

Equity Issues with **Capital Outlay Equalization Aid** and New Formula for 2014-2015 (Current School Year)

SDFQPA - K.S.A. 72-8814 Old Formula

How it works:

1. Round the Assessed Valuation Per Pupil (AVPP) of each district to the nearest \$1,000.
2. Determine the **MEDIAN** rounded AVPP of all school districts. The median district gets a payment of additional Capital Outlay funding equal to 25% of the proceeds of their locally raised capital outlay taxes.

If median rounded AVPP is \$66,000, and that district had an 8 mill levy raising \$882,573 locally, their state capital outlay equalization payment would be \$220,463 (\$882,573 x 0.25).

3. For every \$1,000 a district's rounded AVPP is higher than the median district's rounded AVPP their equalization payment decreases by 1%. For every \$1,000 a district's rounded AVPP is lower than the median district's rounded AVPP, their equalization payment increases by 1%, up to a maximum of 100%.

AVPP	Equalization Payment
\$1,000	90% x taxes raised locally
\$20,000	71% x taxes raised locally
\$25,000	66% x taxes raised locally
\$26,000	65% x taxes raised locally
\$64,000	27% x taxes raised locally
\$65,000	26% x taxes raised locally
Median: \$66,000	25% x taxes raised locally
\$67,000	24% x taxes raised locally
\$73,000	18% x taxes raised locally
\$74,000	17% x taxes raised locally
\$75,000	16% x taxes raised locally
\$90,000	1% x taxes raised locally
\$91,000 to \$480,000	no equalization payment

Result:

Districts receive more funding for Capital Outlay than they would without the equalization payment. Districts with lower AVPP receive a larger percentage of equalization than districts with higher AVPP.

Issues:

1. After adding in the equalization payments, there is still a very large discrepancy in dollars raised per pupil per tax effort. Among districts with a mill levy of 8 mills, the Capital Outlay funding ranges from \$379 to \$3,588 per pupil. Among districts with a mill levy of 4 mills the Capital Outlay funding ranges from \$158 to \$1,938 per pupil.
2. This is the Safe Harbor set by Kansas Supreme Court but does not meet the Equity Test because districts do not have "reasonably equal access to substantially similar educational opportunity through similar tax effort".

House Substitute for Senate Bill 7 Section 63- Recalculates current year equalization funding then locks into Block Grants

How it works:

1. Round the Assessed Valuation Per Pupil (AVPP) of each district to the nearest \$1,000.
2. Determine the **LOWEST** rounded AVPP of all school districts. The lowest district gets a payment of additional Capital Outlay funding equal to 75% of the proceeds of their locally raised Capital Outlay tax levy.

If lowest rounded AVPP is \$1,000 (Ft. Leavenworth), and that district had a 3.981 mill levy raising \$8,737 locally, their State Capital Outlay equalization payment would be \$6,553 (8737 x 0.75).

3. For every \$1,000 a district's rounded AVPP is higher than the lowest district's rounded AVPP their equalization payment decreases by 1%.

AVPP	Equalization Payment
Lowest: \$1,000	75% x taxes raised locally
\$20,000	56% x taxes raised locally
\$25,000	51% x taxes raised locally
\$26,000	50% x taxes raised locally
\$63,000	13% x taxes raised locally
\$64,000	12% x taxes raised locally
\$65,000	11% x taxes raised locally
\$66,000	10% x taxes raised locally
\$67,000	9% x taxes raised locally
\$73,000	3% x taxes raised locally
\$74,000	2% x taxes raised locally
\$75,000	1% x taxes raised locally
\$76,000 to \$480,000	no equalization payment

4. Equalization Aid may now be transferred to the district's General Fund rather than used only on Capital Outlay expenses.

Result:

The same as with SDFQPA, but the percentage of equalization is prorated downward and less districts receive equalization.

Issues:

1. Same two issues as with SDFQPA, except the funding gaps increase.
2. Districts already set their mill levies for the current year funding based on the expected equalization, and cannot go back and raise the mill levy to make up for the decreased equalization aid.
3. Equalization aid is locked into all future block grant funding at this level and will not increase or decrease despite changes in AVPP or changes in the amount of local tax levied. Districts that raise or lower their mill levy will not receive any more or less equalization aid.
4. This does not meet the Safe Harbor as set by the Kansas Supreme Court AND does not meet the Equity Test because districts do not have "reasonably equal access to substantially similar educational opportunity through similar tax effort".