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AMENDMENTS TO THE 1992 SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE ACT AND THE 1992 SCHOOL DISTRICT CAPITAL IMPROVEMENTS STATE AID LAW (FINANCE FORMULA COMPONENTS)

This memorandum provides a chronology of the main amendments to two 1992 school finance enactments. Another Legislative Research Department memorandum describes in some detail the principal features of both of these laws.

SCHOOL DISTRICT FINANCE AND QUALITY PERFORMANCE ACT

Primary Funding Program

State Financial Aid (SFA)

Base State Aid Per Pupil (BSAPP). A 1993 amendment, applicable beginning in the 1992-93 school year, provides that 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 Base State Aid Per Pupil to the amount necessary to match general state aid entitlements of districts with the amount of general state aid that is available. Following is a history of BSAPP:

School Year	BSAPP
1992–93	$ 3,600*
1993–94	3600
1994–95	3600
1995–96	3,626
1996–97	3,648
1997–98	3,670
1998–99	3,720
1999–00	3,770
2000–01	3,820
2001–02	3,870
2002–03	3,863**
2003–04	3,863**
2004–05	3,863**
2005–06	4,257
2006–07	4316
2007–08	4,374
2008–09	4,400
2009–10	4,012***
2010–11	4,012

PLAINTIFFS' EX. 4

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School Year	BSAPP
2011–12	3780

* In 1992-93, some school districts did not benefit fully from BSAPP at $3,600. In that year, SFA was the lesser of "formula" SFA or "transitional" SFA. Formula SFA was the district's BSAPP times its adjusted enrollment, and transitional SFA was the 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 10.0 percent plus the percentage equivalent to any enrollment increase in 1992–93 over 1991–92.

** In 2002–03, 2003–04, and 2004–05, the statute states that the BSAPP is $3,890; however, $3,863 was funded.

*** After the 2009 Legislative Session ended, the Governor enacted allotments and the BSAPP was lowered to $4,218 from $4,280; then, in November 2009, the Governor enacted an additional allotment, bringing BSAPP to $4,012.

During the regular 2005 Legislative Session, HB 2247 deleted correlation weighting and placed the funding attributable to this weighting into the BSAPP which increased it to $4,107. In addition, $115 was added to the BSAPP, which increased the amount to $4,222. The 2005 Special Session provided additional funding of $35 for a total BSAPP amount of $4,257 in House Substitute for SB 3.

Definition of the Term "Pupil." A 1993 amendment provided that a pupil enrolled in grade 11 who concurrently is enrolled in a school district and a postsecondary education institution is counted as one full-time equivalent (FTE) pupil if the school district and postsecondary enrollment is at least five-sixths time. Otherwise, the combined enrollment is determined to the nearest one-tenth of full-time enrollment. (Under prior law, only pupils in grade 12 who were involved in concurrent enrollment were counted as one FTE if their combined enrollment was at least five-sixths time.)

In 1994, an amendment specified that the term "pupil" *excludes* pupils who reside at the Flint Hills Job Corps Center and pupils confined in and receiving services provided by a school district at a juvenile detention facility. School districts receive funding under a different law for providing educational services to children in these facilities. The district receives the lesser of two times BSAPP or actual costs of the education services provided. Subsequent legislation has expanded this exclusion from coverage under the general school finance law, as follows:

- 1995: The Forbes Juvenile Attention Facility was added to the legislation that applies to the Flint Hills Job Corps Center and juvenile detention facilities.

- 1999: An amendment added the term "juvenile detention facility" and defined it to include any community juvenile corrections center or facility, the Forbes Juvenile Attention Facility, and four newly designated facilities: Sappa Valley Youth Ranch of Oberlin, Parkview Passages Residential Treatment Center of Topeka, Charter Wichita Behavior Health System, L.L.C., and Salvation Army/Koch Center Youth Services.

- 2000: An amendment deleted from the listing two facilities that had been added in 1999 due to their closure and added six new ones. Facilities added to the listing were the Clarence M. Kelley Youth Center, Trego County Secure Care Center, St. Francis Academy at Atchison, St. Francis Academy at Ellsworth, St.

Francis Academy at Salina, and St. Francis Center at Salina. The two facilities deleted were the Parkview Passages Residential Treatment Center of Topeka and Charter Wichita Behavior Health System, L.L.C.

- 2001: An amendment added three new facilities: Liberty Juvenile Services and Treatment (Wichita USD 259), King's Achievement Center (Goddard USD 265), and Clarence M. Kelley Transitional Living Center (Topeka USD 501).

- 2003: An amendment modified the definition of the term "juvenile detention facility" to mean:
  - a secure public or private facility, but not a jail, used for the lawful custody of accused or adjudicated juvenile offenders;
  - a level VI treatment facility licensed by the Kansas Department of Health and Environment which is a psychiatric residential treatment facility for individuals under the age of 21, and which conforms with the regulations of the Centers for Medicare/Medicaid Services and the Joint Commission on Accreditation of Health Care Organizations governing such facilities; and
  - a facility specifically identified in the statute (no new facilities were added to the listing by the 2003 Legislature).

- 2004: An amendment specified that the term "pupil" excludes pupils enrolled in a virtual school in a district, but who is not a resident of the state of Kansas.

- 2007: An amendment allows a student in the custody of the Secretary of Social and Rehabilitation Services or the Commissioner of the Juvenile Justice Authority and who is enrolled in Wichita USD 259, but housed, maintained, and receiving educational services at the Judge James V. Riddel Boys Ranch to be counted as two pupils. Another amendment specified that a pupil enrolled in a district, but housed, maintained, an receiving educational services at a psychiatric residential treatment facility, as defined by KSA 72-8187, is not counted. An additional amendment modified the definition of the term "juvenile detention facility" to mean any public or private facility, but not a jail, used for the lawful custody of accused or adjudicated juvenile offenders.

- 2009: An amendment allows a student in the custody of the Secretary of Social and Rehabilitation Services or the Commissioner of the Juvenile Justice Authority and who is enrolled in the Atchison School District to be counted as two pupils.

A 1998 amendment added to the definition of the term "pupil" preschool-aged at-risk pupils who are enrolled in the district and are receiving services under an approved at-risk pupil assistance plan maintained by a school district. Such a pupil is counted as 0.5 FTE in the district. Preschool aged at-risk pupils are four-year-olds who have been selected by the State Board of Education in accord with guidelines consonant with those governing selection of pupils for participation in the Head Start program. The 1998 legislation authorized the State Board to select not more than 1,350 pupils to be counted in any school year. A 1999 amendment expanded the program to serve up to 1,794 pupils; a 2000 amendment expanded the program to serve up to 2,230 pupils; and a 2001 amendment expanded the program to serve up to 3,756

pupils in 2001–02 and 5,500 pupils in 2002–03 and thereafter. A 2005 amendment removed the cap on the number of children who can be served.

Decreasing Enrollments. A 1993 amendment provided that when the enrollment in the current school year had decreased from the preceding school year, a district could add to its enrollment for the current school year one-half of the number of pupils by which the enrollment in the current school year had decreased from the enrollment in the preceding school year, provided that no adjustment was made for decreases in enrollment in the current school year that exceeded 4.0 percent of the enrollment in the preceding school year. This provision became effective for the 1993–94 school year.

Legislation in 1997, which replaced the 1993 enactment, provided that a district in which enrollment has decreased from the preceding school year would use the enrollment of the preceding school year. Under this provision, the low enrollment and correlation weights of the preceding year are used. All other weights are determined on a current year basis.

Legislation in 1999 added a new condition applicable to districts that are experiencing enrollment decreases. The average of the sum of the enrollment for the current school year and for the two immediately preceding school years will be used in determining the district's general fund budget when the enrollment so determined is greater than the enrollment in either the current or the immediately preceding school year. (The low enrollment and correlation weights of the previous year are used. All other weights are determined on a current year basis.) The 1999 amendment also included technical changes to assure that any preschool aged at-risk four-year-old pupils receiving service under this law are treated only as an add-on based on the current year's enrollment of such pupils.

Legislation in 2002 provides that, if the State Board of Education determines that the enrollment of a school district in the preceding school year had decreased from the enrollment in the second preceding school year and that a disaster had contributed to the decrease, the enrollment of the district in the second school year following the disaster will be determined on the basis of a four-year average of the current school year and the preceding three school years, adjusted for the enrollment of pre-school aged at-risk pupils in those years, except that the enrollment decrease provisions of the general law apply if they are more beneficial to the district than the four-year average. For this purpose, "disaster" means the occurrence of widespread or severe damage, injury, or loss of life or property resulting from flood, earthquake, tornado, wind, storm, drought, blight, or infestation.

(For discussion of special one-year exceptions, see "Miscellaneous" heading.)

Operating Expenses. A 1994 amendment excluded from the definition of the term "operating expenses" expenditures for which the district receives state reimbursement grants for the provision of educational services for pupils residing at the Flint Hills Job Corps Center or confined in juvenile detention facilities. A 1999 amendment expanded the listing of facilities to which this provision applies to include the Forbes Juvenile Attention Facility, Sappa Valley Youth Ranch of Oberlin, Parkview Passages Residential Treatment Center of Topeka, Charter Wichita Behavior Health System, L.L.C., and Salvation Army/Koch Center Youth Services. A 2000 amendment added six and deleted two facilities from this listing. Those added were: Clarence M. Kelley Youth Center, Trego County Secure Care Center, St. Francis Academy at Atchison, St. Francis Academy at Ellsworth, St. Francis Academy at Salina, and St. Francis Center at Salina. Those deleted (due to closure) were the Parkview Passages Residential Treatment Center of Topeka and Charter Wichita Behavior Health System, L.L.C. A 2001 amendment added Liberty Juvenile Services and Treatment (Wichita USD 259), King's Achievement Center (Goddard USD

265), and Clarence M. Kelley Transitional Living Center (Topeka USD 501). A 2002 amendment deleted the statutory listing under this provision of the law and replaced it with a reference to the definition of "juvenile detention facility" contained in the main definition section of the school finance law (KSA 2001 Supp. 72-6407, as amended).

Low Enrollment Weight. A 1995 amendment changed application of the low enrollment weight from all school districts with under 1,900 enrollment to all districts under 1,800 enrollment, to be phased in over a four-year period, as follows: under 1,875 in 1995–96, 1,850 in 1996–97, 1,825 in 1997–98, and 1,800 in 1998–99 and thereafter. A 1997 amendment accelerated the foregoing schedule so that as of July 1, 1997, the low enrollment weight provision was applicable to school districts with under 1,800 enrollment. The law since has been amended in both 1998 and 1999. A 2005 amendment changed the formula for computing the low enrollment weight for those districts to which the weight applies and provided for low enrollment weighting to districts with less than 1,662 students. A 2006 amendment changed the formula by decreasing the enrollment to 1,637 in 2007; and 1,622 in 2008 and thereafter. (See table below.)

School Year		Low Enrollment Weight Threshold
1992–93	under:	1,900
1993–94		1,900
1994–95		1,900
1995–96		1,875
1996–97		1,850
1997–98		1,800
1998–99		1,750
1999–00		1,725
2000–01		1,725
2001–02		1,725
2002–03		1,725
2003–04		1,725
2004–05		1,725
2005–06		1,662
2006–07		1,637
2007–08		1,622

For districts greater than 1,662 enrollment, low enrollment weight was replaced by the correlation weight (discussed below).

Correlation (High Enrollment) Weight. A 1995 amendment added the "correlation weighting" pupil weight. This provision was to be phased in over a four-year period, as follows: in 1995–96, the weight was available to all districts with enrollments of 1,875 or more; in 1996–97, to districts of 1,850 or more; in 1997–98, to districts of 1,825 or more; and in 1998–99, to districts of 1,800 or more. The law also provided that if in any year the appropriation of general state aid was insufficient to fully fund the BSAPP, taking into account the correlation weight step scheduled for implementation in that year, only the portion of the correlation weight step would be implemented that could be accomplished without prorating the BSAPP. That point on the implementation schedule was to serve as the reference point in the next year for continuing the correlation weight implementation process. Each "regular" implementation step was designed to lower the threshold to apply to school districts having 25 fewer FTE pupils than in the preceding school year. The process was to continue until the correlation weight applied to all districts with 1,800 or more enrollment.

If the correlation weight had been phased in over a four-year period in four equal steps, the weight would have been 0.9031 percent of BSAPP in 1995–96, 1.8062 percent in 1996–97, 2.7090 percent in 1997–98, and 3.6121 percent in 1998–99 and thereafter.

Legislation in 1997 accelerated the correlation weight implementation schedule so that the provision was fully implemented in the 1997–98 school year. That meant that the correlation weight applied at the 3.6121 percent rate to all districts having enrollments of 1,800 or more beginning in the 1997–98 school year. The correlation weight factor was modified by both the 1998 and 1999 Legislatures. A 1998 amendment applied the correlation weight factor to all school districts with 1,750 and over enrollment, beginning in the 1998–99 school year and the 1999 amendment applied the correlation weight factor to all school districts with 1,725 and over enrollment, beginning in 1999-2000. A 2005 amendment accelerated the correlation weight to 1,662 or more beginning in the 2005–06 school year. A 2006 amendment changes the name from "correlation weighting" to "high enrollment weighting" and adjusts the weighting to 1,637 in the 2006–07 school year and 1,622 in the 2007–08 school year. A history of correlation weight adjustment is shown below.

School Year	Correlation Weight Threshold	Correlation Weight (Percent)
1992–93	none	0.0
1993–94	none	0.0
1994–95	none	0.0
1995–96	1,875 and over	0.9031
1996–97	1,850	1.8062
1997–98	1,800	3.6121
1998–99	1,750	5.4183
1999–00	1,725	6.3211
2000–01	1,725	6.3211
2001–02	1,725	6.3211
2002–03	1,725	6.3211
2003–04	1,725	6.3211
2004–05	1,725	6.3211
2005–06	1,662	0.0215
2006–07	1,637	0.0299
2007–08	1,622	0.0350

At-Risk Pupil Weight. A 1997 amendment increased the at-risk pupil weight from 0.05 to 0.065, commencing with the 1997–98 school year. A 1998 amendment increased this weight to 0.08, commencing with the 1998–99 school year, a 1999 amendment increased the weight to 0.09 commencing with the 1999–2000 school year, and a 2001 amendment increased the weight to 0.10 in 2001–02 and thereafter. A 2005 amendment increased the at-risk pupil weight from 0.10 to .193 for the 2005–06 school year, and thereafter.

The 2001 amendment also directed that an amount equal to 0.01 be used by the district for achieving mastery of basic reading skills by completion of the third grade in accordance with standards established by the State Board of Education. A school district must include

information in its at-risk pupil assistance plan as the State Board of Education requires regarding the district's remediation strategies and its results in achieving the State Board's third grade reading mastery standards. A school district's report must include information documenting remediation strategies and improvement made by pupils who performed below the expected standard on the State Board's second grade diagnostic reading test. A school district whose third grade pupils substantially meet the State Board standards for mastery of third grade reading skills, upon request, may be released by the Board from the requirement to dedicate a specific portion of the at-risk weight to this reading initiative.

School Year	At-Risk Pupil Weight (Percent)
1992–93	5.0
1993–94	5.0
1994–95	5.0
1995–96	5.0
1996–97	5.0
1997–98	6.5
1998–99	8.0
1999–00	9.0
2000–01	9.0
2001–02	10.0*
2002–03	10.0*
2003–04	10.0*
2004–05	10.0*
2005–06	19.3*
2006–07	27.8*
2007–08	37.8
2008–09	45.6

* 1.0 percent is targeted at mastery of third grade reading skills.

High Density At-Risk Weighting. A 2006 amendment provided, beginning in 2006–07, a new weighting factor for school districts with high percentages of students receiving free meals. Those districts that have free meal percentages between 40.0 percent and 49.9 percent receive an additional weighting of 0.04 percent; and districts with 50.0 percent or more free meal students receive an additional weighting of 0.08 percent. Districts with a density of 212.1 students per square mile and a free lunch rate of 35.1 percent and above receive an additional weighting of 0.8 percent.

This weighting was amended during the 2008 Legislative Session. Districts having an enrollment of at least 40.0 percent at-risk pupils have an additional weighting of 0.06. Enrollments of at least 50.0 percent at-risk pupils or an enrollment of at least 35.1 percent at-risk pupils and 212.1 pupils per square mile receive an additional weighting of 0.10. The Legislature changed the law allowing school districts to use current school year; prior school year; or the average of the weighting in the current school year and the preceding two school years.

Non-Proficient At-Risk Weighting. A 2006 amendment provides, for school year 2006–07, a new weighting factor for students who, based on state assessments, are not proficient in reading or math and who are not eligible for the federal free lunch program. This weighting is computed on a percentage of students below proficient and not on free lunch divided by the number of students taking the test and applied to the enrollment (less the number of students on free lunch) of the school district.

Bilingual Education Weight. A 2005 amendment provides, beginning in 2005–06, an increased weighting factor for bilingual education classes. The weighting factor is increased from 0.2 to 0.395.

Ancillary School Facilities Weight. A 1997 amendment provides, beginning in 1997–98, an amount equal to the levy approved by the State Court of Tax Appeals (SCOTA) 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 SCOTA by BSAPP.

The school district levies a property tax for the amount approved by SCOTA. See "New School Facilities—Special Taxing Authority" (page 18). 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 the 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.

A 2011 amendment allows any school district having authority for ancillary school facilities weighting, cost of living weighting, or declining enrollment weighting to spend the motor vehicle-related revenue derived as a result of these weightings. Prior law allowed a school district to receive this revenue, but not spend the revenue.

Declining Enrollment Weighting. A 2005 amendment created a new declining enrollment weighting in addition to the other provisions provided in law for declining enrollment (See page 4). The provision provides that any district that is at its maximum LOB and has declined in enrollment from the prior year may seek approval from the State Board of Tax Appeals to make a levy for up to two years, capped at 5.0 percent of the district's general fund budget. The levy would be equalized by the state up to the 75th percentile. However, if the amount of appropriation for declining enrollment state aid is less than the amount each district is entitled to receive, the State Board will prorate the amount appropriated amount the districts.

A 2011 amendment allows any school district having authority for ancillary school facilities weighting, cost of living weighting, or declining enrollment weighting to spend the motor vehicle-related revenue derived as a result of these weightings. Prior law allowed a school district to receive this revenue, but not spend the revenue.

Special Education and Related Services Weighting. A 2001 provision directed that the amount of state special education services categorical aid a school district receives during the current school year be converted to a pupil weighting for purposes of determining the State Financial Aid of a school district (the school district's general fund budget). This is accomplished by dividing the amount of state special education services aid the district receives by BSAPP and treating the result as an additional number of weighted pupils of the district. In turn, an

amount equal to the amount attributable to the weighting is defined as "local effort" and, therefore, as a deduction in computing the general state aid entitlement of the district.

The amount of state special education services aid the district receives is deposited in the school district general fund and is then transferred to the district's special education fund. This procedure, which increases the size of a school district's general fund budget for purposes of the LOB calculation, was especially beneficial to school districts which sponsored a special education cooperative, as it was the sponsoring district that received state special education services aid distribution. This change in law did not benefit the other districts in the cooperative nor did it benefit districts in a special education interlocal agreement, as the state special education services aid was paid to the interlocal and not to any of the individual school districts.

Legislation in 2002 provided that each school district which had paid amounts for special education and related services pursuant to a special education cooperative agreement or a special education interlocal agreement was entitled to special education services aid in proportion to the amount paid by the district in the current school year for the provision of special education and related services to the aggregate of all amounts paid by all school districts participating in the interlocal or cooperative entity in the current school year.

Legislation in 2011 changed the starting date of the portion of the special education school finance formula that determines the minimum and maximum amount of special education state aid a school district may receive. This provision now goes into effect for the 2012–13 and the 2013–14 school years and ends on June 30, 2014. (Prior law would have made this section effective with the 2011–12 school year with an expiration date of June 30, 2013.)

Legislation in 2008. Medicaid Replacement State Aid entitles each school district providing special education and related services to pupils who receive Medicaid to receive Medicaid Replacement State Aid, subject to appropriation, in an amount not to exceed $9.0 million per year. The State Board of Education will compute Medicaid Replacement State Aid for each district by dividing the appropriation by the number of pupils in the state receiving Medicaid special education and related services and multiplying the quotient by the number of exceptional pupils receiving Medicaid-provided special education and related services in each school district. The product is the amount of Medicaid Replacement State Aid the district is entitled to receive. The Kansas Health Policy Authority will certify the number of exceptional pupils receiving Medicaid services as of March 1 of each year. This provision takes effect in school year 2007–08 and ends with school year 2009–10.

Cost-of-Living Weighting. A 2006 amendment creates a new cost-of-living weighting. The provision provides that any district in which the average appraised value of a single-family residence is more than 25.0 percent higher than the statewide average value may apply for additional funding from the State Board of Education in an amount not to exceed 0.05 percent of the district's budget. The local school board would be required to pass and publish a resolution authorizing the levy, subject to protest petition, and the district also must have levied the maximum percentage allowed Local Option Budget.

A 2011 amendment allows any school district having authority for ancillary school facilities weighting, cost of living weighting, or declining enrollment weighting to spend the motor vehicle-related revenue derived as a result of these weightings. Prior law allowed a school district to receive this revenue, but not spend the revenue.

Local Effort

A 1993 amendment clarified that any tuition a school district receives for enrollment of a nonresident student for "regular" education services is to be deposited in the school district general fund and treated as a portion of the district's "local effort." (This provision became effective for the 1992–93 school year.)

Legislation in 1995 phases out the school district general fund budget participation in motor vehicle tax distributions over the period of FY 1996 through FY 2000.

A 1997 amendment provided that 75.0 percent (rather than 100.0 percent) of the federal Impact Aid that may be counted as local effort under the state's school finance law will be so counted. An exception was that the deduction remained at 100.0 percent for the Fort Leavenworth school district. A 1999 amendment reduced to 75.0 percent the Impact Aid deduction for the Fort Leavenworth school district. An amount equal to the federal impact aid not subject to deduction as local effort may be credited to any program weighted fund, categorical fund, or to the capital outlay fund. A 2005 amendment reduced from 75.0 percent to 70.0 percent of the federal Impact Aid that may be counted as local effort under the state's school finance law.

A 2001 amendment directs that state aid a school district receives for special education services, including aid under the catastrophic special education aid program, is treated as local effort. (This was added in connection with the 2001 special education and related services weight described above.)

General Fund Property Tax Rate

A 1994 amendment set the school district general fund property tax rate applicable for the 1994–95 and 1995–96 school years at 35 mills. (The 35 mill tax rate in 1994–95 and 1995–96 was not a change in policy from the previous law, except that under the previous law, the 35 mill rate would have continued from year to year until changed by the Legislature. Rather, the amendment responded to the opinion of the Shawnee County District Court in the school finance litigation in which the judge interpreted the former property tax levying provision to constitute a "state" property tax levy. As such, the tax could not be imposed for a period in excess of two years. This finding was not contested before the Kansas Supreme Court in the school finance litigation that on December 2, 1994, upheld the constitutionality of 1992 and 1993 school finance legislation.)

A 1996 amendment set the school district general fund property tax rate at 35 mills for the 1996–97 school year and 33 mills for the 1997–98 school year. The legislation further specified that this rate could not exceed 31 mills for the 1998–99 school year.

A 1997 amendment modified the 1996 legislation (described above) by setting the school district general fund property tax rate for the 1997–98 and 1998–99 school years at 27 mills in each year. This legislation also provided for exemption of $20,000 of the appraised valuation of residential property from application of that levy.

A 1998 amendment set the school district general fund property tax rate for the 1998–99 and 1999–2000 school years at 20 mills in each year. Also exempted from application of this levy for the two-year period was $20,000 of the appraised valuation of residential property. A 1999 amendment extended the 20 mill uniform tax rate and the $20,000 residential property tax

exemption to the 2000–01 school year, and a 2005 amendment extended these provisions to the 2005–06 and 2006–07 school years.

History of Uniform General Fund Mill Rate

Tax Year	Rate (Mills)
1992	32
1993	33
1994	35
1995	35
1996	35
1997	27*
1998	20*
1999	20*
2000	20*
2001	20*
2002	20*
2003	20*
2004	20*
2005	20*
2006	20*
2007	20*
2008	20*
2009	20*

*Plus $20,000 residential property appraised valuation exemption.

Contingency Reserve Fund

A 1993 amendment increased the statutory maximum cap on the contingency reserve fund from 1.0 percent to 2.0 percent of the general fund budget. Further, the 1993 amendment provided that if the amount in the contingency reserve fund of a district exceeded the cap due to a decrease in enrollment, the district could maintain the "excess amount" in the contingency reserve fund until the amount is depleted by expenditures from the fund.

A 1995 amendment increased the contingency reserve fund cap from 2.0 percent to 4.0 percent. Also, the restraints on school district use of the contingency reserve fund were relaxed somewhat. Under the prior law, in order to tap this fund, the expenditure had to be for a financial emergency or contingency that could not reasonably have been foreseen at the time the general fund budget of the district was adopted. The new standard for expenditures for the fund is that expenditures must be attributable to financial contingencies not anticipated when the general fund budget was adopted.

A 2002 amendment removed the restriction that expenditures from this fund be attributable to financial contingencies not anticipated when the general fund budget was adopted, leaving to the school board the matter of determining when a financial contingency exists prompting expenditures from this fund.

A 2005 amendment increased the contingency reserve fund cap from 4.0 percent to 6.0 percent for school year 2005–06 only. Beginning with school year 2006–07, the cap will return to the 4.0 percent amount.

A 2006 amendment made the 6.0 percent cap permanent.

In 2009, SB 161 limited to 10.0 percent the balance maintained in a school district's contingency reserve fund until school year 2012–2013, when the amount returns to current law, which requires that the amount in a district's contingency reserve fund cannot exceed 6.0 percent of a district's general fund. However, the provisions of SB 161 will not be imposed on any school district whose state financial aid is computed under current law (KSA 72-6445a) related to districts formed by consolidation or disorganization or districts with decreasing enrollments. Any such district may maintain the excess amount in the contingency fund until the amount in the fund is depleted.

Special Funds

A 1993 amendment added the new summer program fund to the statutory listing of "categorical" funds. (This was done in connection with legislation that authorized school districts, under certain circumstances, to charge fees for summer programs.)

A 1994 amendment added the new extraordinary school program fund to the statutory listing of "categorical" funds. (This was done in connection with provisions of 1994 HB 2553 which authorized school districts to implement extraordinary school programs and, under certain circumstances, to charge fees for them.)

Funding For Districts Formed by Disorganization and Attachment and by Districts Formed by Consolidation

The 2002 Legislature provided, effective commencing with the 2001–02 school year and prior to July 1, 2004, that a school district which was enlarged due to disorganization of one district and its attachment to the enlarged district would be entitled to State Financial Aid (school district general fund budget) in the current school year equal to the State Financial Aid of the districts as they were defined in the year preceding the disorganization and attachment. For the next three school years, the district will be entitled to the amount of State Financial Aid it received in the preceding year under this provision or the amount of State Financial Aid the district would receive under operation of the school finance formula in that year, whichever was greater.

An amendment in FY 2004 now requires that any districts that consolidate on or after June 30, 2005, will receive the amount of State Financial Aid they received in the preceding year or the amount of State Financial Aid the districts will receive under operation of the school finance formula in that year, whichever is greater, and will continue to receive the enhanced formula for the next two years.

If the attachment occurred on or after July 1, 2004, the district would receive the State Financial Aid of the districts for the year in which the attachment was implemented. For the next school year, the State Financial Aid of the district would be the greater of the amount the district

received in the preceding year or the amount the district would receive under operation of the school finance formula in that year.

These provisions applied only when all of the territory of the district being disorganized was attached to one other district.

Amendments also applied this method of determining State Financial Aid to districts which consolidate.

The basic concept contained in the legislation was enacted by the 1999 Legislature and was applied to districts that merged through consolidation. The 2002 legislation extended the concept to a school district which was enlarged due to disorganization of a district and attachment of its territory to another district and enhanced somewhat the financial incentives for disorganization and attachment or consolidation. (2002 SB 551, Sec. 1)

2008 legislation changed current school district consolidation law. This bill provides a school district desiring to consolidate before July 1, 2011, with another district with fewer than 150 pupils, a guaranteed combined general fund budget for the year in which the consolidation takes place plus two school years. Any school district with an enrollment of less than 150 pupils desiring to consolidate after July 1, 2011, will receive only the combined general fund budget for the current year plus one year. If a district has more than 150 pupils but fewer than 200 pupils, the combined general fund budgets will be guaranteed for the current year plus three years. For a district with more than 200 pupils, the combined general fund budgets will be guaranteed for the current year plus four years. If three or more districts wish to combine, regardless of the number of pupils enrolled in the districts, the combined general fund budget will be guaranteed for the current year plus four years. In all scenarios, a consolidated district will receive either the guaranteed general fund budget or the actual computed amount under current law, whichever is higher. The bill makes parallel changes to another provision in law relating to the disorganization of a district and the attachment of the territory of the disorganized district to another school district.

The law allows local boards of education desiring to consolidate school districts to enter into an agreement requiring a majority of the qualified electors of each school district proposed to be consolidated to vote in favor of the consolidation.

In 2009, SB 41 amended state law dealing with school district consolidation and disorganization. In situations where a school district disorganizes and the territory of the disorganized district is attached to more than one district, the state financial aid of the disorganized district is allocated to the districts to which the territory of the former district is attached. The state financial aid is allocated on the same proportional basis that the assessed valuation of the territory attached to each district bears to the assessed valuation of the entire disorganized district.

State Funding Sources—General State Aid

A 1993 amendment eliminated (effective beginning in the 1992–93 school year) the requirement that the enhanced sales and income taxes imposed by the 1992 school finance legislation be treated as a demand transfer from the State General Fund to the State School District Finance Fund (SSDFF) for school district general state aid. (Under the original provision, two of three transfers scheduled for FY 1993, totaling $170,005,000, were made from the State General Fund to the SSDFF before the provision was repealed.)

See also, "Ancillary School Facilities Weight," (page 7) and "New School Facilities—Special Taxing Authority," (page 18) for a discussion of certain school district property tax levy proceeds that are deposited in the SSDFF and used for general state aid.

Appropriation action by the 2000 Legislature (Senate Sub. for HB 2513, Sec. 60(j)) directed the expenditure of $1.0 million from the Children's Initiative Fund (tobacco money) for general state aid to fund a portion of four-year-old at-risk enrollment under the school finance law. The 2001 Legislature increased this funding to $4.5 million in 2001–02. The 2005 Legislature again increased the funding to a total of $5.3 million for FY 2006.

Local Option Budget (LOB)/Supplemental General State Aid

Disposition of Money Remaining in the Supplemental General Fund at the End of the School Year. The 1992 legislation provided that any money remaining in the supplemental general fund at the end of the school year would be transferred to the school district general fund. A 1993 amendment, effective beginning in 1992–93, revised this provision of the law 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 the district is not authorized 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 the 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 supplemented 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 will be maintained in that fund or transferred to the general fund. However, if the district 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.

LOB "Cap." A 1995 amendment deleted the provision of law which required that the LOB maximum percentage, *i.e.*, 25.0 percent of SFA (the base budget), be reduced by the same number of percentage points by which BSAPP was increased. A 2005 amendment provided that

the maximum percentage be increased to 27.0 percent of SFA for FY 2006, to 29.0 percent for FY 2007, and to 30.0 percent for FY 2008 and thereafter. In addition, a district would be allowed to increase its LOB from 25.0 percent to 27.0 percent on board action for the school year 2005–06 only. After the 2005–06 school year, all local boards must stand for a protest petition to increase their LOB above 25.0 percent. A 2006 amendment increased the maximum percentage to 30.0 percent for FY 2007, and to 31.0 percent for FY 2008 and thereafter.

"Subsequent" LOB Resolutions. A 1996 amendment provided that a school district board that has adopted an initial LOB resolution at some percentage less than the maximum authorized by law (25.0 percent of SFA) is authorized to adopt any number of subsequent resolutions so long as, in total, the percentages authorized in the resolutions do not exceed the maximum percentage authorized by law and do not extend beyond the duration of the initial resolution. (The previous law permitted only one additional resolution during the duration of the initial resolution.)

LOB—Lease-Purchase Expenditure Limitations. Another 1996 amendment prohibited a school district board of education from making LOB expenditures or transfers to the district's general fund for any lease-purchase agreement involving acquisition of land and buildings under KSA 72-8225, as amended.

LOB Authority—Limited One-Year Extension for Certain School Districts. Another 1996 amendment applied to any school district that had adopted an LOB for the 1996–97 school year and which in order to adopt an LOB for the next school year would be required to adopt a new LOB resolution subject to the protest petition/election provisions of the then existing law. Any such district, by a majority vote of its board, was authorized to adopt an LOB for the 1997–98 school year in an amount not in excess of the percentage of SFA that the district's LOB resolution authorized the board to adopt in 1996–97. (Another amendment to the same section of law limited the 1997–98 extension authority to 75.0 percent of the 1996–97 LOB authorization. School boards were permitted to operate under either of these two authorizations.)

LOB Authority—Provisions for Permanent Authority and Other Changes. Legislation enacted in 1997 made numerous changes in the law concerning LOB authority; however, such authority continues to be subject to a limitation of the state prescribed percentage of a school district's general fund budget.

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.

- 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.

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.

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.

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.

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 specify the number of years for which the LOB authority is sought. (Under prior law, the duration of a resolution could not exceed four years.) 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.

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.

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, the board, in any school year, may increase its LOB to any level it chooses, subject to the state prescribed percentage 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 district opts to submit the question directly to the electors and the question is lost, the matter may not be submitted to the electors again for a period of nine months.

When the board seeks temporary LOB authority, only the protest petition election procedure is applicable.

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 state prescribed percentage aggregate cap. The duration of a subsequent resolution may not exceed that contained in the initial resolution.

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

A district operating under LOB authority obtained prior to passage of this bill, 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 bill.

Supplemental General State Aid Calculation Adjustment. A 1997 provision directed that, for the purpose of computing supplemental general state aid entitlements, the measure of school district assessed valuation is adjusted to net out assessed valuation attributable to Kansas Neighborhood Revitalization Act tax increment financing rebates paid by school districts. To accomplish this, the county clerk certifies annually the assessed valuation adjustment to the Commissioner of Education. The adjustment is determined by dividing the total of the 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.

Supplemental General State Aid Percentage Increase. A 2005 provision increased the Supplemental General State Aid percentage from the 75th percentile to the 81.2 percentile beginning in the 2005–06 school year.

Adoption of a Local Option Budget in Excess of 30.0 Percent. A 2006 law requires a school district election to authorize the adoption of a Local Option Budget in excess of 30.0 percent.

Alternative Formula for Calculation of the Local Option Budget. A 2009 law authorizes a school district to calculate its Local Option Budget (LOB) using a Base State Air Per Pupil (BSAPP) of $4,433 in any school year in which the BSAPP is less than that amount. In addition, the LOB can be calculated based on the special education appropriation for school year 2008–09.

New School Facilities—Special Taxing Authority

New School Facilities—Special Taxing Authority for Operations. A 1993 amendment permitted a school district to seek approval from the State Board of Tax Appeals (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 25.0 percent LOB; and have had an enrollment increase in each of the last three school years (preceding the current school year) which averages 7.0 percent or more. A 1995 amendment replaced this enrollment increase standard with the standard that the district must be experiencing 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 could 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. A 1997 amendment

provided that, rather than depositing proceeds of this tax levy in the school district's supplemental general fund and budgeting them in the LOB as an addition to the maximum amount that otherwise is budgeted in the LOB, the proceeds would be forwarded to the State Treasurer who would credit the money to the SSDFF. The State Board of Education then converts the amount of the levy authorized by SBOTA to an ancillary school facilities weight for the district. (See "Ancillary School Facilities Weight," page 8.)

School districts may continue the tax levying authority 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, 75.0 percent, 50.0 percent, and 25.0 percent, respectively, are the amounts that may be levied during the three-year period. A 1997 amendment specified that the amount of this levy authorization, forwarded to the State Treasurer and credited to the SSDFF, produces ancillary school facilities weight for the district.

SCHOOL DISTRICT BOND AND INTEREST STATE AID PROGRAM

School District Capital Improvements State Aid Program

A 1993 amendment clarified the law by specifying that the entitlement of state aid to assist school districts in making bond and interest payments is contingent upon the district's general obligation bonds having been issued pursuant to approval of the electors by election.

A 1997 provision directed that for the purpose of computing bond and interest state aid entitlements, the measure of school district assessed valuation is adjusted to net out assessed valuation attributable to Kansas Neighborhood Revitalization Act tax increment financing rebates paid by school districts. To accomplish this, the county clerk certifies annually the assessed valuation adjustment to the Commissioner of Education. The adjustment amount is determined by dividing the total of the 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.

A proviso added to 1999 HB 2489, Sec. 7(l), with respect to appropriations for FY 2000, specified that bond and interest state aid payments may be made only for payment of general obligation bonds approved by the voters under KSA 72-6761. (This was intended to exclude payments for bonds issued under KSA 12-1769 for joint city-school purposes.)

Joint Committee on Building Construction Approval. A 2006 amendment requires that any school district that has experienced the greater of at least a 5.0 percent or at least a 50-pupil decline each year for the three previous school years must seek a recommendation from the Joint Committee on State Building Construction prior to issuing new bonds. The Building Committee will make a recommendation to the State Board of Education and if the State Board of Education, by a majority vote, does not recommend the building project, the district will not be entitled to receive state aid if it proceeds to issue such bonds. The amendment does not require

a district that does not receive state aid for construction projects to go before the Joint Committee on State Building Construction or the State Board of Education.

MISCELLANEOUS

FY 1993 Special Appropriation Lapse Provision. 1993 H. Sub. for SB 437 contained a lapse of $9,569,870 in an appropriation of the 1992 Legislature for general state aid. However, an attached proviso was that if the sum of the 1992–93 local effort and remittance to the SSDFF were less than $892,613,000, the State Finance Council could restore the difference between the actual amount and the forgoing sum to the extent of the amount of the lapse. (The sum of the 1992–93 local effort and remittance totaled $914.4 million.)

1993–94 Special Enrollment Adjustment Due to Flooding. 1994 HB 2768 provided that for the purpose of determining "enrollment" and "adjusted enrollment" of the Elwood (USD 486), Wathena (USD 406), and Kaw Valley (USD 321) school districts in the 1993–94 school year, the greater of such enrollments determined on September 20, 1992, or September 20, 1993, would be used. This provision responded to the devastating impact of the flooding in these communities during the summer of 1993. The notion was that, because of the temporary relocation of a number of children due to the floods, there would be a reduction in the September 20, 1993, enrollment count. The estimated fiscal note of this provision in FY 1994 was $272,880.

1995–96 and 1996–97 Special Enrollment Adjustment Due to Fort Riley Downsizing. 1995 Senate Sub. for HB 2152 provided for the 1995–96 school year that in the following school districts the terms "enrollment" and "adjusted enrollment" were the enrollment count on September 20, 1995, unless the enrollment was lower than on September 20, 1994. If the September 20, 1995, count was lower than the September 20, 1994, count, 90.0 percent of the difference between the two counts was added to the actual September 20, 1995 count. The school districts to which this provision applied were: Wamego (USD 320), Pottawatomie West (USD 323), Riley County (USD 378), Clay Center (USD 379), Manhattan (USD 383), Blue Valley (USD 384), Morris County (USD 417), Abilene (USD 435), Chapman (USD 473), Geary County (USD 475), Rural Vista (USD 481), Herington (USD 487), Mill Creek Valley (USD 329), and Wabaunsee East (USD 330). This provision was prompted by concerns about the effects the downsizing of the Fort Riley Military Reservation might have on the school districts most directly affected.

Legislation in 1996 (HB 2967) extended the foregoing concept to the 1996–97 school year, that is, if the September 20, 1996, count was lower than the September 20, 1995, count as determined under the 1995 provision, 90.0 percent of the difference between the two counts was added to the 1996 count.

2005–06 and 2006–07 Special Enrollment Adjustment Due to Increased Activity Duty Military. Legislation in 2005 (HB 2059) provided a second date for enrollment count on February 20. The minimum requirement is that an increase of 25 students or 1.0 percent of the district's enrollment who are dependents of a full-time active duty member of the military service or military reserve who are engaged in mobilizing for war, international peacekeeping missions, national emergency, or homeland defense activities has occurred.

Enrollment Adjustment for Foreign Exchange Students. Legislation in 2005 revises the September 20 pupil count by stating that a foreign exchange student will not be counted unless that student was enrolled for at least one semester or two quarters.

Enrollment Adjustment for Out-of-State Students. Legislation in 2005 revises the September 20 pupil count by stating that no out-of-state students will be counted unless the receiving school district has entered into an agreement with the sending state for payment of tuition or the district has applied to the State Board of Education, which has authority to make a funding determination. A student whose parent is an employee of the school district where the student is enrolled, whose parent has paid taxes on real property in Kansas during the current or preceding school year, or a pupil who attended public school in Kansas during the 2004–05 school year will be counted as a Kansas resident pupil for state financial aid purposes. A 2006 amendment repealed this provision in law.

Shawnee Heights (USD 450)—Deposit of Certain Back Tax Receipts. Legislation in 1995 (Senate Sub. for HB 2152) provided that proceeds from taxes attributable to the school district general fund that may be paid to the Shawnee Heights school district on property of Heartland Park of Topeka for the 1988 through 1991 tax years and be distributed to the school district as the result of a final and binding judicial decree may be deposited in the district's supplemental general fund or may be disposed of as provided by statute for school district miscellaneous revenues. (This means that any such tax payment would not be treated as local effort, an offset against the district's general state aid entitlement.)

Piper (USD 203)—Supplemental General State Aid and School District Capital Improvements State Aid. Legislation in 1995 (Senate Sub. for HB 2152) specified that, in the 1994–95 and 1995–96 school years, in computing the Piper (USD 203) entitlements of supplemental general state aid (for the LOB) and school district capital improvements state aid, the assessed valuation of the Woodlands race track (owned by Sunflower Racing, Inc.) would not be used in determining the district's assessed valuation per pupil.

If USD 203 subsequently received any proceeds from taxes that may be paid upon Woodlands for either or both the 1994–95 and 1995–96 school years, the State Board of Education would deduct an equal amount from future payments of state aid to which the district was entitled (for these two programs).

1997–98—Special Enrollment Adjustment Related to the Closure of Topeka State Hospital and Winfield State Hospital and Training Center. Legislation in 1996 (HB 2167) provided that for the 1997–98 school year in the following school districts the terms "enrollment" and "adjusted enrollment" meant the enrollment count on September 20 of the current school year, unless the enrollment was lower than on September 20 of the preceding school year. If the September 20 count of the preceding school year was greater than the September 20 count of the current school year, 90.0 percent of the difference between the two counts was added to the actual September 20 count. The school districts to which this provision applied were Winfield (USD 465), Arkansas City (USD 470), Topeka (USD 501), Auburn-Washburn (USD 437), Seaman (USD 345), Shawnee Heights (USD 450), and Silver Lake (USD 372).

Legislation in 1997 (HB 2031) repealed this provision. The purpose intended to be served by the 1996 legislation was considered to be addressed sufficiently by the 1997 legislation applicable to school districts that are experiencing enrollment decreases.

Blue Valley (USD 229) and Olathe (USD 233)—"Special" Facilities Weight for the 1996–97 School Year. Legislation in 1997 on provided that, for the 1996–97 school year only,

the school facilities weight is increased from 0.25 to 0.33 for districts which commenced operating a new facility in the 1995–96 or 1996–97 school years and that qualify for the weight and which, in addition, are experiencing extraordinary enrollment growth as determined by the State Board of Education and have received approval from SBOTA to levy a tax for the purpose of financing costs associated with operation of new school facilities. The additional amount of the weight (0.08) offset a like amount of local option budget authority that had been approved by SBOTA—applicable only to Blue Valley (USD 229) and Olathe (USD 233).

1998–99—Fort Leavenworth (USD 207) Appropriation for Capital Improvements. The 1998 Legislature appropriated for FY 1998 the sum of $1,310,760 to Fort Leavenworth USD 207 for capital improvement aid. This action was designed to compensate the district for the results of an FY 1995 federal payment voucher coding error. The voucher for $1,310,760 was coded as a P.L. 874, section b payment. Under Kansas law, to the extent authorized by federal law, these payments are treated as a deduction in computing a school district's state aid entitlement. In fact, the voucher should have been coded as a P.L. 874, section f payment. These payments are used exclusively for capital outlay projects and are not deductions under the Kansas law. The FY 1998 appropriation offsets the deduction made in computing the school district's general state aid entitlement due to the federal voucher coding error. (1998 Senate Sub. for HB 2895, Sec. 2(a).)

Funding of Districts Formed by Consolidation. The 1999 Legislature provided that any school district formed by consolidation will be entitled to state financial aid equal to the amount of state financial aid of the former districts in the year preceding the consolidation for the first two years of operation of the consolidation. (1999 SB 171, sec. 12.)

2002–03 and 2003–04 Local Option Budget: "Hold Harmless" Provision. The 2002 Legislature added a "hold harmless" provision applicable to school districts which in the 2001–02 school year sponsored a special education cooperative. If such a school district adopted a 25.0 percent LOB for the 2002–03 school year and if the amount of the LOB was less than the amount of the LOB in 2001–02, the district was permitted to add to its 25.0 percent LOB in 2002–03 two-thirds of the difference between the 2001–02 and 2002–03 amounts. Using the 2001–02 school year as the base, this same provision applied in the 2003–04 school year, but the add-on amount was one-third of the difference. A second "hold harmless" provision applied to school districts which sponsored a special education cooperative in the 2001–02 school year and which adopted an LOB equal to the district prescribed percentage of the district in the 2002–03 school year. If the district's LOB in 2002–03 school year was less than the 2001–02 school year, an amount equal to one-third of the difference was added to the 2002–03 LOB. (The estimated fiscal note of the hold harmless provision was $625,000.) (2002 Senate Sub. for HB 2094, sec. 7)

Virtual School Act; School District Disaster Aid

The 2008 Legislature passed the Virtual School Act. For each school year that a school district has a virtual school, the district is entitled to Virtual School State Aid. Virtual School State Aid is calculated by multiplying the number of full-time equivalent pupils enrolled in a virtual school times 105.0 percent of the unweighted Base State Aid per Pupil (BSAPP).

In addition, virtual schools receive a non-proficient weighting of 25.0 percent multiplied by the full-time equivalent enrollment of non-proficient pupils in an approved at-risk program offered by the virtual school.

Advanced placement course funding of 8.0 percent of the BSAPP is paid to virtual schools for each pupil enrolled in at least one advanced placement course if the pupil is enrolled in a resident school district that:

- Does not offer advanced placement courses;
- Contains more than 200 square miles; or
- Has an enrollment of at least 260 pupils.

Moneys received as Virtual School Aid are required to be deposited in a Virtual School Fund. Expenses of the virtual school will be paid from this Fund.

In addition, a pupil with an Individualized Education Plan (IEP) and attending a virtual school is counted as the proportion of one pupil, to the nearest tenth that the pupil's attendance at the non-virtual school bears to full-time attendance. Any student enrolled in a virtual school is not counted in the enrollment calculation. The law requires school districts to provide adequate training to teachers who teach in virtual schools or virtual programs. The definition of a virtual school requires that students make academic progress toward the next grade level and demonstrate competence in subject matter for each class in which a student is enrolled, and it requires age-appropriate students to complete state assessment tests.

This law also establishes procedures that address declining school district adjusted enrollment as a result of a qualified disaster. In this regard, the bill applies to the following school districts: USD 101, Erie; USD 257, Iola; USD 367, Osawatomie; USD 422, Greensburg; USD 445, Coffeyville; USD 446, Independence; USD 461, Neodesha; and USD 484, Fredonia. The school district must meet two criteria. First, a state of disaster emergency must be declared within the district by the Governor and the President of the United States (pursuant to the Stafford Act). Second, as a result of the disaster, destruction or damage to housing must have caused the district's adjusted enrollment to decline by at least 25 students or 2.0 percent of the district's enrollment.

The law also allows qualifying districts to determine their budget using the adjusted enrollment of the district in school year 2006-2007. This calculation is used in computing the general fund budget of a district for the second, third, and fourth years following the 2006–07 school year.

The law also guarantees USD 253, Emporia; USD 251, North Lyon County; USD 252, Southern Lyon County; and USD 284, Chase County, 98.0 percent of the adjusted enrollment in the 2007–08 base school year when calculating the general fund budget of the school district for the 2008–09 school year. This provision is applicable only for the 2008–09 school year.

K–12 Special Education; Catastrophic Special Education Aid; Medicaid Replacement State Aid

The 2010 Legislature amended the special education catastrophic state aid law for the 2009–10 school year by increasing the threshold for eligibility to $36,000 (current threshold is $25,000) and by requiring that state special education state aid and federal special education state aid, including Medicaid Replacement State Aid, be deducted in determining the amount of reimbursement per special education student. In school year 2010–11 and years thereafter, the catastrophic state aid reimbursement threshold increases to twice the state aid per special teacher from the previous year. State and federal special education aid, including Medicaid

Replacement State Aid, shall be deducted in determining the amount of reimbursement per special education student.

Beginning in school year 2011–12, the new law directed the State Board of Education to determine the minimum and maximum amounts of state aid paid to districts for the costs of special teachers. Minimum and maximum factors will be determined by dividing the total special education per teacher entitlement by the full-time equivalent enrollment of all school districts to determine an average per pupil amount. Any district with a special education per pupil amount below 75.0 percent of that statewide average will receive additional funding; districts receiving 150.0 percent of that average will have funding decreased. (Each district's special education aid will continue to be determined by amounts per special teacher.) This provision would sunset on June 30, 2013.

Finally, the Legislature amended a provision in the special education law which provides for the payment of Medicaid Replacement State Aid to school districts. Under the law, during the school years of 2007–08, 2008–09, and 2009–10, the State Board of Education was required to designate a portion of special education state aid as Medicaid replacement. This funding cannot exceed $9.0 million in any school year. The new law removed the designated school years resulting in continuation of Medicaid Replacement State Aid permanently.

Uniform Accounting System

The 2011 Legislature established a uniform reporting system for receipts and expenditures for school districts to begin on July 1, 2012. The State Board of Education (Board) is required to develop and maintain the system. The system includes all funds held by a school district, regardless of the source of moneys held in the funds; allows districts to record any information required by state or federal law; provides records by fund, accounts, and other pertinent classifications; and includes amounts appropriated, revenue estimates, actual revenues or receipts, amounts available for expenditure, total expenditures, unencumbered cash balances (excluding state aid receivable), and actual balances. In addition, the system must allow for data to be searched and compared on a district-by-district basis.

Each school district is required to annually submit a report to the Board on all construction activity undertaken by the school district financed by the issuance of bonds. This report is required to include all revenue, expenditures of bond proceeds authorized by law, the dates for commencement and completion of construction activity, and the estimated and actual cost of the construction activity. The Board determines the form and manner of this report.

The Department of Education also is required to annually publish on its website a copy of Budget Form 150, the estimated legal maximum general fund budget, or any successor document containing the same or similar information, submitted by each district. School districts also are required to annually publish the same information.

The Department of Education also is required to annually publish the following expenditures for each school district on a per pupil basis: (1) total expenditures; (2) capital outlay expenditures; (3) bond and interest expenditures; and (4) all other expenditures not included in (2) or (3).

Fund Flexibility

The 2011 Legislature passed a law which allowed school districts to expend a portion of the unencumbered balances held in particular funds. The following funds would be considered the first priority for use: at-risk education; bilingual education; contingency reserve; driver training; parent education; preschool-aged at-risk; professional development; summer program; virtual school; and vocational education. The textbook and student materials revolving fund is the second priority with the special education fund the last priority for use. Local school boards are not limited to using the funds in the priority list and are not required to expend the total unencumbered balance before utilizing the unencumbered balance in another fund.

The law limits the amount of money a school district can use from its unencumbered balance through a formula that will be calculated by the State Board of Education.

The formula follows:

- Determine the adjusted enrollment of the district, excluding special education and related services weighting;

- Subtract the amount of Base State Aid Per Pupil (BSAPP) appropriated to the Department of Education for FY 2012 from $4,012; and

- Multiply the difference between the amount of BSAPP appropriated to the Department of Education and $4,012 by the adjusted enrollment.

Implementation of the law establishes the aggregate amount that can be expended from the unencumbered balance for the 2011–12 school year. The bill also requires that 65.0 percent of the aggregate amount authorized to be spent would be used in the classroom or for instruction as defined in KSA 72-64c01.