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December 5, 2024

KANSAS SCHOOL FINANCE SYSTEM

This memorandum describes the current school finance system operating in Kansas, including the Kansas School Equity and Enhancement Act (KSEEA), and other school finance laws since 2017. This memorandum details the following:

- Calculation of State Foundation Aid, including the various weightings used to determine a school district's weighted enrollment;
- The local option budget (LOB), including the state equalization aid (Supplemental State Aid);
- Capital Outlay State Aid;
- Capital Improvement State Aid;
- Special Education State Aid; and
- Kansas Public Employees Retirement System (KPERS) employer contributions.

Unless necessary to provide context, the history of changes to the Kansas school finance system is not discussed. The history of the School District Finance and Quality Performance Act (SDFQPA) and the Classroom Learning Assuring Student Success Act (CLASS Act) are covered in a separate memorandum, available upon request.

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OVERVIEW OF THE KANSAS SCHOOL EQUITY AND ENHANCEMENT ACT

In 2017, the Kansas School Equity and Enhancement Act (KSEEA) was enacted to replace the expiring CLASS Act. The KSEEA is based on a weighted student formula that provides a base amount of money per student and also provides additional funding to meet the costs of certain student or district characteristics, such as for at-risk students or school districts with low enrollment. This is known as State Foundation Aid. The KSEEA also allows school districts to adopt a local option budget (LOB) in addition to the aid provided by the State and allows for state equalization aid, which is known as Supplemental State Aid. The KSEEA is currently the primary school finance law in Kansas and will expire on July 1, 2027.[1]

STATE FOUNDATION AID

State Foundation Aid is based on two factors: the base aid for student excellence (BASE) and the weighted full-time equivalent (FTE) enrollment of each school district.

The total amount of aid a school district is entitled to is determined by multiplying the BASE by that district's weighted FTE enrollment. The resulting total is called Total Foundation Aid. The formula is as follows:

Total Foundation Aid = BASE x Weighted FTE Enrollment.

After a district's Total Foundation Aid is determined, the next step is to determine the amount of State Foundation Aid the district is entitled to. This is determined by subtracting a district's Local Foundation Aid from its Total Foundation Aid. The formula is as follows:

State Foundation Aid = Total Foundation Aid – Local Foundation Aid.

Local Foundation Aid, formerly known as local effort, includes the following items:

- The unencumbered balance of a district's general fund;
- Certain grants received by a district;
- Special Education State Aid; and
- Any tuition for non-resident pupils of a district.

Below is a table of the BASE since the 2017-2018 school year. From 2018-2023, planned increases to the BASE were included in various bills passed by the Legislature. As of school year 2023-2024, the BASE is adjusted by the average percentage increase in the Consumer Price Index (CPI) for all urban consumers in the Midwest region during the three immediately preceding school years. If the appropriation in a school year for State Foundation Aid is insufficient to pay school districts' computed entitlements, the Kansas State Board of Education (KSBOE) will prorate State Foundation Aid payments—effectively lowering the BASE—as necessary to match state aid payments with the available funding. Federal Impact Aid was removed from the Local Foundation Aid calculation in 2022 HB 2567.

1 KSA 72-5176 provides the Kansas School Equity and Enhancement Act shall expire on such date.

BASE AID FOR STUDENT EXCELLENCE (BASE)

School Year	BASE
2017-2018	$ 4,006
2018-2019	4,165
2019-2020	4,436
2020-2021	4,569
2021-2022	4,706
2022-2023	4,846
2023-2024	5,088
2024-2025	5,378
*2025-2026**	*5,611*

** This is an estimate from the Fall 2024 Education Consensus Estimate and will not be finalized until the Spring 2025 Estimate.*

WEIGHTINGS

Weightings are added to each school district's regular FTE enrollment in order to reflect additional costs associated with serving certain student populations, including at-risk, bilingual, and special education. Additional weightings address other district characteristics, such as a high-density at-risk population, transportation, and new facilities. The resulting weighted FTE enrollment is then used to calculate a school district's Total Foundation Aid entitlement. Students attending the Kansas Academy of Mathematics and Science are not eligible for any weightings.

At-risk Weighting (KSA 72-5151)

Under current law, an at-risk student is one who is enrolled full-time in grades 1 through 12, younger than 20 years of age, and eligible for free meals under the National School Lunch Program. Any student with an individualized education program does not have to be enrolled full time or be younger than 20 years of age to qualify. To be classified as at-risk, the student must also be enrolled in a school district that maintains an at-risk student assistance program approved by the KSBOE.

To determine a district's at-risk weighting, the number of at-risk students (as defined by statute) is multiplied by a factor of 0.484. The resulting number is then added to the district's FTE enrollment. The formula is as follows:

Number of at-risk students x 0.484 = at-risk weighting.

For example, if a school district has 500 students who qualify for free lunches, 500 is multiplied by 0.484, which produces an at-risk weighting of 242. The calculation would be as follows:

- 500 x 0.484 = 242.

High-density At-risk Weighting (KSA 72-5151)

Generally, the high-density at-risk weighting applies to school districts with populations of at-risk students exceeding 35.0 percent of the district's enrollment. The weighting is calculated differently for districts with at-risk populations of at least 50.0 percent and for those with at-risk populations of at least 35.0 percent but less than 50.0 percent. The weighting may also be calculated at the school building level. The high-density at-risk weighting is scheduled to expire at the end of FY 2027 (June 30, 2027).

District At-risk Population of at Least 50.0 Percent

For school districts with an at-risk population of at least 50.0 percent, the number of at-risk students is multiplied by a factor of 0.105. The formula is as follows:

At-risk enrollment x 0.105 = high-density at-risk weighting.

Take, for example, a school district with an at-risk population of 2,000 students that equals 65.0 percent of the district's total enrollment. The at-risk population (2,000) is multiplied by 0.105, which produces a high-density at-risk weighting of 210. The calculation would be as follows:

- 2,000 x 0.105 = 210.

District At-risk Population Greater than 35.0 Percent but less than 50.0 Percent

For school districts with an at-risk population of at least 35.0 percent but less than 50.0 percent, 35.0 percent is subtracted from the percentage of at-risk students in the district. The difference is then multiplied by a factor of 0.7. That product is subsequently multiplied by the number of at-risk students in the district. The formula is as follows:

(% of at-risk students – 35.0%) x 0.7 x at-risk enrollment = high-density at-risk weighting.

Take, for example, a school district with an at-risk population of 1,000 students that equals 40.0 percent of the district's total enrollment. Subtract 35.0 percent from 40.0 percent. The difference (5.0 percent) is multiplied by 0.7. This product (0.035) is then multiplied by 1,000 (the number of at-risk students in the district). The at-risk weighting would therefore be 35. The calculation would be as follows:

- (0.40 – 0.35) x 0.7 x 1,000 = 35.

By-building Option

State law allows the high-density at-risk weighting to be calculated at the level of individual school buildings. In that case, a school district's high-density at-risk weighting is the greater of the regular weighting or the sum of the weightings of the individual schools.

Bilingual Weighting (KSA 72-5150)

A school district's bilingual weighting is the greater of either:

- FTE enrollment in approved bilingual programs x 0.395 = bilingual weighting; or
- Students enrolled in approved bilingual programs x 0.185 = bilingual weighting.

If a district has 350 total students enrolled in bilingual education programs and an FTE enrollment of 275.0, then the district's bilingual weighting would be 108.6. The calculations would be as follows:

- 275 x 0.395 = 108.6; and
- 350 x 0.185 = 64.8.

Low Enrollment Weighting (KSA 72-5149)

The low enrollment weighting is available to school districts with FTE enrollments that are less than 1,622. The weighting is calculated on a bilinear transition: for districts with 100 or fewer students the weighting is 101.4 percent of the enrollment of the district, and that amount transitions to approximately 3.5 percent of the enrollment of the district as the enrollment approaches 1,622 students.

More specifically, the weighting is calculated as follows:

- For school districts with fewer than 100 students:

  FTE enrollment x 1.014331 = low enrollment weighting.
- For school districts of at least 100 students but fewer than 300 students:
  - Step 1: (FTE enrollment – 100) x 9.655 = A;
  - Step 2: 7,337 – A = B;
  - Step 3: B / 3,642.4 = C;
  - Step 4: C – 1 = D; and
  - Step 5: *D x FTE enrollment = low enrollment weighting.*
- For school districts of at least 300 students but fewer than 1,622 students:
  - Step 1: (FTE enrollment – 300) x 1.2375 = A;
  - Step 2: 5,406 – A = B;
  - Step 3: B / 3,642.4 = C;
  - Step 4: C – 1 = D; and
  - Step 5: *D x FTE enrollment = low enrollment weighting.*

To better show how the weighting is determined, it has been calculated for three hypothetical districts below:

- District 1 (FTE enrollment of 90):
  - 90 x 1.014331 = 92.3 (low enrollment weighting).

- District 2 (FTE enrollment of 200):
  - Step 1: (200 – 100) x 9.655 = 965.5;
  - Step 2: 7,337 – 965.5 = 6,371.5;
  - Step 3: 6,371.5 / 3,642.4 = 1.749259;
  - Step 4: 1.749259 – 1 = 0.749259; and
  - Step 5: 0.749259 x 200 = 149.9 (low enrollment weighting).

- District 3 (FTE enrollment of 1,000):
  - Step 1: (1,000 – 300) x 1.2375 = 866.25;
  - Step 2: 5,406 – 866.25 = 4,539.75;
  - Step 3: 4,539.75 / 3,642.4 = 1.246362;
  - Step 4: 1.246362 – 1 = 0.246362; and
  - Step 5: 0.246362 x 1,000 = 246.4 (low enrollment weighting).

The 2023 Legislature added a caveat for the low enrollment weighting regarding students from disorganized school districts or school buildings that were closed by another school district. Any school district that attaches territory of a disorganized school district or accepts students in the current year school year who attended a school building that was closed by another school district in the preceding school year shall be allowed to use the low enrollment weighting factor determined in the preceding school year for the next three succeeding school years or may use the current low enrollment weighting if it is greater.[2]

High Enrollment Weighting (KSA 72-5149)

The high enrollment weighting is available to school districts with FTE enrollments greater than 1,622. The weighting is determined by multiplying a district's enrollment by 0.03504. The formula is as follows:

FTE enrollment x 0.03504 = high enrollment weighting.

For a hypothetical school district with an FTE enrollment of 2,500, the weighting is calculated as follows:

- 2,500 x 0.03504 = 87.6.

2 KSA 72-5149(c)

For a hypothetical school district with an FTE enrollment of 20,000, the weighting is calculated as follows:

- 20,000 x 0.03504 = 700.8.

Transportation Weighting (KSA 72-5148)

The transportation weighting is calculated using a per capita allowance (as provided in KSA 72-5148) 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 (USD density = square miles / number of transported students). "Transported students" is defined as those students who in the preceding year resided 2.5 miles or more from the school they attended and for whom transportation was made available. The formula is as follows:

- Step 1: Transported students x per capita allowance = A;
- Step 2: A x 1.00 = B;
- Step 3: B x (current year BASE / 2018-2019 BASE) = C; and
- Step 4: *C / current year BASE = transportation weighting.*

For school years 2017-2018 through 2020-2021, the transportation weighting of a school district was the greater of the above formula or the portion of a school district's general state aid for school year 2016-2017 that was attributable to the district's transportation weighting. Beginning in school year 2021-2022, the transportation weighting of all school districts is determined by the formula listed above. Additionally, the portion of a school district's State Foundation Aid attributable to the transportation weighting cannot exceed 110.0 percent of that school district's total expenditures to transport students in the immediately preceding school year.

To better show how the weighting is determined, it has been calculated for a hypothetical district that transported 250 students and has a density figure of 0.7:

- Step 1: 250 x $1,030 = 257,500;
- Step 2: 257,500 x 1.00 = 257,500;
- Step 3: 257,500 x (4,846 / 4,165) = 299,602.6; and
- Step 4: 299,602.6 / 4,846 = 61.8.

Career Technical Education Weighting (KSA 72-5155)

The career technical education (CTE) weighting is determined by multiplying the FTE enrollment in approved CTE programs by a factor of 0.5. The formula is as follows:

FTE enrollment in CTE programs x 0.5 = CTE weighting.

A district with a FTE enrollment of 75.0 in CTE programs would receive a CTE weighting of 37.5. The calculation would be as follows:

- 75.0 x 0.5 = 37.5.

Special Education Weighting (KSA 72-5157)

A school district's special education weighting is determined by dividing the amount of Special Education State Aid a district receives by the BASE for the current school year. The formula is as follows:

Special Education State Aid / current year BASE = special education weighting.

This weighting is used to calculate a district's Total Foundation Aid, but does not affect the amount of State Foundation Aid a district receives because the amount of Special Education State Aid received by a district is subtracted from Total Foundation Aid (as a component of Local Foundation Aid) when determining a district's State Foundation Aid entitlement.

New School Facilities Weighting (KSA 72-5156)

The school facilities weighting is available to school districts for the first two years of operating a new school facility. To be eligible for the weighting, districts must meet the following requirements:

- The school district adopted a LOB for school year 2014-2015 of at least 25.0 percent of the amount of state aid determined for that school district during that school year;
- The contractual bond obligations incurred by the school district were approved in an election held on or before July 1, 2015; and
- The district meets one of the following requirements:
    - The school district commences operation of a new facility financed primarily with contractual bond obligations; or
    - The school district commences operation of a new facility financed primarily with federal funds and located on a military reservation.

If a school district is eligible for the new school facilities weighting, the weighting is determined by multiplying the number of students attending a new facility by a factor of 0.25. The formula is as follows:

Students attending a new facility x 0.25 = new school facilities weighting.

A district with 350 students attending a new school facility would received a weighting of 87.5. The calculation would be as follows:

- 350 x 0.25 = 87.5.

Ancillary School Facilities Weighting (KSA 72-5158)

A school district can apply to the State Board of Tax Appeals for authority to levy local property taxes for the purpose of financing costs attributable to commencing the operation of a

new school facility that exceed the amount financed by any other source. The amount to be levied is reduced over a period not to exceed six years. A school district is eligible for the weighting if it has met the following requirements:

- Commenced operation of a new school facility in the preceding school year or has commenced or will commence operation of a new school facility during the current school year;
- Adopted a LOB; and
- Is experiencing extraordinary enrollment growth as determined by the KSBOE.

The amount of the local property tax levy is then converted into a weighting for the purpose of the school finance formula. The weighting is determined by dividing the amount of the authorized tax levy by the current BASE. The formula is as follows:

Authorized property tax levy / BASE = ancillary school facilities weighting.

A district with a ancillary property tax levy of $350,000 would receive a weighting of 72.2 during the 2022-2023 school year. The calculation would be as follows:

- $350,000 / $4,846 = 72.2.

This weighting is completely funded by local property taxes. Those taxes are remitted to the State Treasury and distributed back to the school district as part of its State Foundation Aid.

Cost-of-Living Weighting (KSA 72-5159)

School districts may apply to KSBOE for the cost-of-living (COLA) weighting, which may not exceed 0.05 percent of a district's State Foundation Aid. School districts are eligible for the weighting if they meet the following requirements:

- The average appraised value of a single-family residence is more than 25.0 percent higher than the statewide average;
- The district has a LOB of at least 31.0 percent; and
- The local school board has passed and published a resolution, subject to protest petition, authorizing the levy.

The weighting is determined as follows:

- Step 1: Statewide average appraised value of a single-family residence x 1.25 = A;
- Step 2: District average appraised value of a single family residence – A = B;
- Step 3: B / A = C;

- Step 4: C x 0.095 = D;

- Step 5: school district's Total Foundation Aid x D (or 0.05, whichever is less) = E; and

- Step 6: *E / current year BASE = COLA weighting.*

This weighting is completely funded by local property taxes. Those taxes are remitted to the State Treasury and distributed back to the school district as part of its State Foundation Aid.

Virtual Education State Aid (KSA 72-3715)

In addition to funding included in the formula weightings, a school district's State Foundation Aid entitlement may include state aid for virtual education. If a school district operates a virtual school, the district is eligible to receive state aid. The funding formulas are as follows:

Virtual State Aid for Students Ages 19 and Under

- Determine the FTE enrollment without virtual students who qualify for virtual school state aid as a dropout diploma completion virtual student;
    - This FTE enrollment = A;
    - A x $5,600 = B;
- Determine the number of one-hour credit courses reported on the Kansas Can (KCAN) report for virtual students who qualify for virtual school state aid as a dropout diploma completion virtual student;
    - This amount should not exceed six hours for each individual student per school year;
    - This number of one-hour credit courses = C;
    - C x $709 = D; and
- B + D = Total Virtual State Aid for students ages 19 and under.

Dropout Diploma Completion Virtual Students

School districts are to provide funding for virtual students on a per-course basis for a student who is 19 years of age or younger if the individual:

- Has a ratio of earned credits to expected credits for their cohort year of less than 75.0 percent when enrolling in a virtual school;
- Has done one of the following:
    - Dropped out of high school such that the student has not attended any school of a school district for 60 consecutive days or more during the current school year and is not reasonably anticipated to recommence enrollment or attendance at any school or school district during the current school year;
    - Dropped out of high school such that the student has not attended any school of a school district for 60 consecutive days or more during the preceding school year, did not finish such preceding school year, and is not reasonably anticipated to recommence enrollment or attendance at any school of a school district during the current school year; or

    - Been exempted from compulsory student attendance by written consent of the parent pursuant to KSA 72-3120;
- Has not been counted in the enrollment of a virtual school as a full-time or part-time virtual student during the school year in which such student enrolls as a dropout diploma completion virtual student.

Virtual Students, Adult Learners

- Determine the number of one-hour credit courses reported on the KCAN report for virtual students over the age of 19 years old;
    - This amount should not exceed six hours for each individual student per school year; and
    - This number of one-hour credit courses = A;
- A x $709 = Total Virtual State Aid for Adult Learners.

KSDE will validate course completion using official student transcripts.

LOCAL OPTION BUDGET

Statute allows local school boards to adopt a LOB in addition to the State Foundation Aid a school district receives from the State each school year. The LOB is calculated as a percentage of a district's modified Total Foundation Aid. The different components of the LOB are described below.

Modified Total Foundation Aid

For purposes of determining a school district's LOB, a slightly modified version of Total Foundation Aid is used. The first modification is the use of what is sometimes called an "artificial BASE." In any year in which the BASE is less than $4,490, a BASE of $4,490 is to be used to calculate the Total Foundation Aid for determining a district's LOB. Beginning in school year 2019-2020, the artificial BASE will increase annually based upon the average percentage increase of the Midwest CPI-U during the three immediately preceding school years. For the current school year, the artificial BASE is $5,452. The second modification relates to Special Education State Aid. A school district may use the Special Education State Aid amount from school year 2008-2009 to calculate its LOB in any year in which the district's actual Special Education State Aid amount is less than the aid amount for school year 2008-2009. Finally, Total Foundation Aid used in determining a district's LOB authority does not include state aid for virtual schools.

Except for those changes, Total Foundation Aid for the purposes of the LOB is calculated in the same manner as in the main school finance formula (weighted FTE enrollment x BASE = Total Foundation Aid).

Maximum LOB Authority

KSA 72-5143 requires every school district to adopt a LOB of at least 15.0 percent of the district's Total Foundation Aid. The decision to adopt a LOB in excess of that percentage is made by local school boards. Any school board can adopt an LOB up to the statewide average from the preceding school year. For school year 2023-2024, that statewide average was 32.05 percent. Therefore, any school board in Kansas can adopt an LOB of up to 32.05 percent of the district's Total Foundation Aid during the current school year.

However, statute also allows school boards to adopt an LOB up to 33.0 percent of Total Foundation Aid. To do so, a school board must adopt a resolution providing for LOB authority of up to 33.0 percent and publish the resolution in the local newspaper of record. That resolution is then subject to a protest petition of the school district's qualified voters. If a petition with the signatures of at least 10.0 percent of voters is filed within 40 days of the publication of the resolution, then an election will be held on whether to raise the district's LOB authority. If no petition is filed, then the school board's decision is approved.

State law requires any school board seeking to raise its LOB authority for the upcoming school year to notify the KSBOE of the intended percentage increase in its LOB authority by April 1 of the current school year. The State Board must then submit all such notifications to the Legislature. School boards are then prohibited from adopting a LOB exceeding the authority stated in its notice to KSBOE.

Supplemental State Aid (LOB State Aid)

Generally, LOBs are funded from two different sources: local property taxes and state aid. Because property valuations vary widely from district to district, Supplemental State Aid is provided by the State as a form of equalization aid. The poorer a school district is (as determined by property values), the more state aid it receives for its LOB. After state aid is determined, school districts are then responsible for funding the rest of the LOB with local property taxes. For example, if a school district has a LOB of $2.5 million and receives $1.5 million in Supplemental State Aid, then the local school board must fund the remaining $1.0 million with property taxes. At that point, the school board determines the mill rate needed to raise $1.0 million and that becomes the property tax levy for the LOB for that school year. Equalization, therefore, effectively serves as property tax relief for poorer school districts.

Equalization Formula

State equalization for the LOB treats each school district as if its assessed valuation per pupil (AVPP) were equal to that of the district at the 81.2 percentile of AVPP. Therefore, any district with an AVPP above the 81.2 percentile receives no Supplemental State Aid.

Before calculating equalization aid, all 286 districts must be ranked based on the average AVPP from the 3 immediately preceding years. After that, the formula is as follows:

- Step 1: School district's average AVPP from 3 immediately preceding years / average AVPP of district at 81.2 percentile = A;
    - If A is greater than 1.0, the school district receives no equalization aid;
    - If A is less than 1.0, the school district receives equalization aid and the equalization rate must be determined;
- Step 2: 1 – A = equalization rate; and
- Step 3: School district's LOB x equalization rate = Supplemental State Aid.

To better explain the equalization formula, several examples are provided below.

Hypothetical District #1

This district has an average AVPP of $60,500, while the average AVPP of the district at the 81.2 percentile was $109,257. In addition, the district has adopted a LOB of $1.5 million. The equalization calculation would be as follows:

- Step 1: $60,500 / $109,257 = 0.5537;
- Step 2: 1 – 0.5537 = 0.4463; and
- Step 3: $1,500,000 x 0.4463 = $669,450.

This school district would receive Supplemental State Aid of $669,450 for its LOB. The remainder of the LOB—$830,550—would then be financed through local property taxes.

Hypothetical District #2

This district has an average AVPP of $115,000, while the average AVPP of the district at the 81.2 percentile was $109,257. In addition, the district has adopted a LOB of $1.0 million. The equalization calculation would be as follows:

- Step 1: $115,000 / $109,257 = 1.0526.

Since the resulting number is greater than 1.0, this district is ineligible to receive Supplemental State Aid and must finance its LOB entirely through local property taxes.

Hypothetical District #3

This district has an average AVPP of $30,000, while the average AVPP of the district at the 81.2 percentile was $109,257. In addition, the district has adopted a LOB of $500,000. The equalization calculation would be as follows:

- Step 1: $30,000 / $109,257 = 0.2746;
- Step 2: 1 - 0.2746 = 0.7254; and
- Step 3: $500,000 x 0.7254 = $362,700.

This school district would receive Supplemental State Aid of $362,700 for its LOB. The remainder of the LOB—$137,300—would then be financed through local property taxes.

Required Uses of LOB Funds

State law requires each school district to transfer funds from its LOB fund to several specific funds, including its at-risk fund, bilingual fund, and special education and related services fund. The amount to be transferred to each of these funds is the amount of the district's LOB that is proportional to the amount of the district's Total Foundation Aid attributable to each weighting.

CAPITAL OUTLAY STATE AID

Current law allows school districts to levy a local property tax for the purposes of funding capital outlay expenditures. This levy is capped at eight mills. KSA 72-53,116 states these funds may be used for the "acquisition, construction, reconstruction, repair, remodeling, additions to, furnishing, maintaining and equipping of school district property and equipment necessary for school district purposes." Specifically, this includes the following:

- Computer software;
- Performance uniforms;
- Housing and boarding pupils enrolled in an area vocational school operated under the board of education;
- Architectural expenses;
- Building sites;
- Undertaking and maintenance of asbestos control projects;
- School buses; and
- Other fixed assets.

To adopt a capital outlay levy, a school board must adopt a resolution providing for taxing authority of up to eight mills and publish the resolution in the local newspaper of record. That resolution is then subject to a protest petition of the school district's qualified voters. If a petition with the signatures of at least 10.0 percent of qualified electors is filed within 40 days of the publication of the resolution, then an election will be held on whether to provide the taxing authority. If no petition is filed, then the school board's decision is approved. The school board is not required to levy a property tax that equals its maximum authority. For example, if a school board has authority to levy a seven mill tax, it can levy a tax of six mills, but it cannot exceed seven mills.

State Equalization Aid

Under current law, some school districts are eligible to receive Capital Outlay State Aid. This state aid is another form of equalization aid that provides property tax equity. Unlike equalization aid for the Local Option Budget, however, Capital Outlay State Aid does not replace local property taxes, but instead supplements local property taxes.

Capital Outlay Formula

To determine a district's Capital Outlay State Aid entitlement, all districts are ranked from highest to lowest based on their AVPP, as rounded to the nearest $1,000. The median district is eligible to receive 25.0 percent state aid. For every $1,000 in AVPP below the median district, state aid increases by 1.0 percent. For every $1,000 in AVPP above the median district, state

aid decreases by 1.0 percent. After determining a district's state aid rate, the amount of state aid is determined by multiplying the *ad valorem* tax revenue raised by the district's capital outlay mill levy by the state aid rate. The formula is as follows:

Revenue from mill levy x state aid rate = Capital Outlay State Aid.

The following examples are provided to show how Capital Outlay State Aid is calculated. For each example, the median AVPP is $75,000.

Example #1

This hypothetical district has an AVPP of $90,000 and its capital outlay mill levy will raise $1.2 million during the current school year. The formula is as follows:

- Step 1: Determine state aid rate;
  - Because the district's AVPP is $15,000 above the median AVPP, the state aid rate is decreased by 15.0 percent; and
  - State aid rate: 25.0 – 15.0 = 10.0 percent;
- Step 2: Calculate state aid;
  - $1,200,000 x 0.1 = $120,000 in state aid.

Example #2

This hypothetical district has an AVPP of $35,000 and its capital outlay mill levy will raise $300,000 during the current school year. The formula is as follows:

- Step 1: Determine state aid rate;
  - Since the district's AVPP is $40,000 below the median AVPP, the state aid rate is increased by 40.0 percent; and
  - State aid rate: 25.0 + 40.0 = 65.0 percent;
- Step 2: Calculate state aid;
  - $300,000 x 0.65 = $195,000 in state aid.

Example #3

This hypothetical district has an AVPP of $105,000 and its capital outlay mill levy will raise $1.7 million during the current school year. Since the district's AVPP is $30,000 above the median AVPP, the district is not eligible to receive Capital Outlay State Aid (State aid rate: 25.0 – 30.0 = -5.0).

CAPITAL IMPROVEMENT STATE AID

Current law allows school districts to issue bonds to finance construction of school facilities (KSA 72-5457). A district may bond up to 14.0 percent of its assessed valuation with the approval of the majority of electors in the district. To exceed the 14.0 percent threshold, a school district must receive permission from the KSBOE before an election can be held. Any district wishing to receive Capital Improvement State Aid must also receive State Board approval before an election can be held. Additionally, state law caps the amount of such bonds the State Board can approve to the aggregate principal amount of bonds retired by school districts in the preceding year, as adjusted by the five-year compounded producer price index industry data for new school buildings as reported by the Bureau of Labor Statistics. Current law provides these exceptions to the bond cap:

- For any bond application in excess of $175.0 million, the State Board applies the amount of $175.0 million towards the bond cap. Therefore, if a school district applies for a $200.0 million bond, only $175.0 million would apply to the statewide cap; and

- Any school district that has not passed a bond election in the past 25 years is not subject to this limitation and its bond election does not count against the bond cap.

State Aid Rates for Bonds

Under current state law, some school districts are eligible to receive Capital Improvement State Aid to help pay the costs associated with capital improvements bonds. This state aid is another form of equalization aid which provides property tax relief. Like the LOB, local property taxes are responsible for funding the portion of costs not covered by state aid.

Three different rates are paid for Capital Improvements State Aid, which are determined before a bond is approved by a school district's electors. They are described below. A school district's state aid may be calculated using multiple rates depending on when the bonds that comprise a district's capital improvement payment obligation were approved by voters.

Examples are provided to show how Capital Improvement State Aid is calculated under a variety of scenarios. For each example, the median AVPP will be $75,000 and the lowest AVPP will be $1,000, and the second lowest AVPP will be $26,000.

Bonds Approved by Voters Prior to July 1, 2015

All districts are ranked from highest to lowest based on their AVPP, as rounded to the nearest $1,000. The median district is eligible to receive 25.0 percent state aid. For every $1,000 in AVPP below the AVPP of the median district, state aid increases by 1.0 percent. For every $1,000 in AVPP above the AVPP of the median district, state aid decreases by 1.0 percent. After determining a district's state aid rate, the amount of state aid is determined by multiplying the district's capital improvement payment obligation by the state aid rate. The formula is as follows:

Capital improvement payment obligation x state aid rate = Capital Improvement State Aid.

Example #1

This hypothetical district has an AVPP of $85,000 and a capital improvement payment obligation of $225, all from bonds approved prior to July 1, 2015. The steps to calculate Capital Improvement State Aid are shown below:

- Step 1: Determine state aid rate;
  - Because the district's AVPP is $10,000 above the median AVPP, the state aid rate is decreased by 10.0 percent; and
  - State aid rate: 25.0 – 10.0 = 15.0 percent;
- Step 2: Calculate state aid;
  - $225,000 x 0.15 = $33,750 in state aid.

Example #2

This hypothetical district has an AVPP of $47,000 and a capital improvement payment obligation of $135,000, all from bonds approved prior to July 1, 2015. The steps to calculate Capital Improvement State Aid are shown below:

- Step 1: Determine state aid rate;
  - Because the district's AVPP is $28,000 below the median AVPP, the state aid rate is increased by 28.0 percent; and
  - State aid rate: 25.0 + 28.0 = 53.0 percent;
- Step 2: Calculate state aid;
  - $135,000 x 0.53 = $71,550 in state aid.

Example #3

This hypothetical district has an AVPP of $110,000 and a capital improvement payment obligation of $300,000, all from bonds approved prior to July 1, 2015. Because the district's AVPP is $35,000 greater than the median AVPP, the district is not eligible to receive Capital Improvement State Aid (State aid rate: 25.0 – 35.0 = -10.0). Local property taxes must fund the entirety of the district's capital improvement payment.

Bonds Approved by Voters On or After July 1, 2015, but Prior to July 1, 2017

All districts are ranked from highest to lowest based on their AVPP, as rounded to the nearest $1,000. The lowest ranked district is eligible to received 75.0 percent state aid. For every $1,000 in AVPP above the AVPP of the lowest ranked district, state aid is reduced by 1.0 percent. State aid is then calculated based on the formula described above.

Example #4

This hypothetical district has an AVPP of $35,000 and a capital improvement payment obligation of $100,000, all from bonds approved on or after July 1, 2015. The steps to calculate Capital Improvement State Aid are shown below:

- Step 1: Determine state aid rate;
  - Because the district's AVPP is $34,000 above the lowest AVPP, the state aid rate is decreased by 34.0 percent; and
  - State aid rate: 75.0 – 34.0 = 41.0 percent;
- Step 2: Calculate state aid;
  - $100,000 x 0.41 = $41,000 in state aid.

Example #5

This hypothetical district has an AVPP of $70,000 and a capital improvement payment obligation of $175,000. Of this obligation, $75,000 is for a bond approved prior to July 1, 2015, and $100,000 is for a bond approved after July 1, 2015. The steps to calculate Capital Improvement State Aid are shown below:

- Step 1: Determine state aid rate for bond approved prior to July 1, 2015;
  - Because the district's AVPP is $5,000 below the median AVPP, the state aid rate is increased by 5.0 percent; and
  - State aid rate: 25.0 + 5.0 = 30.0 percent;
- Step 2: Calculate state aid for bond approved prior to July 1, 2015;
  - $75,000 x 0.3 = $22,500 in state aid;
- Step 3: Determine state aid rate for bond approved after July 1, 2015;
  - Because the district's AVPP is $69,000 above the lowest AVPP, the state aid rate is decreased by 69.0 percent; and
  - State aid rate: 75.0 – 69.0 = 6.0 percent;
- Step 4: Calculate state aid for bond approved after July 1, 2015;
  - $100,000 x 0.06 = $6,000 in state aid;
- Step 5: Calculate total Capital Improvement State Aid;
  - $22,500 + $6,000 = $28,500 in Capital Improvement State Aid.

Bonds Approved by Voters On or After July 1, 2017, but prior to July 1, 2022

For bonds approved on or after this date but before July 1, 2022, state aid is calculated based on the formula used for bonds approved on or after July 1, 2015. However, state aid for bonds used to finance the construction of school district athletics facilities is prohibited unless the construction, reconstruction, or remodeling of such facility is necessary due to concerns about safety or disability access.

Bonds Approved by Voters On or After July 1, 2022

For bonds approved after July 1, 2022, state aid is calculated the same as the formula used for bonds approved after July 1, 2017, with two changes. Instead of using the district with the lowest ranked AVPP as the base, the district with the second lowest ranked AVPP is used as the base for the calculation. Also, instead of starting with 75.0 percent state aid for the lowest ranked AVPP as the base, 51.0 percent state aid for the second lowest AVPP will become the starting base. Virtual students were also excluded from the calculation of AVPP for Capital Improvement State Aid.

Example #6

This hypothetical district has an AVPP of $65,000 and a capital improvement payment obligation of $300,000. Of this obligation, $50,000 is for a bond approved prior to July 1, 2015, $100,000 is for a bond approved after July 1, 2015, but prior to July 1, 2017, and $150,000 is for a bond approved after July 1, 2022. The steps to calculate Capital Improvement State Aid are shown below:

- Step 1: Determine state aid rate for bond approved prior to July 1, 2015;
    - Because the district's AVPP is $10,000 below the median AVPP, the state aid rate is increased by 10.0 percent; and
    - State aid rate: 25.0 + 10.0 = 35.0 percent;
- Step 2: Calculate state aid for bond approved prior to July 1, 2015;
    - $50,000 x 0.35 = $17,500;
- Step 3: Determine state aid rate for bond approved after July 1, 2015, but prior to July 1, 2017;
    - Because the district's AVPP is $64,000 above the lowest AVPP, the state aid rate is decreased by 64.0 percent; and
    - State aid rate: 75.0 – 64.0 = 11.0 percent;
- Step 4: Calculate state aid for bond approved after July 1, 2015, but prior to July 1, 2017;
    - $100,000 x 0.11 = $11,000;
- Step 5: Determine state aid rate for bonds approved after July 1, 2022;

- Because the district's AVPP is $39,000 above the second lowest AVPP, the state aid rate is decreased by 39.0 percent; and
- State aid rate: 51.0 – 39.0 = 12.0 percent;

- Step 6: Calculate state aid for bond approved after July 1, 2017;
  - $150,000 x 0.12 = $18,000;
- Step 7: Calculate total Capital Improvement State Aid;
  - $17,500 + $11,000 + $18,000 = $46,500 in Capital Improvement State Aid.

SPECIAL EDUCATION STATE AID

Special Education Requirements

The federal Individuals with Disabilities Education Act (IDEA) requires states to provide special education services to children with disabilities between the ages of 3 and 21. This includes children with developmental delays, hearing or visual impairments, emotional disturbance, or autism. IDEA requires each special education student receive an individual education plan that identifies the services to be provided to the student.

At the state level, the Special Education for Exceptional Children Act generally mirrors the federal law, but it imposes several additional special education requirements on school districts. These include:

- Identifying and providing services to gifted students;
- Using interventions in the regular education classroom before referring a student to special education; and
- Providing special education services to children who reside in the district but attend a private school.

State Aid

Current law provides for state aid in the form of reimbursement for the "excess costs" associated with providing special education services. KSA 72-3422 sets the reimbursement rate for Special Education State Aid (also known as categorical aid) at 92.0 percent of total state excess costs, but provides for prorating state aid if the appropriation for Special Education State Aid does not equal 92.0 percent of excess costs. Excess costs and the statutory amount of state aid are calculated through a statutory formula. The Kansas State Department of Education (KSDE) is responsible for calculating excess costs and the statutory state aid amount. The formula is as follows:

- Step 1: Calculate general education funding for Special Education Students;
    - Calculate weighted FTE student enrollment without At-Risk, Bilingual, Career Technical Education, Special Education, and Transportation weightings (A);
    - A x BASE = B;
    - B / unweighted FTE = General Education Aid per student (C);
    - Calculate Special Education FTE enrolled (D);
    - C x D = E;
    - E x statewide average LOB authority percentage = F; and
    - E + F = Total General Education Funding for Special Education Students;

- Step 2: Calculate Federal Funding;
    - Calculate federal aid for special education (A);
    - Calculate Medicaid funding for special education students (B);
    - Calculate state hospital funding for special education students (C); and
    - A + B + C = Federal Funding;
- Step 3: Calculate estimated special education and related services expenditures;
    - KSDE's practice is to estimate current year expenditures by applying an inflationary factor to the prior year's actual expenditures;
- Step 4: Calculate Total Excess Cost;
    - Estimated Special Education and Related Services Expenditures (Step 3) - Federal Funding (Step 2) - Total General Education Funding for Special Education Students (Step 1) = Total Excess Costs;
- Step 5: Calculate the statutory aid amount;
    - Total Excess Costs x 0.92 = Statutory Special Education State Aid.

Distribution of State Aid

During the 2024 Legislative Session, House Sub. for SB 387 amended law governing the distribution of state aid for special education to require the Legislature to appropriate at least $601.0 million for special education for FY 2025 and every year thereafter. It also requires $528.0 million be distributed for reimbursement for four specific types of expenditures (described below). Any excess costs associated with other expenditures are not reimbursed. The statutes require Special Education State Aid to be distributed in a specific order, as follows:

- Medicaid replacement state aid;
    - Districts receive this aid based on the number of Medicaid-enrolled students who receive special education services in the district;
- Catastrophic aid;
    - Districts may apply for additional funding for a student whose services cost more than a set threshold and receive reimbursement for 75.0 percent of the costs above that threshold;
- Transportation aid;
    - Districts are reimbursed for 80.0 percent of transportation costs for special education;
- Special education teacher aid;

- Districts receive funding based on district total special education teacher and paraprofessional FTE staffing levels.

Any Special Education State Aid appropriated above the $528.0 million is to be distributed under a new equalization schedule created by the KSBOE.

In any year when the appropriation for Special Education State Aid is not sufficient to cover 92.0 percent of statewide excess costs, state aid is distributed at a prorated amount. However, school districts will still receive the statutorily required amount of state aid for Medicaid replacement state aid, catastrophic state aid, and transportation state aid because state law requires that districts receive the full amount. The form of state aid related to special education that is prorated is special education teacher aid.

Over the past several years, Special Education State Aid has been funded at approximately 74 percent to 80 percent of statewide excess costs.

Federal Aid

Federal aid for special education remains relatively static and is provided both directly to school districts and through KSDE. Receipt of this federal aid requires a maintenance of effort by the State, meaning expenditures for special education in the current year must be at least the same as expenditures for special education in the prior year.

KPERS EMPLOYER CONTRIBUTIONS

The State pays the employer contributions to the Kansas Public Employees Retirement System for all KPERS-eligible school employees in Kansas. This part of the retirement system is known as KPERS–School. Generally, KPERS–School is composed of two parts: KPERS–USDs and KPERS–Community Colleges, Technical Colleges, and Interlocals. Expenditures for both are included in the budget of the KSDE.

KPERS–USDs

This part of KPERS–School is for public school employees. Funding is appropriated to KSDE, distributed to school districts, and then paid to KPERS. The obligation for employer contributions follows the schedule of contribution rates included in statute. KPERS–USDs is currently funded from the State General Fund.

The State has paid employer contributions for public school employees since the 1970s when the State took over the previously separate public school retirement system.

KPERS–Community Colleges, Technical Colleges, and Interlocals

Also known as KPERS–Non-USDs, this part of KPERS–School is for employees of community colleges, technical colleges, and school district interlocals. Funding is appropriated to KSDE, distributed to the education agencies, and then paid to KPERS. The obligation for employer contributions follows the schedule of contribution rates included in statute. KPERS–Non-USDs is funded by a combination of the State General Fund and the Expanded Lottery Act Revenues Fund.