

This Attachment contains the school reform elements of the 1992 School District Finance and Quality Performance Act. No changes were made in these provisions by the 1993 and 1994 legislatures. Major amendments occurred in 1995. For a description of the present law, see "Part II—School Reform," herein.

### **Quality Performance Accreditation System Required/Schedule for School Participation**

The State Board of Education is directed to design and adopt a quality performance accreditation (QPA) system for Kansas schools. This system will be based upon goals for schools that are framed in measurable terms and will define the following outcomes:

- teachers establish high expectations for learning and monitoring pupil achievement through multiple assessment techniques;
- schools have a basic mission which prepares the learners to live, learn, and work in a global society;
- schools provide planned learning activities within an orderly and safe environment which is conducive to learning;
- schools provide instructional leadership which results in improved pupil performance in an effective school environment;
- pupils have the communication skills necessary to live, learn, and work in a global society;
- pupils think creatively and solve problems in order to live, learn, and work in a global society;
- pupils work effectively both independently and in groups in order to live, learn, and work in a global society;
- pupils have the physical and emotional well-being necessary to live, learn, and work in a global society;
- all staff engage in ongoing professional development; and
- pupils participate in lifelong learning.

In the 1994-95 school year, at least one school in every school district must participate in the QPA system and in the 1995-96 school year, every school in every district must participate in the system. In order for a school district to continue to be eligible for general state aid in the 1996-97 school year and thereafter, a district must evaluate its progress toward achieving defined outcomes and submit an annual report thereon to the State Board of Education.



## **State Board of Education QPA System Standards in Mathematics, Science, Communications, and Social Studies**

As part of the QPA program, the State Board of Education is required to develop outcomes, standards, and means of assessment for a minimum of three benchmark levels in grades kindergarten through 12 in the skills domains of mathematics, science, communication (reading, writing, speaking, and listening), and social studies (American history and geography). The standards must be established by July 1, 1993. They are required to be reviewed at least in three year intervals.

The State Board of Education was directed to engage consultative services in order to ensure that the academic standards the State Board established equaled or exceeded those of other states and other parts of the world and that higher order thinking skills were emphasized.

### **School Site Councils as Part of the QPA System**

As part of the QPA system, each school in every district which operates more than one school must establish a school site council. The mandate does not apply in a school district in which there is only one school. In such a district, the board also serves as the council, but, in the alternative, the board may elect to establish a school site council. The council will provide advice and counsel in evaluating state, school district, and school site performance goals and objectives and in determining the methods that should be employed at the school site to meet those goals and objectives.

School site councils were required to be established by January 1, 1993. The membership of each council is determined at the school site level, but is required to include appropriate representation from among teachers and other school personnel, the principal, parents of pupils attending the school, the business community, and other community groups.

The State Board of Education will evaluate the work of the school site councils and their effectiveness in facilitating education improvement and restructuring and publish an evaluation report thereon as of July 1, 1995.

The statutory mandate for school site councils expires at the conclusion of the 1995-96 school year, unless extended by the 1996 Legislature.

### **Extension of the School Term**

As of the 1991-92 school year, the law which established the minimum school term required for grades 1-11 a minimum of 180 six-hour days; for grade 12, a minimum of 175 six-hour days; and for kindergarten, a minimum of 180 two and one-half hour days. In the alternative, a school district could opt for a schedule based on a minimum number of hours—1,080 hours for grades 1-11, 1,050 hours for grade 12, and 450 hours for kindergarten.

The law made the following changes:

- 1992-93 school year: grades 1-11, 181 six-hour days; grade 12, 176 six-hour days; and kindergarten, 181 two and one-half hour days. In addition to the minimum school term requirement, in connection with the school reform elements of the act, at least two days of inservice education for district personnel must be provided. (Hours alternative: grades 1-11, 1,086 hours; grade 12, 1,056 hours; and kindergarten, 452.5 hours.)
- 1993-94 school year: grades 1-11, 183 six-hour days; grade 12, 178 six-hour days; and kindergarten, 183 two and one-half hour days. In addition to the minimum school term requirement, in connection with the school reform elements of the act, at least three days of inservice education for district personnel must be provided. (Hours alternative: grades 1-11, 1,098 hours; grade 12, 1,068 hours; and kindergarten, 457.5 hours.)
- 1994-95 school year and thereafter: grades 1-11, 186 six-hour days; grade 12, 181 six-hour days; and kindergarten, 186 two and one-half hour days. No specific number of inservice days are specified beyond the minimum school term requirement. (Hours alternative: grades 1-11, 1,116 hours; grade 12, 1,086 hours; and kindergarten, 465 hours.)

## ATTACHMENT III

### Summary of State Level Tax Enhancements That Were Earmarked in the 1992 Legislature for Use as General State Aid to School Districts

Legislation enacted in 1993, effective beginning in FY 1993, eliminated the earmarking of the 1992 state revenue enhancements. Two FY 1993 transfers from the State General Fund to the SSDF, totaling \$170,005,000 were made under the original law.

#### Sales and Use Tax

**Rate Increase.** The statewide sales and compensating (use) taxes were increased from 4.25 percent to 4.90 percent, effective June 1, 1992, except that the rate increase did not apply to the furnishing of tangible personal property pursuant to certain written contracts for construction or improvements which were entered into prior to May 15, 1992.

**Exemptions.** The bill repealed six sales tax exemptions, effective June 1, 1992. The following previously exempt sales became taxable at the new 4.90 percent rate:

- interstate telephone and telegraph services, except that an exemption is maintained for: certain wide area services entitling subscribers to an unlimited number of communications, certain private communications services entitling purchasers to exclusive or priority use of communications channels, certain value-added nonvoice services utilizing computer processing applications, certain telecommunication services purchased by providers of such services, and all such services and transactions among entities classified as members of an affiliated group;
- residential intrastate telephone and telegraph services;
- trade fixtures and equipment previously installed when sold by a person ceasing business; and
- hotel and motel rooms rented for more than 28 consecutive days.

The following previously exempt sales became taxable at a 2.50 percent rate:

- electricity, gas, and water consumed in the production or manufacture of tangible personal property\*; and
- original construction services, except that an exemption is maintained for: oil and gas wells, community housing development projects sponsored by nonprofit community housing development organizations, and certain services furnished in connection with written contracts entered into prior to May 15, 1992, if the contractors provide proof of the contracts to the Director of Taxation by July 10, 1992.

[NOTE: 1995 Legislation re-established these two exemptions.]

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\* In 1994, the Legislature reinstated the exemption for utilities consumed in the severing of oil.

## **Implementation of Sales Tax Changes—Effect on Other Sales Tax Funded Programs**

To assure that additional sales and use tax receipts attributable to the act were available for school finance, existing demand transfers from the State General Fund to the State Highway Fund (SHF), Local Ad Valorem Tax Reduction Fund (LAVTRF), and County-City Revenue Sharing Fund (CCRSF) were adjusted so that those funds would receive approximately the same amount of money as they would have received under prior law. The LAVTRF transfers based on CY 1992 sales and use tax receipts became 4.03 percent, and became 3.63 percent based on receipts in CY 1993 and each year thereafter. The CCRSF transfers based on CY 1992 sales and use tax receipts were 3.134 percent, and became 2.823 percent based on receipts in CY 1993 and each year thereafter. The last three quarterly transfers to the SHF in FY 1993 were 7.6 percent of sales tax receipts in the prior quarter, and all quarterly transfers beginning on July 1, 1993 were 7.628 percent. (The FY 1993 demand transfers to the LAVTRF, CCRSF, and SHF were further reduced pursuant to Sub. H.B. 3215.) Under prior law, LAVTRF transfers were 4.5 percent, CCRSF transfers were 3.5 percent, and SHF transfers were 10 percent.

## **Individual Income Tax**

The bill also made a number of changes in the individual income tax structure. The option for taxpayers to pay under a different set of rates after deducting federal income taxes was repealed.

The new tax rates imposed for married taxpayers filing jointly were 3.50 percent on taxable income up to \$30,000, 6.25 percent on taxable income between \$30,000 and \$60,000, and 6.45 percent on taxable income in excess of \$60,000. These rates replaced the prior rates of 3.65 percent on taxable income up to \$35,000 and 5.15 percent on all taxable income in excess of \$35,000.

For all other individuals the new rates were 4.40 percent on taxable income up to \$20,000, 7.50 percent on taxable income between \$20,000 and \$30,000, and 7.75 percent on taxable income in excess of \$30,000. These rates replaced the prior rates for all other individuals of 4.50 percent on taxable income up to \$27,500 and 5.95 percent on taxable income in excess of \$27,500.

**[1997 legislation equalizes over a four-year period the individual income tax rates for all other filers with the rates imposed on married individuals filing jointly. 1998 Legislation accelerated this process, so that equalization was achieved for tax year 1998.]**

## **Corporation Income Tax**

The corporation income tax rates also were adjusted. The base rate was lowered from 4.5 percent to 4.0 percent, the surtax was increased from 2.25 percent to 3.35 percent, and the level at which the surtax became effective was increased from \$25,000 of taxable income to \$50,000.

Summary of State Aid Formulas in 1992 Senate Sub. for Senate Sub. for House Bill No. 2892 and 1992 House Bill No. 2835, As Amended Through 1998

Formula for Computing General State Aid				
State Financial Aid <sup>1e</sup>	minus	Local State Effort <sup>1b</sup>	equals	General State Aid
<p>a) State Financial Aid is BSAPP<sup>1</sup>, i.e., \$3,720 per pupil times adjusted enrollment. The \$3,720 figure is adjusted by the State Board if appropriations are insufficient to fully fund entitlements. Adjusted enrollment includes the regular enrollment count of "pupils," using the greater of the number of pupils in the preceding or current school year, plus pupil weighting amounts as follows:</p>				
Category	Weighting			
Transportation	Based on density/cost analysis for prior year and number of pupils in the district transported 2.5 miles or more in current year.			
Low Enrollment	Under 1,750, based on 1991-92 linear transition schedule. <sup>1c</sup>			
Correlation	1,750 and over—0.054183			
Vocational	0.5			
Bilingual	0.2			
At-Risk	0.08			
School Facilities	0.25, two years only, students in new facility			
Ancillary School Facilities	Levy amount approved by SBOTA divided by BSAPP.			
<p>b) Sum of minimum mill levy amount, balances in the general fund, balances in the program weighted funds (vocational, transportation, and bilingual education), proceeds of general fund and transportation fund levies under the former school finance law, port authority and revenue bond in lieu of tax payments, mineral production tax receipts, motor vehicle tax receipts, rental/lease vehicle excise tax receipts, nonresident student tuition, and 75.0 percent of federal impact aid (except 100.0 percent in Ft. Leavenworth) in accord with federal law and regulations.</p>				
<p>c) The weight factor changes with each step.</p>				

Formula for Computing Supplemental General State Aid for the Local Option Budget (LOB)					
District AVPP <sup>12</sup>	Subtracted from	1.0 times	District LOB	equals	Supplemental General State Aid
(Prior Year) 75th Percentile AVPP (Prior Year)					
<p>Notes: District imposes a property tax to fund the balance of the LOB for which general state aid or other local revenues are not available.</p>					

Bonds and Interest State Aid				
District Bond and Interest Obligation for School Year	times	State Aid Percentage Factor <sup>1a</sup>	equals	Capital Improvements State Aid
<p>a) Based on formula which provides state aid for school district capital improvements inversely to the AVPP of school districts. A state aid computation percentage factor is assigned to the median AVPP of all of the school districts. This factor is 5.0 percent for contractual bond and interest obligations prior to July 1, 1992 and 25.0 percent for contractual bond and interest obligations on July 1, 1992 and thereafter. This state aid computation factor is increased or decreased by one percentage point for each \$1,000 in AVPP of a district above or below the median. The local property tax is used to defray the balance of the district's bond and interest obligation.</p>				

1) BSAPP denotes base state aid per pupil.  
2) AVPP denotes assessed valuation per pupil.

ATTACHMENT V

SCHOOL FINANCE ESTIMATES

1998-99 School Year  
(FY 1998)

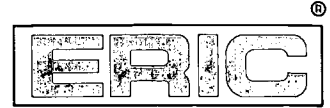
	<u>Amounts in Thousands</u>
<b>Base Budget</b>	
State Financial Aid (USD General Fund) @ \$3,720 BSAPP	\$ 2,134,243
Less:	
Local Resources	406,694 <sup>(a)</sup>
Equals	
General State Aid (Estimated)	\$ 1,727,549
From State General Fund	1,710,549 <sup>(b)</sup>
From State School District Finance Fund	17,000
<b>Local Option Budget</b>	
Local Option Budget	\$ 268,915
Less	
Supplemental General State Aid from State General Fund	59,161
Equals	
Local Resources Requirement	209,754
-----	
<b>Exhibit:</b>	
School District Capital Improvements Fund (Bond and Interest Payments)	\$ 22,000 <sup>(b)</sup>
-----	

a) Excludes \$17.0 million of estimated excess local effort shown on the table as General State Aid from the State School District Finance Fund.

b) Estimated amount, no limit appropriation.



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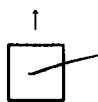
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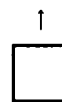
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