

HB 2567 School Bond Property Tax Relief Cut

Cut historic aid rate from 75% to 51% and greatly reduced or eliminated property tax relief for school capital bonds.

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR HOUSE BILL NO. 2567

As Recommended by Senate Committee on
Ways and Means

Brief*

Senate Sub. for HB 2567, as amended, would alter the calculation of local foundation aid within the Kansas School Equity and Enhancement Act (KSEEA) by removing federal impact aid from the formula. It would also exclude the Fort Leavenworth school district and virtual school students from the capital improvement state aid determination.

The bill would amend the calculation of a unified school district's local foundation aid by removing the requirement that 70.0 percent of a school district's federal impact aid be included in the calculation.

[*Note:* Federal impact aid is provided to school districts that have lost property tax revenue due to the presence of tax-exempt federal property or serve large numbers of federally connected students.]

The bill would extend the statutory cap on the aggregate amount of school district general obligation bonds approved by the State Board of Education to June 30, 2027.

School districts that are not eligible to receive capital improvement state aid or that have opted out of receiving such aid would be exempt from the general obligation bond cap.

*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>

For all general obligation bonds approved at elections held on or after July 1, 2022, the bill would remove Unified School District 207, Fort Leavenworth, from the determination of the school district with the lowest assessed value per pupil (AVPP), and the capital state aid computation would begin at 51.0 percent.

The bill would also exclude all students enrolled in a virtual school within a school district from the determination of that district's AVPP.

The bill would make various technical amendments.

Background

The Senate Committee on Ways and Means removed the contents of HB 2567, as amended by the House Committee of the Whole, and replaced it with the contents of SB 341, as amended by the Senate Committee on Ways and Means, pertaining to federal impact aid and state capital improvement aid.

HB 2567, as amended by the House Committee of the Whole, would have altered certain fees related to the registration, title, and administrative costs on vehicles for services performed by county treasurers and the Division of Vehicles and altered the disposition of such fees.

SB 341

The bill was introduced by the Senate Committee on Education at the request of Senator Longbine.

Senate Committee on Education

In the Senate Committee hearing on February 1, 2022, **proponent** testimony was provided by Senator Pittman and representatives of the Governor's Military Council; USD 207,

Fort Leavenworth; USD 337, Royal Valley; and USD 475, Geary County. The proponents generally discussed the additional needs of districts that serve large military or Native American populations and the purpose of federal impact aid to help address those needs. Proponents also stated that the inclusion of federal impact aid within the local foundation aid calculation was viewed in a negative light by the U.S. Department of Defense and could impact future decisions regarding military investment in Kansas.

No other testimony was offered.

The Senate Committee amended the bill to exclude USD 207, Fort Leavenworth, from the capital improvement state aid determination, remove virtual school students from a school districts AVPP calculation, and extend the cap for State Board of Education approval of new school district general obligation bonds.

[*Note:* The provisions amended into the bill are similar to provisions in 2021 SB 31].

Senate Committee on Ways and Means

In the Senate Committee hearing, the committee amended the bill to lower the base state aid computation percentage from 75.0 percent to 51.0 percent. The committee then removed the contents of HB 2567, inserted the contents of SB 341, and recommended a substitute bill be passed.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Kansas State Department of Education states that enactment of the bill would reduce local foundation aid by \$13.0 million and would require an additional \$13.0 million in SGF be appropriated in FY 2023 per the current school finance formula.

Any fiscal effect associate with the bill are not reflected in *The FY 2023 Governor's Budget Report*.

Education; Kansas School Equity and Enhancement Act; federal impact aid; k-12; local foundation aid; Fort Leavenworth USD 207; virtual school students; capital improvement state aid; general obligation bond

The historic aid rate was cut from 75% to 51%.

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1 point for each \$1,000 interval above the amount of the lowest AVPP.
2 Except as provided by K.S.A. 72-5463, and amendments thereto, the state
3 aid percentage factor of a school district is the percentage assigned to the
4 schedule amount that is equal to the amount of the AVPP of the school
5 district. The state aid computation percentage is ~~75%~~ 51%;

6 (D) determine the amount of payments that a school district is
7 obligated to make from its bond and interest fund attributable to general
8 obligation bonds approved for issuance at an election held on or after July
9 1, 2015; and

10 (E) multiply the amount determined under subsection (b)(2)(D) by
11 the applicable state aid percentage factor.

12 (3) For general obligation bonds approved for issuance at an election
13 held on or before June 30, 2016, the sum of the amount determined under
14 subsection (b)(1)(F) and the amount determined under subsection (b)(2)(E)
15 is the amount of payment the school district is entitled to receive from the
16 school district capital improvements fund in the school year.

17 (4) (A) For general obligation bonds approved for issuance at an
18 election held on or after July 1, 2016, the amount determined under
19 subsection (b)(2)(E) is the amount of payment the school district shall
20 receive from the school district capital improvements fund in the school
21 year, except the total amount of payments school districts receive from the
22 school district capital improvements fund in the school year for such bonds
23 shall not exceed the six-year average amount of capital improvement state
24 aid as determined by the state board of education.

25 ~~(A)~~(B) The state board of education shall determine the six-year
26 average amount of capital improvement state aid by calculating the
27 average of the total amount of moneys expended per year from the school
28 district capital improvements fund in the immediately preceding six fiscal
29 years, not to include the current fiscal year.

30 ~~(B)~~(C) (i) Subject to clause (ii), the state board of education shall
31 prioritize the allocations to school districts from the school district capital
32 improvements fund in accordance with the priorities set forth as follows in
33 order of highest priority to lowest priority:

34 (a) Safety of the current facility and disability access to such facility
35 as demonstrated by a state fire marshal report, an inspection under the
36 Americans with disabilities act, 42 U.S.C. § 12101 et seq., or other similar
37 evaluation;

38 (b) enrollment growth and imminent overcrowding as demonstrated
39 by successive increases in enrollment of the school district in the
40 immediately preceding three school years;

41 (c) impact on the delivery of educational services as demonstrated by
42 restrictive inflexible design or limitations on installation of technology;
43 and

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AN ACT concerning education; relating to state aid; removing federal impact aid from the determination of local foundation aid; excluding Fort Leavenworth school district and virtual school students from the capital improvement state aid determination; extending the general obligation bond limitation; amending K.S.A. 72-5135 and 72-5461 and K.S.A. 2021 Supp. 72-5132 and 72-5462 and repealing the existing sections.

House - Conference Committee Report was adopted; - 04/28/2022

On roll call the vote was:

Yea - (75):

Anderson, Arnberger, Barker, Bergkamp, Bergquist, Blex, Borjon, Burris, W. Carpenter, Clark, Collins, Concannon, Corbet, Croft, Delperdang, Dodson, Donohoe, Ellis, Esau, Estes, Fairchild, Finch, Francis, French, Garber, Hawkins, Highland, Hoffman, Hoheisel, Houser, Howe, Howell, Howerton, Huebert, Humphries, Jacobs, S. Johnson, T. Johnson, Kelly, Kessler, Landwehr, Lee, Long, Lynn, Mason, Minnix, Moser, Murphy, Neelly, Newland, Orr, Owens, Patton, Penn, Proctor, Proehl, Rahjes, Ralph, Resman, Rhiley, Ryckman, Sanders, Seiwert, A. Smith, C. Smith, E. Smith, Tarwater, Thomas, Thompson, Toplikar, Turner, Waggoner, Wasinger, Waymaster, Williams,

Nay - (45):

Alcala, Amyx, Awerkamp, Baker, Ballard, Burroughs, Byers, Carlin, Carlson, Carmichael, Clayton, Clifford, Coleman, Curtis, Eplee, Featherston, Finney, Gartner, Haswood, Helgerson, Henderson, Highberger, Hoye, Kuether, Meyer, Miller, Neighbor, Ohaebosim, Osman, Ousley, Poskin, Probst, L. Ruiz, S. Ruiz, Samsel, Sawyer, Schmidt, Schreiber, Stogsdill, Weigel, Wheeler, Winn, Wolfe Moore, Woodard, Xu,

Present but not Voting - (0):

Absent and Not Voting - (5):

Helmer, Poetter Parshall, Sutton, Vaughn, Victors,

Not Voting - (0):

School Capital Bond Property Tax Change due to House Bill 2567
Senate District 33 - Piper Sandler 11/15/21 & KLRD 9/25/23

USD No	USD Name	County	Bond Aid Prior to 7/1/2015	Bond Aid After 7/1/2022	Local Property Tax Increase due to HB 2567
355	Ellinwood Public Schools	Barton	0.38	0.00	38%
428	Great Bend	Barton	0.56	0.17	39%
431	Hoisington	Barton	0.49	0.15	34%
300	Comanche County	Comanche	0.00	0.00	0%
347	Kinsley-Offerle	Edwards	0.05	0.00	5%
502	Lewis	Edwards	0.00	0.00	0%
112	Central Plains	Ellsworth	0.00	0.00	0%
327	Ellsworth	Ellsworth	0.21	0.00	21%
422	Kiowa County	Kiowa	0.00	0.00	0%
474	Haviland	Kiowa	0.00	0.00	0%
106	Western Plains	Ness	0.00	0.00	0%
303	Ness City	Ness	0.00	0.00	0%
495	Ft Larned	Pawnee	0.42	0.04	38%
496	Pawnee Heights	Pawnee	0.00	0.00	0%
382	Pratt	Pratt	0.29	0.00	29%
438	Skyline Schools	Pratt	0.02	0.00	2%
376	Sterling	Rice	0.30	0.00	30%
401	Chase-Raymond	Rice	0.00	0.00	0%
405	Lyons	Rice	0.46	0.06	40%
444	Little River	Rice	0.00	0.00	0%
395	LaCrosse	Rush	0.00	0.00	0%
403	Otis-Bison	Rush	0.00	0.00	0%
349	Stafford	Stafford	0.23	0.00	23%
350	St John-Hudson	Stafford	0.01	0.00	1%
351	Macksville	Stafford	0.00	0.00	0%

Over the 15-year life of the Ellinwood school bond, the total property tax paid would have been \$4 million dollars less, if state aid had not been cut.

Unified School District No. 355

Barton County, Kansas (Ellinwood)

Mill Levy Impact Analysis - Projected Series 2024 \$8.5MM Bond Issue Over 15 Years

May 17, 2024

Year	Assessed Valuation ¹	Projected Series 2024 Debt Service	Total Debt Service	State Aid ²	Motor Vehicle Revenue ⁴	Debt Service After State Aid & MV Revenue	Fund Balance ⁵	Total Mill Levy ³
2024	40,042,753							-
2025	40,443,181							-
2026	40,847,612	727,222	727,222	-	-	727,222	29,480	19.500
2027	41,256,088	425,000	425,000	-	29,751	395,249	399,384	19.500
2028	41,668,649	905,000	905,000	-	60,097	844,903	338,374	19.500
2029	42,085,336	906,000	906,000	-	60,698	845,302	282,854	19.500
2030	42,506,189	905,750	905,750	-	61,305	844,445	234,321	19.500
2031	42,931,251	904,250	904,250	-	61,918	842,332	194,320	19.500
2032	43,360,564	906,500	906,500	-	62,537	843,963	159,440	19.500
2033	43,794,169	902,250	902,250	-	63,162	839,088	136,423	19.500
2034	44,232,111	906,750	906,750	-	63,794	842,956	116,959	19.500
2035	44,674,432	904,500	904,500	-	64,432	840,068	107,993	19.500
2036	45,121,176	905,750	905,750	-	65,076	840,674	106,429	19.500
2037	45,572,388	905,250	905,250	-	65,727	839,523	114,327	19.500
2038	46,028,112	903,000	903,000	-	66,384	836,616	133,812	19.500
2039	46,488,393	904,000	904,000	-	67,048	836,952	162,071	19.500
2040	46,953,277	903,000	903,000	-	67,718	835,282	201,461	19.500
Totals		12,914,222	12,914,222	0	859,645	12,054,578		

Assumptions

¹ Annual AV growth:	2025 - on:	1.00%
² State Aid for Bond Elections after 7/1/2022:	2025 - on:	0%
⁴ Tax collection rate:		95%
⁵ Motor Vehicle Revenue Grows at AV Rate		
⁶ Fund Balance investment earnings rate is 3.00%		

Scenario

⁶ Projected Series 2024 \$8,500,000 Bond Issue Closing 12/15/2024 @ 5.00%

Total Debt Service	Aid Rate	Total Payment	
-\$12,914,222	31%	-\$4,003,408.82	Conservative
-\$12,914,222	35%	-\$4,519,977.70	
-\$12,914,222	38%	-\$4,907,404.36	