



Statement on

**School District inclusion in SB 13**

**Establishing notice and public hearing requirements prior to approval by a governing body to exceed its revenue neutral rate for property tax purposes and discontinuing the city and county tax lid.**

By Mark Tallman, Associate Executive Director

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The Kansas House today amended to SB 13 to include school districts requirements of SB 13 in the Committee of the Whole, then passed the bill. This the first time since the concept of this bill first passed out of the Senate and Taxation Committee that school districts have been included.

KASB has opposed including school districts in this bill and previous versions because virtually all funds are already subject to budget limits or public notice and protest requirements, or both. Most school district funds are also subject to state equalization factors. Based on changes in assessed valuation per pupil, school districts may gain or lose state aid, which determines how much property tax is needed to their authorized budget, which could trigger the requirements of this bill.

School districts receive property tax revenue from the following major funds:

**Statewide mill levy.** The 20-mill statewide levy is set by state law, not local school districts.

**Local Option Budget.** The LOB is adopted as a percentage of the school district's general fund, which is set by the state through base state aid per pupil multiplied by weighted enrollment, plus special education state aid. The LOB is already capped at 33 percent of the general fund, and any amount over 30 percent is subject to protest petition. In addition, state law requires all districts to adopt at least a 15 percent LOB.

To fund the LOB, a calculation is made to determine how much state equalization aid the district will receive, if any, based on the assessed valuation per pupil of the district compared to all other districts. The balance is raised by local property tax. Therefore, under this bill, a district may have to go through the public notice and hearing process in order to (1) comply with the minimum LOB law, (2) maintain the same percentage of the general fund set by the Legislature up to 30 percent or (3) maintain a LOB between 30 and 33 percent that has already been through the protest petition process.

**Capital Outlay.** Districts may adopt a capital outlay levy of up to 8 mills. This mill levy is subject to protest petition and possible election every four years. A district may also qualify for state equalization aid based on the amount raised by the mill levy. Under this bill, a district may have to go through the

public notice and hearing process in order to maintain the mill rate already approved or not protested by voters.

In both cases, school boards are not required to use the full authority each year. But for any year the board decided to use a lower amount of LOB or Capital Outlay, they might have to go through this process to return to previously authorized levels. Lower LOB or capital outlay levels could also reduce the district's state aid.

**Capital improvement (Bond and Interest).** Bonds for school facilities must be approved by local voters, and are paid with property taxes, and if the district qualifies, state equalization aid. A district might have to go through the process of notice and mailings simply to adopt a mill levy required to pay to bonds already approved by voters.

**Cost of Living and Ancillary Weighting.** These are special school finance weightings funded by local property tax. There are used by a limited number of districts but include some of the largest in the state. Cost-of-living weighting allows districts to raise additional funding based on high housing costs; ancillary weighting is based on rapid enrollment growth.

The cost-of-living weighting is subject to protest petition. Ancillary weighting must be approved by the State Board of Tax Appeals. Under this bill, districts might have to go through the additional process to fund authority that has already been subject to voter protest or capped by the state.

SB 13 is, in part, presented as compromise to provide additional public information in exchange for repealing the tax lid on cities and counties. However, as amended, SB 13 would bring school districts under these new requirements but would not repeal any of the limitations and requirements already in place for school districts.

Most of the those limits have been adopted to insure the school finance formula complies with the Kansas Supreme Court requirements for equalization. We do not know if this bill would threaten the concept of equalization, but the requirements of this bill might raise questions. We think that risk, as well as any additional costs associated with public notice requirements, is unnecessary given the restrictions and requirements already in place for school funding.

We would urge that school districts be removed from this bill if it is advanced.