

Current KASB School Finance Policies
Compared with Current Kansas Law and Governor’s School Finance Concepts
As presented through October 14, 2011

Current KASB Policies	Current State Law	Governor’s Concepts
<p style="text-align: center;">I. FINANCING SCHOOLS</p> <p style="text-align: center;">A. State School Finance</p> <p>Educational opportunity should be a function of the taxable wealth of the state, not the taxing ability of a local district. The state school finance system should provide comparable students in comparable districts with comparable educational expenditures at comparable tax efforts. Differences in educational expenditures should be based on the educational needs of each district’s students.</p> <p>Funding Committee 1: The Kansas school finance system must provide equal opportunity for all students. Because of the disparity in revenues available to local districts, this requires equalization funding in the formula.</p>	<p>Total district spending is over \$5 billion. State authorized operating budgets are about \$4 billion.</p> <p>Approximately \$3 billion is “fully equalized” by state funding and the 20 mill levy through base aid and weightings.</p> <p>About \$1 billion is “partially equalized” local option budgets, with significant differences in levies required.</p> <p>The remaining \$1 billion includes “partially equalized” bond and interest payments. No equalization is provided for capital outlay spending or other local revenues such as student fees. About \$400 is “fully equalized” federal aid.</p>	<p>No specific amounts of total aid or equalization formulas have been presented.</p> <p>Base aid and block grants (replacing weightings) would be fully funded by the state.</p> <p>A statewide mill levy would be distributed to provide additional funding to low wealth districts on an equalization basis.</p> <p>Districts could spend unlimited revenues from local property taxes with no equalization.</p> <p>Counties could opt in to a partially equalized local sales tax.</p> <p>Concepts presented have not addressed whether state aid would be continued for future bond issues.</p>
<p>1. Budget Authority</p> <p>a. Distribution. School district budget authority should be determined on a per-pupil basis rather than classroom units or teacher units unless a guaranteed minimum budget is necessary to maintain a high quality education program.</p>	<p>Most general fund budget authority is based on FTE enrollment plus enrollment added by weighting factors, with the Local Option Budget added as percentage of the general fund. The major exception is special education, primarily based on teacher units.</p>	<p>Districts would receive an “un-weighted” per pupil amount.</p> <p>The formulas for block grants to replace weightings have not been presented.</p>
<p>b. Base Budget. The state should determine a base or minimum budget per pupil, which should be adequate to provide a suitable level of funding for all students and districts to achieve expected outcomes, and adjusted annually to reflect changes in costs.</p>	<p>The legislature sets a base budget per pupil. The current level of \$3,780 is far below the statutory amount of \$4,492, as well as the most recent legislative cost studies. The base has not consistently been adjusted based on costs. Exclusive of weightings, this provides about \$1.7 billion.</p>	<p>The basic per pupil amount has not been released.</p>
<p>c. Pupil Weighting. Because of the widely varying needs of pupils and districts, KASB endorses the concept of weighting when it can be shown that variations result in higher costs. Types of weighting that should be considered would include, but not be limited to:</p> <ul style="list-style-type: none"> • Special types of students (special education, vocational education) whose education causes higher costs. • Grade level of students (preschool, elementary and secondary). • Density, scarcity or isolation of pupil population. • Size of district (total pupil population). 	<p>Pupil weights are used as follows:</p> <ul style="list-style-type: none"> • Enrollment differences: all districts receive either low (\$164 million) or high (\$44 million) enrollment weighting • Transportation weighting is based on a cost formula (\$90 million) • New School facilities (\$19 million) • Bilingual education (\$33 million) • At-risk funding: At-risk (\$300 million), High Density At-risk (\$42 million), Four-year-old At-Risk (\$14 million) and Non-proficient (\$5 million) • 	<p>Weightings would be eliminated and replaced with the following block grant concepts.</p> <p>A “formula” grant to assist small, rural schools based on higher costs with less economy of scale. May also replace transportation.</p> <p>A “formula” grant for students with special needs (excluding special education) that would replace bilingual and at-risk weightings, with three factors:</p> <ul style="list-style-type: none"> • Poverty or low income. • Proficiency of students, presumably on tests or other measures. • Incentives or rewards of successfully teaching at-risk students.

<p>In addition, the Legislature may consider creating categories of students with like characteristics whenever differences in cost may be justified based on objective criteria.</p> <p>Funding Committee 2: The basic structure of the current school funding formula is sound. The current weightings serve a rational purpose, but all weightings should be based on scientific research, not political expediency.</p>	<ul style="list-style-type: none"> • Vocational education (\$29 million) <p>Special education is based on special education teachers, transportation, Medicaid and catastrophic aid, with the amount of district aid then converted into a weighting (\$428 million)</p> <p>Ancillary school facilities (\$23.4 million), declining enrollment (\$3.4 million) and cost of living (\$19.3 million) weightings are based on calculations of budget authority that are converted to weightings. (These three weights are considered part of the general fund, but are funded by special local property taxes.)</p>	<p>A “semi-competitive” career and technical education grant to replace the current vocational weighting.</p> <p>Special education is unchanged. (It was converted to a weighting primarily to allow greater access to the local option budget, which would be unnecessary if there are no limits on LOB use.</p> <p>Weightings funded with property tax would be unnecessary if districts can access unlimited property tax revenues.</p>
<p>d. Local Option Authority. Boards of education should be authorized to enrich their educational programs beyond the base budget, provided that all districts can exercise the same degree of discretion by making the same amount of effort, and that the range in budgets is not excessive. The exercise of local option authority should not be subject to referendum.</p> <p>Funding Committee 6: Expanded local option budget funding is not a long-term solution to funding Kansas public schools. However, in the current state financial crisis, the ability to expand the LOB is a short term solution that can help students now.</p> <ul style="list-style-type: none"> a. To address the requirements of the Kansas Constitution, any additional LOB must be offset with a higher equalization rate. b. Additional use of the LOB should be determined by locally-elected boards of education based on local needs. <p>Funding Committee 8: The current “grandfather provision” allowing the LOB to be based on a \$4,433 base state aid per pupil should be extended to maintain current LOB levels.</p>	<p>Boards may adopt a LOB equal to a maximum of 31% of the general fund. Any amount over 30% must be approved by voters. (Current law allows districts to calculate the LOB percentage as though the base was \$4,433, rather than \$3,780.)</p> <p>The LOB is “equalized” to the 81.2nd percentile, but currently state aid is prorated less than 90%. (The top 19.8% of districts in assessed valuation per pupil receive no state aid; as a district’s ranking in AVPP declines below that level, the more state aid it receives. Whatever state aid does not cover is raised by local property tax.)</p> <p>School districts have no other authority to raise general operating funds. In some cases, other taxing units (cities or counties) have used their own taxing authority to raise funds which are then given to school districts as a “gift” outside the school finance act.</p> <p>Districts also have authority to raise funds through a capital outlay levy of up to eight mills. These funds can only be used for certain capital expenditures. There is a state aid matching formula based on assessed valuation per pupil, but currently no funds are appropriated.</p> <p>Districts may also, with approval of voters, pass issues for building projects. There is a state aid formula based on assessed valuation per pupil.</p>	<p>The Governor’s concept would eliminate the LOB as currently provided, replacing it with the following components:</p> <p>First, there would be no limit on the amount of revenue a district could raise and spend through local property taxes. Whether any level of this authority would require voter approval has been presented.</p> <p>Second, there would be no “equalization” formula with state aid. (Currently, the state provides \$339 million in LOB aid); however:</p> <p>Third, revenues from a minimum statewide levy would be sent to the state (rather than remained to fund the base plus weightings) and distributed based on districts wealth per pupil so low wealth districts would receive large amounts and high wealth districts little or none. (The current 20 mill levy raises about \$550 million; indicates are the new statewide levy would be less.)</p> <p>Fourth, there is apparently no link between the aid from the statewide levy and local tax effort, i.e., a district would receive the same “share” or amount regardless of its “local effort.”</p> <p>Fifth, on a county-wide basis, voter should approve a local sales tax that would be “pooled” at the state levy and redistributed on a “semi-equalized” basis; i.e., counties with high sales tax collections would keep a portion of their revenues but send a portion to counties with lower collections.</p> <p>No proposed changes have been presented for capital outlay, bond and interest or other local revenues.</p>
<p>e. Budget Limitation. Any limitation on the use of budget authority should include:</p> <ul style="list-style-type: none"> (1) Limits on a per pupil basis to provide flexibility for districts facing increasing or decreasing enrollment. (2) A differential between high and low spending districts. (3) Recognition of the effects of inflation. 	<p>The primary “limitation” is the maximum LOB authority, which is based on a percentage of the LOB, which is based on weighted enrollment.</p> <p>There is no difference for “high” or “low” spending.</p> <p>There is no automatic inflation adjustment.</p> <p>There is no appeal procedure.</p>	<p>There would be no limit on local budget authority.</p>

<p>(4) A procedure to appeal to the State Board of Education for special circumstances.</p>		
<p>f. Contingency Reserves. Districts should have the ability to carry a reasonable contingency reserve from one fiscal year to the next.</p>	<p>The maximum amount of contingency reserve is 10% of the general fund until 2012-13, when it drops back to 6%. However, districts may carry unlimited balances in most funds other than the general fund.</p>	<p>No changes have been presented.</p>
<p>g. Budget Reduction. If any district loses budget authority under the school finance system, the reduction should be phased in through some mechanism.</p>	<p>Districts are allowed to use the enrollment from the previous year, or a three-year average, if their enrollment and budget declines. The legislature has also adopted special provisions in certain cases for disasters and military base closings.</p>	<p>The proposal calls for a perpetual “hold harmless” that would allow districts to maintain current budgets levels on a per pupil basis. This has been described as a fully state-funded amount for lower-wealth districts, and a sliding scale for higher-wealth districts that could require some additional local effort.</p>
<p>h. Other State Aid Programs. Categorical aid programs outside the school district general fund must be fully funded, especially for district programs that are mandated. Funding should be provided for demonstrated exceptional costs that are not fully addressed by weighting or categorical formulas.</p>	<p>Major categorical aid programs include:</p> <p>Special education (which is then converted to a weighting) is by law to be funded at 92% of statewide excess cost, but currently prorated at 86.2 % this year.</p> <p>Mentor Teacher Aid – funding has been eliminated.</p> <p>Professional Development – funding has been eliminated.</p> <p>School Lunch should be funded at 6.0 cents per meal under state law, rather than 4.2 cents as appropriated this year.</p> <p>Capital Outlay State Aid – funding has been eliminated.</p> <p>National Board Certification. Funding for stipends required by state law to pay to teachers who receive national board certification has been eliminated.</p>	<p>No changes have been presented in these programs, which generally depend on specific appropriations.</p>
<p>i. Capital Expenditures. Capital expenditures should be determined locally, with state assistance provided on an equalized basis. KASB opposes state recapture of local capital outlay balances.</p>	<p>Districts are allowed to levy up to eight mills for capital outlay and voters may pass bond issues for capital expenditures. State assistance for capital outlay is provided by statute but not currently funded. Funding is provided for bond and interest aid.</p>	<p>Funding changes for capital outlay or bond and interest aid has not been presented.</p>
<p>2. Funding and Revenue Sources</p> <p>a. Revenue Sources. The state should strive to achieve from the major revenue sources, sales, income and property taxes, a balanced and equitable mix of revenues that are suitable to support public services, including funding for quality education. Taxes should be broadly based to ensure all Kansans share fairly in the cost of public services.</p> <p>Funding Committee 10: KASB encourages a comprehensive review of state and local tax policy, including the appropriate balance among tax sources, the impact of tax exemptions and the role of school districts and other entities in granting tax exemptions and abate-ments.</p>	<p>After an almost equal balance in 2000, property tax reliance has increased and sales and income revenues have declined. In general, tax policies in recent years have increased exemptions, narrowing the tax base.</p>	<p>Concepts presented have indicated the Governor’s desire to reduce income tax rates and potentially remove or reduce some exemptions to broaden the base.</p>

<p>b. Local Effort. The state should establish a minimum level of contribution from local sources. If the minimum local contribution exceeds the authorized budget, the district should rebate the excess to the state for distribution as general aid.</p> <p>Funding Committee 7: Local tax effort should be more consistent among all Kansas school districts.</p>	<p>All districts are required to levy 20 mills for their general fund. In a small number of cases this raises more than required. The difference is sent to the state and contributes to general state aid for other districts.</p>	<p>The concept continues to require a statewide levy (suggested to be lower than 20 mills) that would be re-distributed as state aid based on district wealth.</p> <p>The overall effect on local effort mill levy rates has not been presented.</p>
<p>c. District Wealth. Only tax resources that generate revenue for districts should be used to measure the ability of the district to pay its share of education funding.</p>	<p>The only taxing authority available to districts is the property tax, and property valuation per pupil is the measure to determine state aid for the local option budget, bond and interest and capital outlay formulas.</p>	<p>The formulas for distributing revenues from the statewide mill levy and local option sales tax have not been presented.</p>
<p>d. Local Sources. Local tax sources should include the ad valorem property tax and the intangibles tax.</p>	<p>Districts are not allowed to impose an intangibles tax.</p>	<p>The concepts include the property tax and local sales taxes on a county basis, rather than a school district basis.</p>
<p>e. State Effort. The state should fully fund the operating cost of a suitable education through state taxes, including a statewide mill levy.</p>	<p>Current district general funds, which are established and funded by the state, are below the most recent studies of the cost of a suitable education.</p>	<p>Proposed funding levels have not been presented.</p>
<p>f. Tax Limitation. Arbitrary limits on state or local taxes should not be imposed.</p>	<p>Kansas does not currently impose a tax cap or limitation for the state or most local units. School districts budgets are limited by the LOB and the eight mill maximum capital outlay levy.</p>	<p>The concepts proposed would remove limits on school district property tax authority.</p>
<p>3. Other Recommendations</p> <p>a. Local Control. The school finance plan should provide local autonomy in making expenditure decisions within the budget.</p> <p>Funding Committee 3: All school district expenditures should support student learning. The state should not attempt to direct funds into certain budget areas. Locally-elected boards should decide how education funds are used to address student achievement.</p>	<p>School districts may generally spend general fund dollars as they see fit, however, certain revenues must be placed in funds that are limited to specific purposes.</p> <p>The legislature adopted a “policy goal” that 65% of state moneys provided by the state should be spent on “instruction.”</p>	<p>The concepts proposed indicate districts would have more flexibility in local spending decisions, but no specifics have been presented.</p>
<p>b. Financial Incentives. Financial incentives should be used to encourage districts to attain objectives and develop programs that are of sufficient importance to be a matter of state policy.</p> <p>Funding Committee 4: The school finance system should encourage and remove barriers to sharing services and curriculum across school districts to promote efficient use of resources.</p>	<p>The primary financial incentives under current law allow districts to retain existing budget authority for a period of time after consolidation.</p>	<p>The concepts proposed include a small “innovations” block grant that would fund new programs.</p>
<p>c. Financial Penalties. Reductions in budget authority or state aid should not be used to enforce prescribed state standards.</p>	<p>There are no current financial penalties.</p>	<p>Not addressed so presentations so far.</p>
<p>d. Earmarking Funds. The use of school district general funds should not be earmarked for a particular purpose.</p>	<p>Certain general fund dollars are “earmarked” because they are related to weightings; i.e., “at risk” funds must be used for specific purposes.</p>	<p>As noted above, the proposals indicate districts would have more flexibility in local spending decisions, but no specifics have been presented.</p>

<p>Funding Committee 9: Districts might benefit from additional flexibility in the use of state and local funds, but KASB should undertake further study on the impact of shifting funds among specific revenue sources.</p>		
<p>e. State General Fund Transfers. State general fund dollars should not be transferred to other state funds which have traditionally been funded by user fees, or subject to arbitrary reserve requirements.</p>	<p>The state is supposed to maintain an ending balance of at least 7.5%; however, this requirement has been waived in recent years. (If currently enforced, state spending would have to be further reduced.)</p>	<p>Presentations so far indicate a desire to rebuild SGF ending balances.</p>
<p>f. Reductions or Delays in State Funding. School boards should not be subject to penalties for violations of the cash-basis law when state funding is reduced or delayed. School boards should be given expanded flexibility to deal with reductions or delays in state budget authority.</p> <p>Funding Committee 5: The state should seek to provide budget stability and predictability to promote long-term planning and to avoid mid-year budget cuts after contracts are in place.</p>	<p>State law currently provides exemptions for school districts when state aid payments are delayed.</p>	<p>No proposed changes.</p>
<p>D. State Responsibility for Mandated Costs</p> <p>KASB believes that whenever costs are incurred by local school districts that can be attributed to actions of any agency acting under state authority, those costs should be reimbursed to the school district by the State of Kansas. New curriculum and program requirements should not be imposed unless the change has received an independent cost study and additional funding is provided by the state or the change endorsed by KASB.</p>	<p>There is no mechanism for providing funding for new requirements.</p>	<p>Not addressed in proposals presented.</p>
<p>E. Tuition Tax Credit, Voucher Systems and Choice Plans</p> <p>KASB opposes legislation that would use tuition tax credits, voucher systems or choice plans to aid private elementary or secondary schools which are not subject to the same legal requirements as public school districts. However, KASB supports voluntary efforts to experiment with public school choice plans, such as charter and magnet schools, provided those plans are approved by the local school board.</p>	<p>Kansas does not have tuition tax credits, vouchers or any other public funding for private schools. Charter and magnet schools must be approved by the local school board. Charter schools must also be approved by the State Board.</p>	<p>Presentations by the Governor’s office specifically oppose private school vouchers.</p>
<p>F. Definition of Suitable Funding</p> <p>The Kansas Constitution directs the Legislature to provide for intellectual, educational, vocational and scientific improvement by establishing and maintaining public schools and other educational institutions and activities, and to make suitable provision for finance of the educational interests of the state. A definition of “suitable provision” must reflect the changing needs of the individual and society. It should include the resources necessary to provide: all areas of instruction and all other programs, services and functions required by:</p>	<p>The definition used in the most recent Legislative Post Audit study of suitable funding included two approaches: the first based on meeting state requirements for programs and services, and the second based on meeting Adequately Yearly Progress requirements set by the State Board for accreditation (reading and math proficiency on state tests and graduation rates).</p>	<p>Not discussed in proposals presented.</p>

<p>(1) state and federal law, state accreditation standards and other relevant regulations;</p> <p>(2) programs and services required for students to meet state and federal performance standards; and</p> <p>(3) programs and services that support the education of all students to become well-rounded citizens and successfully participate in the modern world, including such areas as health and safety, technical and vocational education, fine arts and student activities and other relevant public expectations.</p> <p>Funding Committee: In addition to these policy recommendations, the committee recommends KASB should take responsibility to define a suitable education. That definition should include a “core curriculum” plus other important subjects and skills, as well as anything mandated by the Legislature, Kansas State Board of Education and Federal Government.</p>		
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