

February 16, 2016

The Honorable Ronald Highland, Chairperson
House Committee on Education
Statehouse, Room 561-W
Topeka, Kansas 66612

Dear Representative Highland:

SUBJECT: Fiscal Note for HB 2596 by House Committee on Education Budget

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2596 is respectfully submitted to your committee.

HB 2596 would create the Classroom-Based Funding Act which would be based on the classroom cost of instruction. The bill would require the Legislative Division of Post Audit (LPA) to conduct a classroom cost audit to determine the average classroom cost of instruction for each congressional district every ten years.

The bill would require the State Board of Education to distribute general state aid to each district in an amount equal to the quotient obtained by dividing the total classroom cost of the school district by 60.0 percent. The classroom cost for a district would be an amount equal to the average classroom cost of instruction for the applicable congressional district as determined by the LPA multiplied by the number of classrooms in the district. Beginning with the 2019-2020 school year, the average classroom cost of instruction would be increased by an amount equal to the percentage increase in the Consumer Price Index for all urban consumers, as published by the U.S. Department of Labor.

The bill would give a school district authority to adopt a local option budget (LOB). The LOB would be funded from an ad valorem tax on the taxable tangible property of the district for financing the portion of the LOB expended for curriculum expense and an ad valorem tax for financing the portion of the LOB not expended for curriculum expense.

The distribution of general state aid would follow similar procedures under current law; however, the bill would not have a separate calculation for supplemental general state aid, also known as LOB state aid.

The bill would require the State Board of Education to design and adopt a school performance accreditation system based upon improvement in performance that reflects measurable high academic standards. The bill would outline procedures for the system.

The act would be a pilot program for the 2017-2018 school year and limited to one selected school district in each congressional district on a volunteer basis. For the 2018-2019 school year, all school districts would be subject to the bill.

To estimate a fiscal effect for HB 2596, the Department of Education utilized classroom expenditures from the 2014-2015 school year, which comprise statewide expenditures from the general fund and supplemental general fund (LOB) for all districts, as well as amounts comprising general state aid and LOB state aid in the Block Grant for FY 2015:

Current State Appropriations from Block Grant

General State Aid	\$1,885,725,433
Supplemental General State Aid (LOB)	<u>450,500,000</u>
Total	\$2,336,225,433

Statewide Expenditures for Classroom Instruction with HB 2596

General Fund	\$1,156,655,591
Supplemental General Fund (LOB)	<u>327,119,516</u>
Total	\$1,483,775,107

Quotient by Dividing Statewide Classroom Instruction Total by 60.0%	\$2,472,958,512
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Estimated Cost of HB 2596 **\$136,733,079**

The estimated fiscal effect of HB 2596 would be \$136.7 million, all from the State General Fund, when all school districts would be subject to the bill in FY 2019. The fiscal effect for the pilot program would be less in FY 2018, as only one volunteer school district from each congressional district would be affected. However, because it is not known which school districts would be participating, a fiscal effect during the pilot program cannot be estimated.

Although the bill does not provide for a separate state aid calculation for the LOB, the Division of the Budget notes that HB 2596 would not place a cap on the LOB budget a district could adopt. As a result, depending on the LOB a district would adopt, amounts raised from the ad valorem tax on tangible property for the LOB could vary widely among districts.

LPA indicates that enactment of HB 2596 would require the agency to conduct a classroom cost audit to determine the average classroom cost of instruction for each congressional district once every 10 years. The agency notes that as with all statutorily

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mandated audits, the bill could limit the Legislative Post Audit Committee's discretion in approving other topics in years that the classroom cost audit would be performed. However, the agency states that it would not require any additional funds to carryout provisions of the bill. Any fiscal effect from the enactment of HB 2596 is not included in *The FY 2017 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Dale Dennis, Education
Jack Smith, Department of Revenue
Faith Loretto, KPERS
Rick Riggs, Post Audit