

**Oral Testimony before the
House K-12 Budget Committee**

On

HB 2526

By

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Background Information

We are not opposed to the intent of the current law which in 2015 established a method to manage the State's budgetary expense related to capital improvement state aid for bonds issued to fund facility improvements. Based on the last 5 years of data, there is an unintended inequity in the current law that should be addressed.

Capital Improvement Fund was established by the State of Kansas to assist school districts with making principal and interest payments on bonds. The purpose of Capital Improvement State Aid is to provide an equitable solution for funding capital improvement projects.

School Districts receive State Aid for Bonds based on their Assessed Valuation Per Pupil (AVPP). The State uses AVPP to evaluate district wealth. Based on wealth, state aid for each district is determined each year.

There are currently two Capital Improvement State Aid formulas:

- Bond Elections Approved by voters Prior to July 1, 2015
 - State annually calculates AVPP for each school district and state median AVPP
 - Median AVPP results in 25% State Aid. School Districts are assigned a State Aid percentage factor based on how they compare to the median. For every 1,000 more in AVPP than the median, the State Aid percentage decreases by 1% and for every 1,000 less in AVPP than the median, the State Aid percentage increases by 1%.
 - The percentage factor represents the portion of principal and interest payments the State will pay for each school district eligible to receive State Aid in the current fiscal year.
 - For 2015/16, 200 school districts were eligible to receive State Aid under this law.
 - For 2019/20, 189 school districts are eligible to receive State Aid under this law.

- Bond Elections Approved by voters After July 1, 2016 and July 1, 2017
 - State annually calculates AVPP for each school district
 - The intent of this law is to establish a method to manage the budgetary expense related to State Aid for bond issues.

- Lowest AVPP District is capped at a state aid percentage factor of 75%.
- Fort Leavenworth (USD 207) is the lowest AVPP District in the State. Under the law for bonds approved by voters prior to July 1, 2015, the District would be receiving 106% State Aid. USD 207 does not have the legal authority to issue bonds.
- USD 207 continues to get 'poorer' on a per pupil basis compared to other districts due to limited assessed valuation (only a few parcels within the district are located outside of the base).
- Based on the law for bonds approved after July 1, 2015, Fort Leavenworth is capped at 75%.
- As a result, State Aid for all other districts is decreased by the same percentage point drop. For example, if a school district was receiving 50% State Aid on bonds authorized by voters prior to July 1, 2015 that district would be now be receiving 19% on bonds authorized by voters after July 1, 2015 (subject to annual adjustments).
- For 2015/16, 159 school districts were eligible to receive State Aid under this law (See Exhibit A).
- For 2019/20, 127 school districts are eligible to receive State Aid under this law (See Exhibit A).
- Based on current trends, it is likely, that within 4-5 years, less than 100 school districts would be eligible to receive State Aid under this law (See Exhibit B).
- Districts who have issued bonds under this law will continue to see a decline in State Aid.

State Aid Solution

The result of the current law for bonds authorized by voters after July 1, 2015 has unintentionally created inequity for Capital Improvement State Aid.

The current law for bonds authorized by voters after July 1, 2015, if managed correctly, provides a method to manage the State's budgetary expense related to this program.

The lowest AVPP district in the State is Fort Leavenworth. Statue KSA 72-1210 relates to the organization of USD 207 and it states that 'The Board of Education of the school district shall not have the power to issue bonds'.

School Districts receive State Aid for Bonds based on their Assessed Valuation Per Pupil (AVPP). The 'per pupil' portion of this calculation includes virtual students.

Suggested Legislative Review and Consideration

Modify the current law to require that school districts must have the authority to issue bonds in order to be eligible to receive Capital Improvement State Aid (Removes Fort Leavenworth USD 207) from the calculation. In addition, modify the formula to exclude virtual students from the per pupil count. These modifications appropriately realign the law with its original intent which is to manage long term budgetary expense and provide an equitable method for funding capital improvements while focusing on local property tax relief.

Exhibit A: State Aid Eligibility

Number of Districts Eligible for State Aid

	2015/16	2016/17	2017/18	2018/19	2019/20
Before 2015	200	196	197	189	189
After 2015	159	153	144	141	127

Districts eligible for State Aid before 7/1/2015, but not eligible for State Aid currently

USD #	County	District Name
102	Gray	Cimmaron-Ensign
105	Rawlins	Rawlins County
107	Jewell	Rock Hills
108	Washington	Washington Co. Schools
109	Republic	Republic County
110	Phillips	Thunder Ridge Schools
113	Nemaha	Prairie Hills
203	Wyandotte	Piper-Kansas City
205	Butler	Bluestem
206	Butler	Remington-Whitewater
211	Norton	Norton Community Schools
212	Norton	Northern Valley
223	Washington	Barnes
224	Washington	Clifton-Clyde
233	Johnson	Olathe
237	Smith	Smith Center
243	Coffey	Lebo-Waverly
247	Crawford	Cherokee
252	Lyon	Southern Lyon County
256	Allen	Marmaton Valley
272	Mitchell	Waconda
273	Mitchell	Beloit
283	Elk	Elk Valley
293	Gove	Quinter Public Schools
298	Lincoln	Lincoln
312	Reno	Haven Public Schools
315	Thomas	Colby Public Schools
316	Thomas	Golden Plains
322	Pottawatomie	Onaga-Havensville-Wheaton
327	Ellsworth	Ellsworth
329	Wabaunsee	Mill Creek Valley
330	Wabaunsee	Mission Valley
334	Cloud	Southern Cloud
343	Jefferson	Perry Public Schools

346	Linn	Jayhawk
347	Edwards	Kinsley-Offerle
349	Stafford	Stafford
352	Sherman	Goodland
359	Sumner	Argonia Public Schools
365	Anderson	Garnett
366	Woodson	Woodson
368	Miami	Paola
369	Harvey	Burrton
371	Gray	Montezuma
376	Rice	Sterling
377	Atchison	Atchison Co Comm Schools
378	Riley	Riley County
380	Marshall	Vermillion
381	Ford	Spearville
382	Pratt	Pratt
386	Greenwood	Madison-Virgil
392	Osborne	Osborne County
393	Dickinson	Solomon
395	Rush	LaCrosse
400	McPherson	Smoky Valley
416	Miami	Louisburg
417	Morris	Morris County
418	McPherson	McPherson
419	McPherson	Canton-Galva
426	Republic	Pike Valley
429	Doniphan	Troy Public Schools
437	Shawnee	Auburn Washburn
438	Pratt	Skyline Schools
448	McPherson	Inman
456	Osage	Marais Des Cygnes Valley
463	Cowley	Udall
473	Dickinson	Chapman
479	Anderson	Crest
490	Butler	El Dorado
492	Butler	Flinthills
493	Cherokee	Columbus
496	Pawnee	Pawnee Heights
497	Douglas	Lawrence

Exhibit B: State Aid Trend Under Current Law (After 2015)

Districts currently eligible for 10% or less State Aid

USD #	County	District Name
204	Wyandotte	Bonner Springs
232	Johnson	De Soto
239	Ottawa	North Ottawa County
258	Allen	Humboldt
263	Sedgwick	Mulvane
267	Sedgwick	Renwick
285	Chautauqua	Cedar Vale
287	Franklin	West Franklin
289	Franklin	Wellsville
309	Reno	Nickerson
311	Reno	Pretty Prairie
313	Reno	Buhler
331	Kingman	Kingman - Norwich
342	Jefferson	McLouth
345	Shawnee	Seaman
348	Douglas	Baldwin City
355	Barton	Ellinwood Public Schools
360	Sumner	Caldwell
379	Clay	Clay Center
397	Marion	Centre
408	Marion	Marion-Florence
410	Marion	Durham-Hillsboro-Lehigh
430	Brown	South Brown County
436	Montgomery	Caney Valley
445	Montgomery	Coffeyville
495	Pawnee	Ft Larned
511	Harper	Attica