**KASEA Legislative Update**

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**Governor Signs School Finance Bill**

Governor Brownback on Thursday signed [SB 19](http://kslegislature.org/li/b2017_18/measures/documents/ccrb_sb19_02_0000.pdf) into law. As he signed, he took yet another swipe at the Legislature, chiding they missed an opportunity to reform and improve Kansas’ schools.

SB 19 largely mirrors the former SDFQPA formula, with just a few tweaks. It adds about $200 million in new funding to school districts in 2017-18 and another $100 million in 2018-19. While the new spending was lower than most were hoping for, it was difficult to imagine where more revenues would come from when the state was facing an estimated $800 million deficit over the next two years – not including new education spending.

Most of the increases for districts will be due to increased enrollments, since the block grants froze enrollment levels at the 2014-15 numbers.

The bill increased special education funding by $12 million. During hearings in the Senate Select Committee on School Finance, Sen. Bruce Givens (R-El Dorado) proposed distributing *new* funds based on the FTE enrollment of each district, thereby creating “winners” and “losers.” KASEA was instrumental in communicating to legislators the rationale behind the current formula and how programs and services would be impacted by the proposed change. KASEA’s efforts resulted in the legislature rejecting the proposal and, instead, distributing the new funds based on current law.

The bill now must be reviewed by the Kansas Supreme Court, where an expedited review is anticipated given the June 30 deadline issued in their last *Gannon* order.

***Key Policy Provisions***

* **BASE aid** - $4,006 in 2017-18; $4,128 in 2018-19; est. $4,190 in 2019-20; est. $4,253 in 2020-21; and est. $4,317 in 2021-22. Beginning in 2019-20, increases will be based on the CPI-Midwest.
* **All-day kindergarten** funded as 1.0 FTE.
* **At-risk funding** will be based on the free lunch count, as it was in the former SDFQPA formula, and the weighting will increase from .456 to .484. A new provision will set a 10% floor for free lunch, which allows districts with extraordinarily low free lunch counts to receive more appropriate at-risk student funding. The bill requires all at-risk funding to be spent on at-risk students.
* **Special education funding** increases by $12 million and will be distributed according to current law despite efforts to distribute these new funds based on the FTE enrollment of each district.
* **Ancillary and Cost of Living** weightings will continue. *High-density at-risk* funding will now be determined by individual schools, rather than by district.
* **Early childhood** funding increases by $2 million for four-year-old at-risk programs.
* **Local Option Budget** remains the same as current law, except it allows local boards to raise the level from 30% up to 33% without an election. Those already at 33% are allowed to stay at that level.
* **Capital Outlay** Fund remains at an 8-mill limit, but expands the use of these funds to include utilities and property/casualty insurance. Schools must republish their Capital Outlay resolutions to take advantage of the expanded uses.
* **Teacher mentoring** is funded at $800,000 per year and **professional development** at $1.7 million per year. Neither of these was funded under the block grants.
* The **Tax Credit Scholarship** will now be extended to individuals, as well as corporations and insurance companies, with a $500,000 contribution cap. The state limit will remain at $10 million. Students from the lowest 100 schools of student achievement will be eligible for these scholarships, beginning on July 1, 2018.
* **Capital Improvement** – beginning July 1, 2017, KSBE would be allowed to approve only bond issuances exceeding 14% of the district’s assessed valuation for the election to the extent of the aggregate amount of bonds retired in the preceding year by all school districts. It also requires that these issuances only be allowed on buildings primarily used for non-extracurricular activities, unless needed to meet ADA or safety guidelines. Any districts with fewer than 260 students would not be eligible for bond and interest state aid, unless approved by KSBE prior to election.
* **Studies** by the Legislature and Legislative Post Audit required in the next several years include:
  + Alternatives to high/low enrollment weightings, including a sparcity model requested by the Senate (by July 1, 2018);
  + Virtual schools (by July 1, 2020);
  + The Successful Schools Model, which was recommended by Blue Valley as a method of determining an empirically-based BASE aid amount (by July 1, 2023);
  + At-risk weighting and BASE (by July 1, 2021);
  + Bilingual weighting (by July 1, 2024); and
  + The cost of delivering Career and Technical Education, by program, will be studied by KSDE and reported to the Legislature by January 15, 2018.

***Final Analysis***

It became quickly clear this session that the majority of legislators and education advocates were most comfortable reverting back to the former SDFQPA formula. There were multiple reasons for this, but certainly chief was that it was a formula that had previously passed constitutional muster by the Kansas Supreme Court.

Ideas for changing the formula were given enough credence to be ordered for study, including using an empirically-based approach in establishing a credible BASE aid per student. Those seeking changes in the formula will need to be active in demonstrating how those changes would improve the formula and, ultimately, students’ educational outcomes.

Significant challenges to particular provisions, such as a 10% at-risk weighting/free lunch floor and the expanded use of Capital Outlay funds, were raised by the Schools for Fair Funding litigants during the legislative process. The Kansas Association of School Boards voiced objections to Capital Outlay changes and added to the effort to push back a measure in the Senate bill that would have allowed this levy to raise up to 10 mills.

In the end, of course, the Supreme Court is the final arbiter of constitutional questions regarding the school finance formula – namely, is it “adequate and equitable?” Is there enough funding in the formula; is it being appropriately targeted to lower-achieving students; and does the formula provide for reasonably equal local funding for similar efforts across all districts?

**Legislature Overrides Tax Bill Veto**

In what is now likely considered the most notable achievement of the 2017 session, the House and Senate mustered the two-thirds majority votes to override the governor’s veto of SB 30. Effective for the current tax year, most of the governor’s dramatic 2012 tax reforms were turned back, including the exemption for non-wage business income afforded to 330,000 businesses statewide.

The bill restores the individual itemized deduction for federally allowable *medical expenses* to 50% in 2018, 75% in 2019, and 100% in 2020. The itemized deductions for *mortgage interest and property taxes paid* would be increased from 50% to 75% in 2019, and to 100% in 2020.

Key to many legislators is the return of the *child care tax credit* that was repealed in 2012. The credit will be incrementally increased to 12.5% in 2018, 18.75% in 2019, and 25% in 2020.

Beginning in 2018, the low-income income tax exclusion would be reduced from $12,500 to $5,000 on married filers and from $5,000 to $2,500 on individuals.

The law expands income taxes to a three-bracket structure, rather than the two brackets instituted in the 2012 reform. Those rates and brackets are set as follows:

* Up to $30,000 – 2.9% in 2017 and 3.10% in 2018 (was 3.5% before 2013);
* $30,001 - $60,000 – 4.6% in 2017 and 5.25% in 2018 (was 6.25% before 2013); and,
* $60,001 and above – 4.6% in 2017 and 5.7% in 2018 (was 6.45% before 2013).

The bill is expected to generate $591 million in FY2018; $633 million in FY2019; $617.4 million in FY2020; $584.4 in FY2021; and $590.3 million in FY2022. The slightly downward estimates for 2020 and beyond will again require the state to find additional revenues just to sustain state expenditures.

While the governor continued to hold to what most see as a failed tax policy, the majority of legislators were adamant that the 2012 law needed to be repealed. Many new legislators ran on a platform of adequately funding education and structurally fixing the state’s fiscal picture, and these continued to push for the needed rollbacks.

In the Senate, Majority Leader Jim Denning (R-Overland Park) led the effort to pass SB 30, as well as the Senate override vote of [27-13](http://kslegislature.org/li/b2017_18/measures/vote_view/je_20170606201241_068283/), admitting he had voted for the tax reform in 2012, but now sees that it didn’t work and needs to be fixed.

In the House, Speaker Ron Ryckman (R-Olathe) stepped up, as well, leading his chamber to an [88-31](http://kslegislature.org/li/b2017_18/measures/vote_view/je_20170606215620_545088/) override vote.

**Last Legislative Update**

The Legislature has adjourned after a 113-day session, which fell just a day shy of the record 114 days set just two years ago. Therefore, this will be our last legislative update in 2017.

We’d like to end by saying what a privilege it is to work with KASEA this past session. As always, your group has had an important impact on education policy and we were glad to be a small part of your team.