

SESSION OF 2020

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2526

As Recommended by House Committee on K-
12 Education Budget

Brief*

HB 2526 would amend the Capital Improvement State Aid schedule for general obligation bonds issued by school districts. The bill would exclude Unified School District (USD) 207 (Fort Leavenworth) from the state aid schedule for general obligation bond issuances approved at an election held on or after July 1, 2020.

Under current law, Capital Improvement State Aid for bonds approved at an election held on or after July 1, 2015, is calculated as follows:

- School districts are ranked according to their assessed valuation per pupil (AVPP), as rounded to the nearest \$1,000;
- The school district with the lowest AVPP receives 75.0 percent state aid; and
- For every \$1,000 in AVPP above the lowest AVPP, state aid is decreased by 1.0 percent.

The bill would revise the calculation of Capital Improvement State Aid for bonds approved at an election held on or after July 1, 2020, as follows:

- School districts would be ranked according to their AVPP, as rounded to the nearest \$1,000;

*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>

- The school district, other than USD 207, with the lowest AVPP would receive 75.0 percent state aid; and
- For every \$1,000 in AVPP above the lowest AVPP (excluding USD 207), state aid would be decreased by 1.0 percent.

Background

The bill was introduced by the House Committee on K-12 Education Budget at the request of Representative Thomas.

In the House Committee hearing on the bill, proponent testimony was provided by Representative Thomas and representatives of the Kansas Association of School Boards, USD 230 (Spring Hill), USD 261 (Haysville), and USD 333 (Concordia). Proponents stated the bill would provide more equitable funding for capital improvements and would provide some property tax relief to local taxpayers. In addition, proponents stated USD 207 (Fort Leavenworth) is an outlier because of its low AVPP and the prohibition in state law preventing the school district from issuing general obligation bonds. Written-only proponent testimony was provided by representatives of USD 202 (Turner-Kansas City), USD 203 (Piper-Kansas City), USD 233 (Olathe), USD 253 (Emporia), USD 266 (Maize), and USD 393 (Solomon).

Neutral testimony was provided by a representative of Piper Sandler Companies. The representative stated the equalization formula for capital improvements should be amended to increase the number of school districts eligible to receive state aid, but also stated several options exist for amending the equalization formula.

No opponent testimony was provided.

According to the fiscal note prepared by the Division of the Budget on the bill, the Kansas State Department of Education (KSDE) indicates the state aid rates for school districts would increase by removing USD 207 from the AVPP schedule for calculating Capital Improvement State Aid. According to the KSDE, much of the real property located in USD 207 is owned by the federal government and, therefore, exempt from property taxes. As a result, USD 207 is always the lowest ranked district based on AVPP. Under current law, USD 207 would theoretically be entitled to 75.0 percent state aid for capital improvements; however, KSA 72-1210(b) prohibits USD 207 from issuing general obligation bonds and, therefore, the district cannot receive state aid.

According to the fiscal note prepared by the Division of the Budget on the bill, the short-term fiscal effect of the bill would be negligible. The KSDE indicates few, if any, school districts would pass a bond issuance after July 1, 2020, and then issue bonds in time to qualify for state aid for FY 2021. The long-term fiscal effect of the bill would be to increase Capital Improvement State Aid expenditures due to the increase in state aid rates caused by the removal of USD 207 from the state aid schedule. However, the KSDE cannot estimate the increase in state aid without knowing which school districts would approve bond issuances and how much bonding authority would be authorized. Any fiscal effect associated with the bill is not reflected in *The FY 2021 Governor's Budget Report*.

According to analysis of the bill performed by the Kansas Legislative Research Department and presented to the House Committee in the hearing on the bill, removing USD 207 from the Capital Improvement State Aid schedule would increase state aid rates for Capital Improvement State Aid by approximately 24.0 percent and increase the number of school districts eligible to receive state aid by 53 (from 126 to 179). This analysis was conducted using the AVPP for the 2018-2019 school year. Any analysis using the AVPP for the 2019-2020 school year would produce different results.