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300 SW TENTH AVENUE ■ SUITE 24-E ■ TOPEKA, KS 66612 ■ (785)296-2321

**MEMORANDUM**

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

From: Jason B. Long, Senior Assistant Revisor

Date: February 15, 2017

Subject: HB 2324 – School District Finance and Quality Performance Act of 2017.

House Bill No. 2324 (HB 2324) enacts the School District Finance and Quality Performance Act of 2017 (Act) as a new school district finance formula. The Act almost identical to the School District Finance and Quality Performance Act (SDFQPA), which was in statute prior to 2015.

First, Sections 1 and 2 of the HB 2270 make appropriations for FY 2018 and 2019 for the Department of Education. These sections authorize the Department to distribute state aid in accordance with the formula established by the Act.

The key difference between the two acts is the amount of the base state aid per pupil (BSAPP). While the prior SDFQPA had just one amount of BSAPP set by statute, Section 4(e) of the Act establishes a BSAPP amount for each of the next five school years. The BSAPP is graduated up to a high amount of \$5,000.

The other significant difference is that under the Act the state financial aid of the school district is the BSAPP multiplied by the average adjusted enrollment. The average adjusted enrollment is the adjusted enrollment of the school district over the immediately preceding three school years.

The general state aid for each school district is determined by subtracting the school district's school financing sources (certain local funding revenue sources) from the state financial aid amount. The school financing sources (previously referred to as "local effort") once again include the tax proceeds from the 20 mill tax each school district is required to levy. Under the Act those proceeds are retained by the school district instead of being remitted to the state treasury.

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Section 15 authorizes school districts to adopt a local option budget (LOB). The LOB maximum percentage remains the same as under the SDFQPA, which is 33% of the state financial aid of the district. An LOB of 30% or less does not require an election for approval. An LOB of over 30% requires an election to be effective. For school year 2017-2018, if the district already has an LOB in excess of 30%, the board of education may adopt an additional LOB on a simply majority vote of the board; provided, the aggregate LOB authority does not exceed 33%.

Section 17 provides for supplemental general state aid to equalize the LOB authority. Under the Act, supplemental general state aid will be calculated the same as under the SDFQPA, except that the calculation uses the assessed valuation per pupil for the second preceding school year, instead of the preceding school year.

The weightings used to determine the adjusted enrollment of each school districts are the same as those under the SDFQPA. This includes the ancillary school facilities weighting, the cost-of-living weighting, and the declining enrollment weighting. The parameters for qualifying for each weighting and the calculation of the weighting are the same as under the SDFQPA.

Section 65 amends K.S.A. 72-3715 regarding virtual school state aid. Under the Act virtual school state aid will be determined as it was prior to 2015. The full-time equivalent enrollment in virtual school will be multiplied by 105% of the BSAPP. The number of nonproficient students will be multiplied by an additional 25% of BSAPP. Finally, Section 49 reinstates the advanced placement virtual school state aid at 8% of BSAPP. The sum of these three calculations is the virtual school state aid for the school district.

Section 50 provides capital outlay state aid using the same formula as current law, except that the calculation uses the assessed valuation per pupil for the second preceding school year, instead of the preceding school year.

Section 96 amends K.S.A. 75-2319 regarding capital improvement state aid. The formula for determining capital improvement state aid would be same as that under statute prior to the 2015 amendments for bonds approved at an election held prior to July 1, 2015, or after July 1, 2017.

If enacted HB 2324 would become effective on July 1, 2017.