

SESSION OF 2018

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR SENATE
BILL NO. 423**

As Amended by House on Final Action

Brief*

Sub. for SB 423, as amended, would make appropriations to the Kansas State Department of Education (KSDE) for FY 2019. The bill also would create a new pilot program for the Mental Health Intervention Team between school districts and community mental health centers. In addition, the bill would make several amendments to the Kansas School Equity and Enhancement Act (KSEEA), including amendments to the Base Aid for Student Excellence (BASE), preschool-aged at-risk students, the Local Option Budget (LOB), various weightings in the school finance formula, the State Board of Education's (KSBE) accreditation system, school district funding reporting requirements, and the schedule for audits to be completed by the Legislative Division of Post Audit (LPA). The bill would also amend statutes relating to capital outlay funds and school district capital improvements.

Introductory Statement

The bill would include an introductory statement stating the State's educational interests concern the areas of social-emotional learning, kindergarten readiness, individual plans of study, graduation, and postsecondary success, and the State addresses such interests by providing support and services both in the classroom and in the community. Further, the introductory statement would summarize appropriations for K-12 education, as well as appropriations for support services provided by other state agencies and institutions for students from birth to graduation.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

FY 2019 Appropriations

The bill would appropriate \$26.0 million, all from the State General Fund (SGF) for increased State Foundation Aid payments. The bill would also appropriate \$32.4 million for increased Special Education Services Aid payments and \$6.0 million for increased Supplemental State Aid (LOB State Aid) payments, all from the SGF.

The bill would appropriate \$2.8 million from the SGF to provide the ACT and three ACT Workkeys assessments required to earn a national career readiness certificate to each student enrolled in grades 9-12. No such student would be required to pay any fees or costs, and no school district would be required to provide more than one exam and three assessments per student. Further, the bill would appropriate \$500,000 for the mentor teacher program, all from the SGF.

The bill would also appropriate \$10.0 million, all from the SGF, for the first year of a Mental Health Intervention Team pilot program (see details below) between school districts and community mental health centers for FY 2019, including \$7.5 million for the operation of the pilot program and \$2.5 million for the one-time purchase of a database. Upon the certification of memorandums of understanding between participating school districts and community mental health centers, the bill would require the transfer of \$1.5 million from KSDE to the Kansas Department for Aging and Disability Services (KDADS) to provide treatment and services for students under the pilot program who are uninsured or underinsured.

The bill would appropriate \$15,000, all from the SGF, to implement the Jobs for America's Graduates–Kansas pilot program (JAG-K) for foster children in the Wichita school district (USD 259), the Topeka school district (USD 501), and the Kansas City school district (USD 500).

Mental Health Intervention Team Pilot Program

The bill would create the Mental Health Intervention Team pilot program between participating school districts and community mental health centers for FY 2019. School districts would enter into memorandums of understanding with participating community mental health centers and the appropriate state agencies. The mental health intervention teams would be composed of school liaisons employed by the school district, and clinical therapists and case managers employed by the community mental health center.

The following would participate in the program:

- Twenty-three schools in the Wichita school district (USD 259);
- Twenty-eight schools in the Topeka school district (USD 501);
- Ten schools in the Kansas City school district (USD 500);
- Five schools in the Parsons school district (USD 503);
- Four schools in the Garden City school district (USD 457); and
- Nine schools served by the Central Kansas Cooperative in Education.

The bill would require the Director of the Division of Health Care Finance of the Kansas Department of Health and Environment to certify to the Director of the Budget and the Director of the Legislative Research Department the aggregate amount of expenditures for FY 2019 for treatment provided to students under the pilot program, or provided based on a referral from such program.

Base Aid for Student Excellence

The bill would amend the BASE for five years beginning in school year 2018-2019. The new BASE amounts would be:

- School year 2018-2019, \$4,900;
- School year 2019-2020, \$5,061;
- School year 2020-2021, \$5,222;
- School year 2021-2022, \$5,384; and
- School year 2022-2023, \$5,545.

Beginning in school year 2023-2024, the BASE would increase by the average percentage increase in the Consumer Price Index for all urban consumers in the Midwest region during the three immediately preceding school years. Current law provides for inflationary increases beginning in school year 2019-2020.

Preschool-Aged At-Risk

The bill would amend the definition of “preschool-aged at-risk student” to allow districts to expand their programs to include three-year-old children.

Local Option Budget

Use of LOB

The bill would require each school district to adopt an LOB equal to 15.0 percent of the school district’s Total Foundation Aid. This amount would be included in a district’s Local Foundation Aid. (The LOB State Aid attributable to that required LOB would also be included in Local Foundation Aid.) The required LOB dollars would be included in the BASE aid amount, and the bill would revise the BASE to reflect this increase.

School boards would continue to be allowed to adopt an LOB above the required 15.0 percent that does not exceed 27.5 percent of the school district's Total Foundation Aid.

The Total Foundation Aid amount used for LOB purposes would subtract the amount of special education aid and then divide that sum by 85.0 percent of the BASE. The new cap for LOB would be set at 30.5 percent for those school districts that have adopted a resolution subject to a protest petition.

Further, the bill would require school districts to transfer from the LOB an amount proportional to the amounts of its total Foundation Aid attributable to the at-risk and bilingual weighting to their at-risk and bilingual education funds.

LOB Authority

The bill would void any resolution providing LOB authority in excess of 30.0 percent that was adopted by a local school board prior to July 1, 2017, under the provisions of the Classroom Learning Assuring Student Success Act (CLASS Act) and not submitted to the electors of the school district for approval. Any school district affected by this provision would be required to adopt a new resolution subject to protest petition to adopt an LOB above 27.5 percent.

The bill would also require any school board seeking to raise its LOB authority for the succeeding school year to notify KSBE of the intended percentage increase in its LOB authority by April 1 of the current school year. School boards would be prohibited from adopting an LOB in excess of the authority stated in its notice submitted to KSBE. KSBE would be required to submit all such notifications to the Legislature. The notification requirement would take effect for any planned increases in LOB authority during school year 2019-2020.

LOB State Aid

The bill would change the process for calculating LOB State Aid from a school district's LOB for the immediately preceding school year to a school district's current-year LOB.

Formula Weightings

Transportation Weighting

The bill would amend the transportation weighting in the KSEEA. The transportation weighting would be calculated based on a per capita allowance based on a school district's density figure, which is the area of a school district in square miles divided by the number of transported students. The bill would also provide for a statutory minimum level of transportation funding; provide for per capita allowances based on a cost factor of 5.0 for students more than 2.5 miles away from their school (current law provides for a cost factor of 2.8); and limit the proportion of a school district's State Foundation Aid attributable to the transportation weighting to being no more than 110.0 percent of a school district's total transportation expenditures for the immediately preceding school year.

At-Risk and Other Weightings

The bill would remove language that provides for a 10.0 percent minimum for the at-risk student weighting. The bill would also delay to July 1, 2020, the sunset on the provision in the high-density at-risk weighting that allows for calculation of the weighting at the school-building level.

The bill would change the use of preceding year's data to use of the current year's data for the bilingual and career and technical education (CTE) weightings and would repeal the July 1, 2019, sunset for the CTE weighting.

KSBE Accreditation System

The bill would require KSBE to establish rigorous accountability measures in the areas of social emotional learning, kindergarten readiness, individual plans of study, graduation, and postsecondary success. The bill would require such accountability measures to be applied at the school district level and the school building level, and both KSBE and local school boards would be required to publish such accountability measures on their websites.

The bill would also require any corrective action plan required by KSBE for a school district not meeting accreditation requirements, and any subsequent reports regarding the implementation of such a corrective action plan, to be published on the websites of KSDE and such school district. In addition, the bill would require the superintendent, or the superintendent's designee, of any school district not meeting accreditation requirements to appear before the House Committee on Education and Senate Committee on Education during the same school year in which the school district is not accredited. Such school district would be required to provide a report to the House and Senate education committees on the challenges to the district regaining accreditation.

School District Funding Reporting Requirements

The bill would require KSDE to include the following in the annual school district funding reports:

- Expenditures and fund transfers from the LOB for the following:
 - At-risk education programs and services;
 - Preschool-aged at-risk education programs and services;
 - Bilingual education programs and services;
 - CTE programs and services;

- Special education and related services; and
- Virtual school programs and services; and
- Each school district's total bonded indebtedness.

Performance Audit Schedule

The bill would make several changes to the schedule for the performance audits to be completed by LPA. The new schedule would be:

- FY 2019, special education and related services;
- FY 2020, at-risk education funding;
- FY 2021, cost-function analysis of statewide education performance;
- FY 2022, bilingual education funding;
- FY 2023, virtual school programs; and
- FY 2024, cost-function analysis of statewide education performance.

The bill removes from the schedule a cost-function analysis that was to be performed in 2019. The remaining cost-function analyses would not include special education and related services. The bill also would remove two performance audits to identify best practices in successful schools that were to be performed in 2021 and 2026.

Use of Capital Outlay Funds

The bill would eliminate the provision of current law that allows school districts to expend capital outlay funds on utilities and property and casualty insurance.

School District Capital Improvements

The bill would amend current provisions that allow KSBE to approve an application for a bond election only if approval does not result in the aggregate amount of all general obligation bonds approved by the KSBE for such school year exceeding the aggregate principal amount of bonds retired by districts in the state in the preceding year (aggregate principal amount). The bill would provide that for an application in excess of \$175.0 million, KSBE would apply an amount of \$175.0 million when determining whether the aggregate principal amount has been exceeded. Additionally, commencing in school year 2017-2018, KSBE would be required to determine the aggregate principal amount by adjusting the aggregate principal amount by the five-year compounded producer price index industry data for new school building as reported by the Bureau of Labor Statistics.

Effective Dates

The bill would be in effect upon publication in the *Kansas Register*. However, all provisions other than the use of current year data for the bilingual and CTE weighting would be effective on and after July 1, 2018.

Background

SB 423, as introduced, would have amended the at-risk weighting and use of capital outlay funds. In the Senate Select Committee on Education Finance hearing, representatives of the Kansas Association of School Boards and the Kansas Policy Institute appeared in support of the bill. No other testimony was provided. The Senate Select Committee added the contents of SB 423 to SB 422. At a later date, the Senate Select Committee agreed to delete the original contents of the bill and adopt the substitute bill concerning school finance.

The Senate Committee of the Whole adopted an amendment creating a new KBOR account, the Concurrent Enrollment Pilot Program Account, to which funds would be appropriated and from which funds could be expended to establish the concurrent enrollment pilot program. Additionally, the Senate Committee of the Whole revised the definition of “preschool-aged at-risk student” to clarify it applies to children aged three or four.

On April 7, the House advanced Sub. for SB 423 to final action subject to amendment and debate. The House deleted the contents of Sub. for SB 423, as amended by the Senate Committee of the Whole, and replaced them with the contents of HB 2445 with the following revisions:

- Adds introductory statement;
- Appropriates \$2.8 million from the SGF for the ACT and Workkeys assessments;
- Appropriates \$500,000 from the SGF for the mentor teacher program;
- Revises LOB provisions to require districts to adopt an LOB equal to 15.0 percent, which would be included in a district’s Local Foundation Aid and increase the BASE aid amount; and
- Provide that for a bond application exceeding \$175.0 million, KSBE would apply an amount of \$175.0 million when determining whether the aggregate principal amount has been exceeded and commencing in school year 2017-2018, determine the aggregate principal amount by adjusting the aggregate principal amount by the five-year compounded producer price index industry data for new school building as reported by the Bureau of Labor Statistics.

Background information for HB 2445 is included below.

The fiscal note prepared by the Division of the Budget for SB 423, as introduced, does not address the potential fiscal impact of the substitute bill.

HB 2445

The bill was introduced at the request of Representative Rooker. In the House Committee on K-12 Education Budget hearing, representatives of the Kansas Association of School Boards and Kansas National Education Association appeared as proponents of the bill. Opponent testimony was provided by representatives of Kansas City Public Schools and the Kansas Policy Institute. Written-only opponent testimony was provided by representatives of the Kansas Association of Realtors and Schools for Fair Funding. No neutral testimony was provided.

The House Committee amended the bill by:

- Altering the schedule of performance audits to be conducted by LPA;
- Eliminating the provisions of current law that cap how many bond elections KSBE may approve [Note: The amendment to Sub. for SB 423 does not retain this amendment.];
- Repealing the sunset on the CTE weighting and delaying the sunset on the provision to calculate the high-density at-risk weighting at the school building level;
- Changing the enrollment used to calculate the bilingual weighting and CTE weighting from the preceding school year to the current school year;
- Changing the effective date of the bill from publication in the statute book to publication in the *Kansas Register* and providing that several

provisions would be effective on or after July 1, 2018;

- Amending the transportation weighting in the following manner:
 - Calculating a school district's transportation weighting on a per capita allowance based on a school district's density figure;
 - Increasing the cost factor used for students more than 2.5 miles away from the school they attend from 2.8 to 5.0; and
 - Providing for a maximum amount of a school district's State Foundation Aid that may be attributable to the transportation weighting;
- Allowing school districts to include three-year-old children in their preschool-aged at-risk programs;
- Amending how out-of-state students are counted for the annual September 20 student count [*Note:* This amendment was removed by the House Committee of the Whole on April 3.];
- Clarifying that school districts must notify KSBE of the intended percentage increase in LOB authority for the succeeding school year by April 1 of the current school year, school districts cannot adopt an LOB in excess of that planned percentage, and the first notification would be required on April 1, 2019, for the 2019-2020 school year;
- Requiring school districts to transfer the portion of their LOB attributable to at-risk and bilingual students to their at-risk and bilingual education funds;
- Requiring certain accountability standards and reporting requirements for a school district's LOB expenditures and bonded indebtedness;

- Appropriating additional SGF moneys for FY 2019 for State Foundation Aid, Special Education Services Aid, and Supplemental State Aid;
- Changing the scheduled increase to the BASE from school year 2018-2019 through school year 2022-2023;
- Appropriating SGF moneys to implement the JAG-K pilot program for foster children for FY 2019; and
- Appropriating SGF moneys to begin a pilot program between school districts and community mental health centers for FY 2019.

On April 2, the House Committee of the Whole amended the bill by:

- Adjusting the appropriation for Special Education Services Aid to accurately reflect action taken by the Committee on K-12 Education Budget;
- Clarifying language regarding accountability standards;
- Amending the requirements for the FY 2019 pilot program between school districts and community mental health centers; and
- Adjusting the appropriations for the FY 2019 pilot program between school districts and community mental health centers, including language requiring the transfer of \$1.5 million from KSDE to KDADS.

On April 3, 2018, the House Committee of the Whole further amended the bill by returning to current law for how out-of-state students are counted as part of the annual September 20 student count.

[*Note:* Except as previously noted, the amendment to Sub. for SB 423 retained the House Committee and House Committee of the Whole amendments.]

According to the fiscal note prepared by the Division of the Budget on HB 2445, as introduced, KSDE estimates the bill would have a net increase of expenditures totaling \$3.7 million, all from the SGF, for FY 2019. This includes increased expenditures of \$6.0 million, all from the SGF, due to calculating Supplemental State Aid through the use of current year LOB authority instead of the prior year's authority. This funding increase is partially offset by the elimination of the 10.0 percent at-risk floor for the at-risk weighting, which would decrease expenditures by \$2.3 million, all from the SGF.

The Division of the Budget states the Governor's budget recommendation included increased expenditures of \$6.0 million, all from the SGF, for FY 2019 to account for the Supplemental State Aid being calculated on current year LOB authority. As a result, HB 2445, as introduced, would result in decreased expenditures of \$2.3 million, all from the SGF, below the Governor's proposed budget.

**ESTIMATED STATE AID INCREASES
SB 423 House Floor Amendment**

<u>Program</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
BASE	\$ 4,900	\$ 5,061	\$ 5,222	\$ 5,384	\$ 5,545
General State Aid	106,460,111	95,000,000	95,000,000	95,000,000	95,000,000
Special Education State Aid	44,400,000	7,500,000	7,500,000	7,500,000	7,500,000
Four-Year-Old At-Risk	2,000,000	2,000,000	2,000,000	2,000,000	0
Supplemental General State Aid	35,000,000	1,000,000	1,000,000	8,600,000	13,000,000
Mental Health Pilot Program*	7,500,000	0	0	0	0
ACT and WorkKeys	2,800,000				
Teacher Mentoring	500,000				
Adjustments**	(9,231,963)				
TOTAL	<u>\$ 189,428,148</u>	<u>\$ 105,500,000</u>	<u>\$ 105,500,000</u>	<u>\$ 113,100,000</u>	<u>\$ 115,500,000</u>

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* The Committee also approved \$2.5 million to establish a data system for the mental health pilot program.

** Adjustments—Reduction in new facilities weighting.

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