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**MEMORANDUM**

To: Chairman Campbell  
Members of the House K-12 Budget Committee

From: Jason B. Long, Senior Assistant Revisor

Date: February 7, 2017

Subject: HB 2242 – Classroom-based Funding Act.

House Bill No. 2242 (HB 2242) enacts the Classroom-based Funding Act (Act) to provide for the financing of K-12 public education. In general, the bill would provide general state aid to each school district based on the average classroom cost of instruction for each congressional district.

Section 3 of HB 2242 provides that the Legislative Division of Post Audit (LPA) would conduct an audit to determine the average classroom cost of instruction in each congressional district beginning in January 2017, and every 10 years thereafter. The audits would focus on the actual cost of instruction in each classroom regardless of the type of classroom, curriculum, subject matter, grade level or class size. Upon completion of the audit, the audit report is to be provided to the Legislative Post Audit Committee, the House committees on appropriations, education and education budget, the Senate committees on ways and means and education, the State Department of Education and the State Board of Education (State Board). The results of the audit would be used by the State Board to determine the amount of general state aid for each school district pursuant to section 4.

Section 4 directs the State Board to disburse general state aid to each school district each school year in an amount equal to the quotient obtained by dividing the total classroom cost of the school district by 60%.

$$\text{General State Aid} = \frac{\text{Total Classroom Cost}}{60\%}$$

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Total classroom cost is calculated by multiplying the number of classrooms in the school district by the average classroom cost of instruction for the applicable congressional district as determined by LPA. If a school district straddles two congressional districts, then the location of the main administrative office of the school district will determine the applicable congressional district.

Total Classroom Cost = (Average classroom cost of instruction) x (the number of classrooms in the district)

School districts could expend general state aid funds in any manner approved by the local board of education. Every two years the State Board would adjust the amount of general state aid by the consumer price index as determined by the U.S. Department of Labor to account for inflation.

Section 2 of the bill contains relevant definitions. A "classroom" is a gathering place within a school where students receive instruction from a teacher and is used for such instruction not less than 80% of the school year, including mobile classrooms. The term "instruction" means the activities dealing directly with the interaction between teachers and students and may be provided in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving co-curricular activities, including instruction provided through the internet, television, radio, computer, multimedia telephone, correspondence that is delivered inside or outside the classroom and other teacher-student settings or through other approved media, and the activities of aides or classroom assistants of any type, including, but not limited to, clerks, graders and teaching machines that assist in the instructional process. Section 2 also includes definitions for "curriculum," "student," and "teacher."

Section 10 would require school districts to levy a 20 mill statewide property tax levy and to remit the proceeds to the state treasurer. These proceeds are used to fund the general state aid. This is consistent with law current law.

Section 11 would allow school districts to adopt a local option budget (LOB) via resolution upon a majority vote of the members of the local board of education. There would be no maximum limitation on the LOB authority of a school district. Also, there would be no state equalization aid for LOB revenues generated by an LOB property tax levy.

The authority to levy a property tax to fund the LOB is divided into two purposes. First, Section 12 would allow school districts to levy an ad valorem tax to finance that portion of the LOB that is to be expended for curriculum purposes. If any levy is made for these purposes, then

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the school district must offer the course or courses of study that are included in such portion of the LOB to every other school district in the state through an electronic network or internet site and shall be responsible for the cost of the distribution to any other school district. Second, Section 13 would allow school districts to levy an ad valorem tax to finance that portion of the LOB not covered by the levy made under Section 12.

Sections 5 through 9, and 14, 15, and 17 are general school finance provisions governing the timing of payments of general state aid, reporting requirement of school districts, reestablishing the state school district finance fund, school district fund flexibility, rule and regulation authority, and severability.

Sections 1 and 16 provide that the Act is to be phased in. During school year 2017-2018, the LPA will conduct the required study to determine the average classroom cost of instruction. For school year 2018-2019, the Act would function as a pilot school finance formula. There would be one school district selected from each congressional district to be a pilot school district. Pilot school districts would be selected first on a volunteer basis. If there is no volunteer or more than one volunteer, the Legislative Coordinating Council would choose the pilot school district. The Legislature would be required to review the Act prior to full implementation for all school districts. For school year 2019-2020, the Act would apply to all school districts. A timeline of this implementation schedule is attached.

Due to the implementation schedule of the Act, HB 2242 also extends the sunset for the provisions of the Classroom Learning Assuring Student Success Act (CLASS Act) until June 30, 2019. The CLASS Act will still apply to all school districts for school year 2017-2018, and to those school districts that are not pilot school districts for school year 2018-2019. Sections 26 to 47 amends the CLASS Act to extend its application over the next two school years. Under Section 28, the general state aid for school years 2017-2018 and 2018-2019 under the CLASS Act will be calculated the same as it was for school year 2016-2017.

Section 46 makes a substantive change in the CLASS Act to the calculation of supplemental general state aid. K.S.A. 72-6483 was enacted last year as part of HB 2655. As enacted the statute provided for the determination of supplemental general state aid using the same formula as was previously used for determining capital outlay state aid. The Kansas Supreme Court's opinion in *Gannon III* held this to be unconstitutional with respect to the equity of the local option budget revenue and corresponding supplemental general state aid. In response, the Legislature passed Substitute for HB 2001 during the Special Session of 2016, which amended the supplemental general state aid calculation so that it was based on the prior

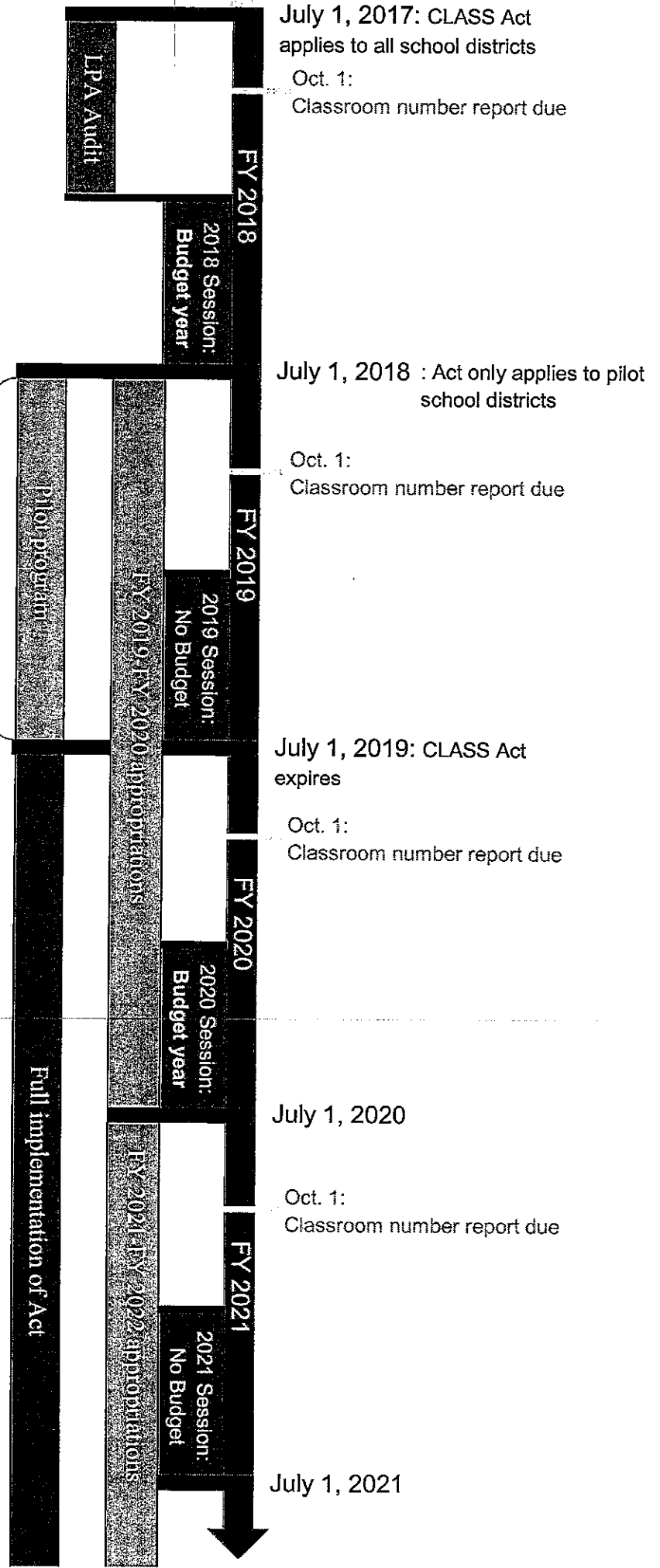
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81.2 percentile threshold for receiving supplemental general state aid. Section 46 of HB 2242 amends K.S.A. 72-6483 so that the 81.2 percentile threshold is to be used for the next two years while the CLASS Act remains in effect.

Sections 18 to 25 and 48 to 69 make conforming amendments to various statutes that reference all or a portion of the applicable school finance act. These statutes are being amended to account for the fact that the Act is being phased in over a three-year period.

Although HB 2242 is effective on July 1, 2017, including Section 3 of the Act, the remainder of the Act, and the conforming amendments in Sections 18 to 25 and 48 to 69 would not go into effect until July 1, 2018.



Act only applies to pilot school districts for SY 2018-2019, all other school districts will be funded through the CLASS Act.

