



KANSAS ASSOCIATION OF SCHOOL BOARDS

Serving Educational Leaders, Inspiring Student Success

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Testimony before the
House Committee on K-12 Education Budget
on
HB 2270 – Creating the education finance act
by
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Mr. Chairman, Members of the Committee:

Thank you for the opportunity to appear before you today. We appear as proponents of this bill based on the policies adopted by our members and contained in "Putting Students First," a document we previously shared with this committee. It contains both recommendations and rationale for KASB's school finance positions as approved by the entire KASB Delegate Assembly in December and shared with Governor Brownback following his request for input.

These positions are the result of two years of work by KASB, based on feedback from local school districts, research on the finance formulas of the states with highest educational outcomes, and following the work of the United School Administrators.

The chart below compares our vision of a school finance system with the provisions of HB 2270 as described by the Kansas State Department of Education and our additional notes.

A school finance system should have the following components:	HB 2270
1. Accountability The school finance formula must support the State Board of Education's vision that an excellent school system must focus on helping each student succeed and setting accountable outcomes to measure that goal.	
a. The formula must allow districts to meet or exceed the Rose capacities identified by the Kansas Supreme Court and adopted by the Kansas Legislature. To do so, it should also assist districts in improving district outcomes under the State Board of Education's Kansans Can vision: kindergarten readiness, higher graduation rates, more postsecondary participation, individual plans of study and social and emotional indicators.	<i>Not necessary to include the bill, because adopted by the State Board. However, the committee might wish to include Kansans Can outcomes in the bill.</i>

b. The formula must be monitored regularly to ensure the state is meeting its responsibility to provide adequate and equitable funding.	<i>KASB recommends consideration of adding a permanent oversight committee to monitor the adequacy and equity of the funding system; including legislators, State Board members, local district leaders and others.</i>
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2. Adequacy. The school finance formula must provide each student an equal opportunity to be college and career ready and recognize the additional needs of students who require special services. Adequacy should include the following:	
a. A foundational amount per pupil, which should be significantly higher than previous base state aid per pupil to recognize the effect of inflation and mandatory costs that have been shifted to the local option budget.	Foundation state aid per pupil (FSAPP) will increase to \$4,895 over a four-year period. Year 1-\$4,253; Year 2-\$4,467; Year 3-\$4,681; and Year 4-\$4,895
b. Foundational funding should include additional funding for the full cost of full time kindergarten students and expanded funding for preschool programs. It should also support additional staff if necessary to effectively implement individual career plans and meet the social and emotional needs of each student.	All-day kindergarten will be funded and counted in the enrollment. Expand early childhood funding by increasing state aid for four-year-old at-risk programs.
c. The foundational amount should be adjusted annually based on changes in the consumer price index. In addition, this increase should be supplemented if necessary based on employment costs and other costs imposed by the state requirements.	Foundation state aid per pupil will increase based upon the Midwest consumer price index for the second preceding calendar year by 2021-22.
d. In the transition to a new formula, no district should lose funding on a per pupil basis. Thereafter, if any district loses budget authority under the school finance system, the reduction should be phased in through some mechanism.	<i>KASB recommends a hold harmless provision for any districts losing per pupil budget authority under the newly adopted formula.</i>

3. Equity. A new school finance formula must provide adequate and equitable funding as required by the Kansas Constitution. Such a formula would provide equalization to allow similar funding based on similar local effort.	
a. The foundational amount should be adjusted to address differences in district student populations, programs or other factors based on evidence that demonstrates an impact on the cost of each student reaching educational outcomes as defined by the State Board of Education. At a minimum, these should include:	<i>See below.</i>

<ul style="list-style-type: none"> • Full funding of the costs of special education services required by federal and state law. 	Special education funding remains the same as current law (92 percent of excess cost) and fully funded (phased in over four-year period).
<ul style="list-style-type: none"> • The impact of poverty and other student risk factors, including concentration of poverty. 	At-risk funding is based upon prior year's actual enrollment for two years and then funded based upon twice the U.S. Bureau of Census poverty rate times .456 weighting (same as old law).
<ul style="list-style-type: none"> • The additional costs of teaching English as a Second Language. 	Bilingual education weighting will remain the same as law prior to the 2014-15 school year and will be computed based upon the prior year's actual enrollment.
<ul style="list-style-type: none"> • The additional costs of student transportation. 	Transportation is funded as in current formula except mileage limitation is lowered as follows: 2018-19 – 2.5 to 2.0 2019-20 – 2.0 to 1.5 2020-21 – 1.5 to 1.0 The current transportation law will remain intact. The proposed change would make students who are transported more than 2.0 and less than 2.5 miles on September 20 eligible for state aid under the transportation formula during the 2018-19 school year. Those students that drive to and from school or the school district does not transport would not receive transportation aid. The mileage limitation would be lowered by .5 a mile for 2019-20 and 2020-21.
<ul style="list-style-type: none"> • The additional costs of career and technical education programs. 	Career & Technical Education (vocational education) funding will be based upon .5 weighting (same as old law). The State Department of Education is required to study CTE cost by program and weighting adjusted accordingly in year two.
<ul style="list-style-type: none"> • Additional costs based on density and district size. 	Low and high enrollment will be reinstated as in law prior to 2014-15.
<ul style="list-style-type: none"> • Other adjustments as necessary based on evidence of cost differences. 	The special mill levies currently in place for declining enrollment, cost of living and extraordinary growth will continue. Virtual based upon FTE enrollment and FSAPP of \$4,253 with part-time students funded at \$1,700 per FTE. The funding for students over 19 years of age would be \$709 times number of credits earned not to exceed six credits.
b. Funding for the foundation level and adjustments should be fully funded by the state.	20-mill levy will continue except the revenue raised will become a part of local effort and remain in the local school district.
c. Capital costs should continue to be the responsibility of local districts through local bond issues and capital outlay levies, provided both receive state equalization aid that meets constitutional standards of equity.	The computation for LOB state aid and capital outlay state aid will remain under current law for the 2017-18 school year. Assessed valuation per pupil for computing supplemental general (LOB) state aid and capital outlay state aid will be based upon a three-year

	<p>average of the three preceding years beginning in 2018-19.</p> <p>School districts would be eligible for capital outlay state aid only if they levy at least four mills for capital outlay.</p> <p>Capital outlay levy will be excluded from tax increment financing and neighborhood revitalization.</p> <p>Bond and interest state aid will be under the old law prior to 2014-15. The approval process for the bond and interest state aid would require approval of the State Board of Education in an amount not to exceed the six-year rolling average.</p>
d. An adequate foundation level should reduce the need for local funding, the cost of equalization and challenges of fluctuating local tax bases.	<i>KASB believes the increases proposed for foundation state aid will reduce pressure on local funding requirements.</i>

4. Efficiency. A new school finance formula must give local districts the responsibility to respond to unique community needs while encouraging efficiencies through cooperation among districts. Efficiency should include:	
a. Locally elected boards should determine the most efficient way to spend resources to meet their specific student and community needs. The state should focus on results, not process.	<i>The bill maintains local control of school district spending.</i>
b. Both school districts and the state would have greater predictability by using the previous year's enrollment or a three-year average for determining foundation aid, with the ability to appeal to the State Board of Education for funding for extraordinary costs.	<p>Enrollment will be based upon prior year.</p> <p>Military second count with net increase in enrollment between September 20 and February 20.</p> <p><i>KASB recommends consideration of an appeals process for significant growth over the prior year.</i></p>
c. Districts should be able to carry reasonable operating funds reserves for cash flow, enrollment changes, revenue shortfalls or delays and savings for large projects without incurring debt. If new limits on balances are imposed, districts should be given time to spend down to that level.	<i>No new limit on cash reserves is included in the bill.</i>
d. The system should provide incentives for sharing high cost programs on a regional basis and for voluntary district cooperation and consolidation.	<i>The bill restores previous financial incentives for district consolidation.</i>

<p>5. Excellence. A new school finance formula must allow flexibility for districts to go beyond state requirements, foster innovation and promote improvement. Many communities want more freedom and flexibility to enhance their public schools</p>	
<p>a. Local boards of education should be able to authorize additional funding beyond the foundation level, provided such authority includes equalization that meets constitutional standards of equity.</p>	<p>School districts may adopt up to 30 percent of their supplemental general fund (local option budget) on board action. If a district chooses to increase the LOB up to 33 percent, this would require board action and right of protest petition. Those school districts that are already at 33 percent will retain that authority.</p> <p>The computation for LOB state aid and capital outlay state aid will remain under current law for the 2017-18 school year.</p> <p>Assessed valuation per pupil for computing supplemental general (LOB) state aid and capital outlay state aid will be based upon a three-year average of the three preceding years beginning in 2018-19.</p>
<p>b. The system should provide incentives for accomplishment of student outcomes or other policy goals, provided that foundational aid and equalization aid are fully funded and all districts have the ability to meet such outcomes.</p>	<p><i>No new incentives are included.</i></p>

Although overall HB 2270 is very consistent with KASB policies, we have two major concerns.

The first is changing to the use of student poverty rather than free lunch for determining low income aid. As we understand the way the U.S. census reports poverty by school district, it is for students 5- 17- years old who are residents of the district – not those students actually attending the school district (as in the case of free lunch). Thus, this number will not account for students who are attending other districts, or students from other districts attending as non-residents, or students attending private schools or home schools.

Except for every 10 years, the census does not actually count all persons. The poverty rate for the district is usually just an estimate, subject to the same limitations as any estimate.

As part of KASB’s study of higher performing states in terms of overall student success, we did not find ANY examples of other successful states using census poverty numbers. Here is a summary of what we DID find:

- Every state provides additional “foundation” funding based on the number of low income students.
- New Hampshire, New Jersey, Massachusetts, Connecticut, Iowa, North Dakota use free and reduced lunch eligibility for this count.
- Vermont uses food stamp eligibility.

- Illinois uses students who receive Medicaid, Supplemental Nutrition Assistance Program (SNAP), Children’s Health Insurance Program (CHIP) or Temporary Assistance for Needy Families (TANF).
- New Hampshire, Vermont, Connecticut, Iowa, North Dakota use a flat amount or single weighting percentage.
- New Jersey uses sliding weighting from 20 percent or less to 60 percent or more free/reduced students.
- Massachusetts has a range of amounts.
- Illinois uses a flat amount under 15 percent; amount increases over 15 percent.
- Nebraska varies from 5 percent to 30 percent; based on low income percent of enrollment.

Here is a chart summarizing the weighting adjustments in the aspiration states and Kansas:

State	Base Amount	Weighting Adjustment	Final Weighted Amount
KS	\$3,852	x 0.456 (higher for density) =	\$1,757 and up
New Hampshire	\$3,948		\$1,749
Illinois	\$6,118		\$355-\$2,994
Iowa	\$6,366	x 0.00156; 0.0048 K-6 =	\$10; \$31
Massachusetts	\$7,528		\$2,767 to \$3,422
Vermont	\$8,544	x 0.25 =	\$2,136
North Dakota	\$8,810	x 0.25 =	\$2,206
Nebraska	\$10,080	x 0.0275 to 0.225 =	\$378 to \$2,268
New Jersey	\$11,009	x 0.47 to 0.57 =	\$5,174 to \$6,275
Connecticut	\$11,252	x 0.33 =	\$3,713

This information indicates the previous system was very much in line with the most successful states.

Our second concern is the requirement that every district have a four-mill capital outlay levy to qualify for state aid. We know there is some concern that districts should make a “minimum effort” to qualify for state aid. However, this is already the case. Under the current system, a district only receives aid in proportion to its effort. A district with no levy gets to no aid. A district with a 1 mill levy receives only one-fourth as much as districts with a four-mill levy.

Last year, there were about 30 districts between zero and 3.9 mills. This proposal seems most likely to encourage districts to tax more than they might believe necessary, would increase state costs, and would reduce local district flexibility to manage the total mill levy.

Thank you for your consideration.