

**Comprehensive Summary of the Kansas Supreme Court Opinion in
Gannon v. State, issued June 25, 2018 (*Gannon VI*)¹**

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On June 25, 2018, the Kansas Supreme Court (Court) issued its sixth decision in the *Gannon* school finance litigation (*Gannon VI*). The Court held that the Kansas School Equity and Enhancement Act (KSEEA) enacted in 2017 Senate Bill No. 19 (SB 19) and further amended by 2018 Senate Bill No. 423 (SB 423) and 2018 Senate Bill No. 61 (SB 61) does not satisfy the adequacy component of Article 6 of the Constitution of the State of Kansas.² However, the Court indicated that “by timely making financial adjustments” to the funding plan, and “then by completing the plan” the KSEEA can be brought into constitutional compliance.³ Further, the Court held that the State cured the equity violations identified in *Gannon V*, and that no other equity violations were created by SB 423 or SB 61.⁴

The Court stayed its mandate on the constitutionality of the KSEEA until June 30, 2019, to give the Legislature an opportunity to “meet its constitutional duty.”⁵ The Court again set a briefing schedule to review any remedial legislation enacted during the 2019 legislative session. Initial briefs on any such legislation are due by April 15, 2019, and the Court set June 30, 2019, as the date the Court would issue its ruling on such remedial legislation.⁶

¹ This memorandum provides a comprehensive summary of the *Gannon VI* decision and places it in context with other recent school finance decisions. The Office of Revisor of Statutes has prepared memoranda on each of the prior decisions in *Gannon v. State* and a memorandum on the history of school finance litigation in Kansas. These documents can be found at <http://www.ksrevisor.org/>.

² *Gannon v. State*, No. 113,267 at 28-29 (Kan. Sup. Ct. June 25, 2018) (*Gannon VI*).

³ *Id.*

⁴ *Id.* at 36.

⁵ *Id.* at 38.

⁶ *Id.* at 38-39.

GANNON PROCEDURAL HISTORY⁷

The *Gannon v. State* series of cases began in November 2010, when a lawsuit was filed claiming the State violated Article 6 of the Constitution of the State of Kansas by not constitutionally funding public K-12 schools in Kansas.

School Finance Formulas in Kansas

When *Gannon* was filed in 2010, the School District Finance and Quality Performance Act (SDFQPA) was the existing school finance formula. Under the SDFQPA, the amount of state aid received by a school district was determined by multiplying the base state aid per pupil (BSAPP) by the adjusted enrollment of the district. Adjusted enrollment used weightings to account for certain demographics and characteristics of a school district’s student population. The SDFQPA was repealed in 2015 and replaced by the Classroom Learning Assuring Student Success Act (CLASS Act). Under the CLASS Act, school districts received a “block grant” of state financial aid based on the state aid received in school year 2014-2015 under the SDFQPA with some adjustments. The CLASS Act expired on June 30, 2017, and was replaced by the Kansas School Equity and Enhancement Act (KSEEA) enacted in SB 19. The basic structure of the KSEEA is substantially similar to the SDFQPA.

Gannon I

In *Gannon I*, issued in March 2014, the Court reaffirmed that Article 6 requires both an adequacy and an equity component be satisfied for a school finance formula to be constitutional.⁸ The Court determined that the adequacy requirement is satisfied “when the public education financing system provided by the Legislature for grades K-12—through structure and implementation—is reasonably calculated to have all Kansas public education students meet or exceed the [*Rose* standards].”⁹ The Court did not apply the new adequacy test to the existing formula, but directed the District Court Panel (Panel)¹⁰ to do so on remand.¹¹ The Court also determined that the equity requirement is satisfied when school districts “have

⁷ This memorandum provides a brief summary of the procedural history of the *Gannon v. State* decisions. The Office of Revisor of Statutes has prepared a memorandum on the history of school finance litigation in Kansas, including a more comprehensive summary of *Gannon*. This document can be obtained by contacting the Office of Revisor of Statutes or at <http://www.ksrevisor.org/>.

⁸ *Gannon v. State*, 298 Kan. 1107, 1163 (2014) (*Gannon I*).

⁹ *Id.* at 1170.

¹⁰ K.S.A. 2017 Supp. 72-5633 requires that constitutional challenges claiming a violation of Article 6 of the Constitution of the State of Kansas be tried before a three-judge panel at the district court.

¹¹ *Gannon I* at 1199.

reasonably equal access to substantially similar educational opportunity through similar tax effort.”¹² The Court applied the equity test to the current funding levels for capital outlay state aid and supplemental general state aid, and found both unconstitutional.¹³ The Court then remanded the case to the Panel to apply the adequacy test and enforce the Court’s equity ruling.¹⁴

District Court Panel

In 2014 and 2015, the Panel issued two separate decisions on the constitutionality of the Kansas school finance formulas. In the Panel’s first decision after *Gannon I*, the Panel found the SDFQPA to be unconstitutional under the new test for adequacy.¹⁵ In response to the Panel’s decision, the Legislature repealed the SDFQPA and enacted the CLASS Act through 2015 Senate Bill No. 7 (SB 7). The Panel subsequently issued a new decision finding the CLASS Act constitutionally inadequate and the supplemental general state aid and capital outlay state aid equalization formulas as amended by the CLASS Act constitutionally inequitable.¹⁶ The Panel’s decisions were appealed to the Court.

Bifurcation

On July 24, 2015, following the Panel’s decision on the CLASS Act, the Court stated that the equity and adequacy issues were in different stages of the litigation and “recognized the need for an expedited decision on the equity portion of the case.”¹⁷ The Court then bifurcated adequacy and equity and required the parties to brief and argue the issues separately.¹⁸ The Court ruled on the equity issue in *Gannon II* and *Gannon III*, and on the adequacy issue in *Gannon IV*.

Gannon II and III

In *Gannon II*, issued in February 2016, the Court held that the State failed to show sufficient evidence that it complied with the Court’s prior equity orders set forth in *Gannon I* and found that the amended supplemental general state aid and capital outlay state aid equalization formulas in SB 7 failed to cure the unconstitutional wealth-based disparities among school

¹² *Id.* at 1175.

¹³ *Id.* at 1197.

¹⁴ *Id.* at 1200.

¹⁵ *Gannon v. State*, No. 2010CV1569 at 115 (Shawnee Co. Dist. Ct. Dec. 30, 2014).

¹⁶ *Gannon v. State*, No. 2010CV1569 at 7 (Shawnee Co. Dist. Ct. June 26, 2015).

¹⁷ *Gannon v. State*, No. 113,267 (Kan. Sup. Ct. Order July 24, 2015).

¹⁸ *Id.*

districts.¹⁹ In response, the Legislature enacted Senate Substitute for House Bill No. 2655 (HB 2655) amending both the supplemental general state aid and capital outlay state aid formulas. In *Gannon III*, issued in May 2016, the Court held that HB 2655 cured the capital outlay inequities, but failed to cure the supplemental general state aid inequities.²⁰ To address the supplemental general state aid inequities, the Legislature passed Substitute for House Bill 2001 (HB 2001) during a special session in June 2016. On June 28, 2016, the Court found HB 2001 cured the supplemental general state aid inequities, but the Court retained jurisdiction over equity.²¹

Gannon IV

With the equity portion of the case resolved, the Court turned to adequacy. In *Gannon IV*, the Court held that the CLASS Act did not satisfy the adequacy component of Article 6.²² The Court found that the CLASS Act did not meet either the structure or implementation requirements of the adequacy test.²³ The Court held that the CLASS Act was inadequate because the structure of the act “does not profess to be a school finance formula” and is merely a “funding stopgap.”²⁴

The Court also examined the inputs to the K-12 educational system (the costs and funding sources of providing an adequate system)²⁵ and the outputs from the system (various student achievement measures).²⁶ In its review of inputs, the Court found the level of funding and the impact of such funding inadequate.²⁷ In its review of outputs, the Court found the State was failing to provide nearly one-fourth of all public school students in Kansas with basic skills in both reading and math and that achievement gaps existed between all students and certain subgroups of students.²⁸

Though the Court affirmed the Panel’s conclusion that the CLASS Act is unconstitutional, it stayed all orders to give the Legislature the opportunity to enact a new school finance system prior to June 30, 2017.²⁹ The Court stated that the adequacy portion of the case would now be in the remedial phase, and thus, the State has the burden to demonstrate that any

¹⁹ *Gannon v. State*, 303 Kan. 682, 720, 726 (2016) (*Gannon II*).

²⁰ *Gannon v. State*, 304 Kan. 490, 493 (2016) (*Gannon III*).

²¹ *Gannon v. State*, No. 113, 267 (Kan. Sup. Ct. Order June 28, 2016).

²² *Gannon v. State*, 305 Kan. 850, 913-14. (2017) (*Gannon IV*).

²³ *Id.*

²⁴ *Id.* at 889-90.

²⁵ *Id.* at 892-901.

²⁶ *Id.* at 901-15.

²⁷ *Id.* at 893.

²⁸ *Id.* at 906-08.

²⁹ *Id.* at 918.

new school financing system is “reasonably calculated to address the constitutional violations” of the adequacy requirement while also satisfying the equity requirement.³⁰

Gannon V

Following the Court’s decision in *Gannon IV*, the Legislature passed SB 19 enacting the KSEEA,³¹ which created a new school finance formula similar in structure to the SDFQPA. The legislation also added approximately \$317 million in additional funding for public schools for school years 2017-2018 and 2018-2019.³² The Court heard oral argument on SB 19 in July 2017.

On October 2, 2017, the Court issued its decision in *Gannon V*.³³ The Court reviewed the constitutionality of the KSEEA and held that the State failed to demonstrate that the KSEEA satisfied both the adequacy and equity components of Article 6.³⁴ Although the Court recognized that SB 19 “arguably makes positive strides,” the financing system was not shown by the State to be “reasonably calculated to have all Kansas public education students meet or exceed the standards set out in *Rose*” and did not provide school districts “reasonably equal access to substantially similar educational opportunity through similar tax effort.”³⁵

The Court held that the KSEEA satisfied the structure component of the adequacy test under Article 6,³⁶ but did not satisfy the implementation component.³⁷ The Court did not find the State’s successful schools model persuasive and held that the State failed to demonstrate that the overall funding and the BASE aid amount provided for in the KSEEA were constitutionally adequate.³⁸ Additionally, the Court was not persuaded by the State’s effective base argument. The Court found that the notion that BASE aid and local option budget (LOB) funds are comparable is “a false equivalency because they are fundamentally different with frequently different purposes.”³⁹ The Court held that LOB funds cannot be combined with BASE aid funds to create an “effective base” because LOB funds do not provide the same benefit to every school district.⁴⁰ Finally, despite the Court’s recognition of the efforts to target funding toward at-risk students and improve at-risk student performance, the Court determined that the State failed to

³⁰ *Id.* at 856.

³¹ See K.S.A. 2017 Supp. 72-5131 et seq.

³² *Gannon VI* at 6-7.

³³ *Gannon v. State*, 306 Kan. 1170 (2017) (*Gannon V*).

³⁴ *Id.* at 1172.

³⁵ *Id.* at 1237. Quoted text first stated in *Gannon I* at 1170 and 1175.

³⁶ *Id.* at 1184.

³⁷ *Id.* at 1183.

³⁸ *Id.* at 1197.

³⁹ *Id.* at 1203.

⁴⁰ *Id.* at 1205.

sufficiently demonstrate how these provisions of the KSEEA would satisfy the adequacy component of Article 6.⁴¹

The Court also held that certain provisions of SB 19 exacerbated wealth-based inequities between school districts in violation of the equity component of Article 6.⁴² In particular, the Court identified the following provisions as equity violations: (1) The expanded use of capital outlay funds; (2) the procedure to raise the maximum LOB authority; (3) the LOB equalization based on the preceding year LOB authority; and (4) the 10% minimum at-risk student weighting.⁴³

The Court retained jurisdiction and extended the stay of its mandate until June 30, 2018.⁴⁴

Senate Bills 423 and 61

During the 2018 legislative session, the Legislature passed SB 423 and SB 61 to address the issues raised in *Gannon V.*⁴⁵ The legislation addressed the adequacy issue by returning to that level of public school funding that was last approved by the Court at the end of the *Montoy* litigation. Recognizing this occurred in school year 2009-2010, the Legislature then calculated the inflation cost for each subsequent school year through school year 2016-2017 (see chart below):⁴⁶

Year	Prior Year Amount	Inflation Percent	Inflation Adjustment Amount	New Amount
2011	\$ 3,108,690,821	3.22 %	\$ 100,099,844	\$ 3,208,790,665
2012	3,208,790,665	2.03	65,138,451	3,273,929,116
2013	3,273,929,116	1.40	45,835,008	3,319,764,124
2014	3,319,764,124	1.47	48,800,533	3,368,564,656
2015	3,368,564,656	(0.54)	(18,190,249)	3,350,374,407
2016	3,350,374,407	0.85	28,478,182	3,378,852,590

⁴¹ *Id.* at 1206-11.

⁴² *Id.* at 1213.

⁴³ *Id.*

⁴⁴ *Id.* at 1239.

⁴⁵ SB 423 was signed by the Governor on April 17, 2018. SB 423 required school districts count the mandated portion of their LOB authority – 15% of the district’s total foundation aid – as part of the district’s local foundation aid. The Kansas State Department of Education raised concerns regarding the calculation of the local foundation aid based on the provisions of SB 423. SB 61, signed by the Governor on May 7, 2018, addressed KSDE’s concerns by not requiring school districts to count the 15% LOB authority as local foundation aid.

⁴⁶ This chart was presented in a memorandum prepared by Kansas Legislative Research Department (KLRD) staff on April 23, 2018, explaining to House of Representatives legal counsel, Curt Tideman, the method used for calculating the additional funding to be provided under SB 423 (KLRD Memorandum).

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2017	3,378,852,590	1.66	56,088,953	3,434,941,542
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The total inflation cost for those seven years, less funding amounts already appropriated under SB 19, was determined to be approximately \$522 million.⁴⁷ SB 423 established a plan to pay the \$522 million in additional funding over five years starting with school year 2018-2019 through annual increases in the BASE aid amount.⁴⁸ The legislation also added additional funding for preschool-aged at-risk programs, special education, the ACT and WorkKeys assessment program, and for a mental health intervention pilot program.⁴⁹

SB 423 addressed the four equity issues identified by the Court in *Gannon V*. The expanded use of capital outlay funds, the LOB equalization based on the preceding year, and the 10% minimum at-risk student weighting were all rectified by striking the offending portions of the appropriate statutes.⁵⁰ The Legislature addressed the Court’s concern regarding the protest petition for LOB authority by nullifying any LOB resolution authorizing a LOB above the statewide average that was adopted without being subject to an election process.⁵¹

In May 2018, the Court heard oral argument on the remedial legislation enacted in SB 423 and SB 61.

GANNON VI COMPREHENSIVE SUMMARY

In *Gannon VI*, the Court reviewed the KSEEA as amended by SB 423 and SB 61. The Court held that even with the additional funding provided by the remedial legislation, the KSEEA failed to satisfy the adequacy component of Article 6 of the Constitution of the State of Kansas.⁵² However, the Court indicated that “by timely making financial adjustments in response to the plan’s identified problems and its accompanying calculations – and then by completing the plan – the State can bring the system into constitutional compliance.”⁵³ The Court also held that the equity violations identified in *Gannon V* had been cured by the legislature’s actions with the passage of SB 423 and SB 61, and found no new equity violations in the current law.⁵⁴ The

⁴⁷ See KLRD Memorandum, a copy of which is attached to this memorandum.

⁴⁸ K.S.A. 2017 Supp. 72-5132(e).

⁴⁹ 2018 Session Laws of Kansas Ch. 57, § 1.

⁵⁰ *Id.* at §§ 5, 9, 14, and 15.

⁵¹ *Id.* at § 4.

⁵² *Gannon VI* at 28.

⁵³ *Id.* at 28-29.

⁵⁴ *Id.* at 36.

Court retained jurisdiction of the case and extended the stay of its previous mandate until June 30, 2019.⁵⁵

Adequacy

To satisfy the adequacy component of Article 6, the State has the burden to demonstrate that its public school financing system is reasonably calculated to have all public education students meet or exceed the *Rose* standards through both structure and implementation.⁵⁶ During the remedial phase of the litigation, the Court is requiring the State to “show its work” as to how the school finance formula will achieve constitutional compliance with the adequacy component.⁵⁷

In analyzing the adequacy of the KSEEA, the Court first examined the Legislature’s rationale for the additional funding provided under SB 423 and SB 61. The Court identified this rationale as the “*Montoy* safe harbor” plan (Plan) due to its reliance on the funding levels that were approved by the Court in the *Montoy* litigation.⁵⁸ The Court held the Plan did not satisfy the adequacy requirement in Article 6. Nonetheless, the Court agreed with the State that the “*Montoy* safe harbor” plan, with some financial adjustments and when fully implemented, could “bring the K-12 system into compliance with the adequacy requirement in Article 6 of the Kansas Constitution.”⁵⁹

The Court alluded to two financial adjustments, both concerning the calculation of inflation costs. First, the Court took judicial notice of the memoranda prepared by the Kansas Legislative Research Department (KLRD) on April 23, 2018, and May 1, 2018. That memoranda included the chart provided above showing the calculation of inflation costs since 2011. The Court noted the chart stopped calculating inflation with school year 2016-2017.⁶⁰ “[T]he apparent purpose of the memo was to calculate how much the legislative funding was short for SY 2018-19.”⁶¹ The Court reasoned that a consistent application of the Plan’s rationale would require the calculation of inflation cost for school years 2017-2018 and 2018-2019 as well – two

⁵⁵ *Id.* at 38.

⁵⁶ *Gannon I* at 1170.

⁵⁷ *Gannon IV* at 919.

⁵⁸ *Gannon VI* at 22. The Court noted it was unclear whether virtual school state aid was included in the 2011 state aid calculation, but that such state aid was deducted in calculating the total amount of additional funding. While not expressly stated in the KLRD memoranda, virtual school state aid was included in the 2011 state aid calculation such that its deduction in determining total additional funding was appropriate. For a description of the Plan, see Senate Bills SB 423 and 61 *infra*.

⁵⁹ *Id.* at 22.

⁶⁰ *Id.* at 25

⁶¹ *Id.*

years that were not included in the Plan.⁶² The Court concluded that the \$522 million figure must be adjusted to account for the inflation cost of these two school years, which would enlarge the overall “principal” amount of additional funding for public schools.⁶³

The second adjustment identified by the Court involves the time value of money for the period of time over which the additional funding is being provided. Under the Plan, the \$522 million would be provided over five years.⁶⁴ The Court agreed with the Plaintiffs’ argument that there should be financial adjustments to account for the cost of inflation during those five years. Thus, the Court concluded that after including inflation costs for school years 2017-2018 and 2018-2019, the “enlarged principal amount” would then need to be further adjusted to account for the additional inflation costs while the Plan is being implemented.⁶⁵

While concluding that the KSEEA does not satisfy the adequacy component of Article 6, the Court recognized the various provisions of SB 423 and SB 61 targeting additional funding to the underperforming subgroups identified by the Court in *Gannon IV*.⁶⁶ The Court found that these amendments when coupled with the increases in BASE aid provided “even more money . . . for students qualifying for at-risk services.”⁶⁷

The Court held that, “[i]n its current status, the State’s chosen remediation plan does not comply” with the adequacy requirement of Article 6. However, with certain financial adjustments the Plan could be brought into constitutional compliance.⁶⁸ In reaching this decision, the Court declined to address the validity of either of the new cost studies referred to in the parties’ briefs, or any of the accompanying peer review studies.⁶⁹ The Court also declined to perform any comparisons of the Plan with any other cost estimates in the record.⁷⁰

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ *Id.* at 26-28.

⁶⁷ *Id.* at 28.

⁶⁸ *Id.* at 28-29.

⁶⁹ *Id.* at 29. In December 2017, the Legislature retained the services of WestEd and Dr. Lori Taylor to conduct a cost study of the Kansas school finance system – the Taylor Study. The Legislature also retained the services of Dr. Jesse Levin to review the 2001 Augenblick & Myers Cost Study (A&M Study), the 2006 Legislative Post Audit Cost Study (LPA Study), and the Taylor Study. Likewise, the plaintiffs retained the services of JL Myers Consulting and Picus Odden & Associates to conduct a cost study of the Kansas school finance system – the Myers-Picus Study. Plaintiffs also retained Dr. Bruce Baker to review the A&M Study, the LPA Study, the Taylor Study, and Dr. Levin’s work.

⁷⁰ *Id.*

Equity

To satisfy the equity component of Article 6, the State must demonstrate that the KSEEA provides school districts with “reasonably equal access to substantially similar educational opportunity through similar tax effort,”⁷¹ and “wealth-based disparities are unreasonable if the remedial legislation increases or exacerbates inequities among districts.”⁷² The Court held the equity violations identified in *Gannon V* had been cured and that no additional equity violations were created under SB 423 and SB 61.⁷³

The Court first noted the plaintiffs’ acknowledgment that the State had cured the following equity violations by passing SB 423 and SB 61: (1) The expanded use of capital outlay funds; (2) the use of the prior year’s LOB authority for purposes of calculating supplemental state aid; and (3) the allowance of a 10% minimum at-risk student weighting.⁷⁴ However, the plaintiffs argued that equity issues remained with respect to the continued availability of a protest petition for approval of LOB authority in excess of 30% of a school district’s total foundation aid, the required 15% minimum LOB authority, and the directed transfer of LOB funds to a district’s at-risk education fund and bilingual education fund.⁷⁵

With respect to the required use of a protest petition for approval of certain LOB authority, the Court clarified its *Gannon V* ruling in that the Court did not have concerns with the protest petition procedure, itself, but rather, with the prospect that certain school districts were given the ability to exceed the 30% LOB authority threshold without being subject to an election process.⁷⁶ The Court then held that the amendments in SB 423, which nullified any LOB resolution adopting an LOB in excess of 30% that had not been subject to an election process, cured this constitutional infirmity.⁷⁷

SB 423 enacted a provision mandating that all school districts adopt a LOB resolution for a minimum LOB authority of 15% of the district’s total foundation aid.⁷⁸ This provision was further clarified in SB 61 by the acknowledgment that all school districts currently had a LOB authority in excess of 15%.⁷⁹ The Court noted that “almost all [school districts] have adopted

⁷¹ *Gannon I* at 1175.

⁷² *Gannon V* at 1213-14.

⁷³ *Gannon VI* at 36.

⁷⁴ *Id.* at 30.

⁷⁵ *Id.*

⁷⁶ *Id.* at 31.

⁷⁷ *Id.* at 32.

⁷⁸ K.S.A. 2018 Supp. 72-5143(a).

⁷⁹ 2018 Session Law Ch. 70, § 1.

LOBs at a much higher level.”⁸⁰ Therefore, it is “more theoretical than likely that a district would want to decrease its LOB below 15%.”⁸¹ The Court concluded that the only change under SB 423 was to mandate what school districts were already doing, which did not, in itself, create an equity violation under Article 6.⁸² The Court reiterated its concerns regarding greater reliance on LOB funds for general operating expenses and the potential equity ramifications of such reliance.⁸³

The Court did not find constitutional violations in the requirement that school districts transfer a portion of their LOB funds to the at-risk education fund and bilingual education fund.⁸⁴ While the Court acknowledged that there were LOB funding disparities among school districts with similar percentages of at-risk and bilingual students, it disagreed with the plaintiffs’ assertion that the mandated transfers would create unconstitutional inequities. Rather, the Court found that all at-risk and bilingual students would “arguably benefit from earmarking and transferring existing LOB funds to accounts dedicated to their needs.”⁸⁵ Any disparities with respect to school districts with similar percentages of at-risk and bilingual students existed prior to the 2018 legislation and “do not arise from the new requirement for allocation of funds to the educational needs of those students.”⁸⁶

Remedy

The Court stayed its mandate on the constitutionality of the KSEEA until June 30, 2019, to provide the Legislature an opportunity to bring the KSEEA into constitutional compliance.⁸⁷ Under the stay, the KSEEA remains in effect until June 30, 2019. The Court set a briefing schedule for arguing the merits of any school finance legislation enacted during the 2019 legislative session that addresses the constitutional violations identified by the Court. Opening briefs are due on April 15, 2019.⁸⁸ The Court retained jurisdiction over the State’s appeal and the stay of its mandate.⁸⁹

⁸⁰ *Gannon VI* at 33.

⁸¹ *Id.*

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.* at 35.

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *Id.* at 38.

⁸⁸ *Id.* at 38-39.

⁸⁹ *Id.*

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April 23, 2018

To: Curtis Tideman, Legislative Counsel

From: Edward Penner, Principal Research Analyst

Re: House School Finance Calculation Effort

During House Committee on K-12 Education Budget discussion and floor debate (House Committee of the Whole) on HB 2445, several representatives referred to a target for increased aid to schools of approximately \$522.2 million. This memorandum attempts to describe the considerations and calculations used to arrive at the \$522.2 million amount. The amount is essentially arrived at by applying the 2010 school finance formula to current student enrollment, distribution, and demographics and bringing the spending level forward for inflation.

The 2008 Legislature provided for a base state aid per pupil of \$4,492 for school year 2009-2010. Applying the school finance formula as it existed in 2010, including the base state aid per pupil of \$4,492, to the current Kansas student population, including those students eligible for all of the weightings in the formula as it existed in school year 2009-2010, results in a total amount of aid to schools in the district general funds of approximately \$3,108.7 million. Aside from the change in the per weighted pupil base amount, the other formula changes from school year 2009-2010 to the current formula include the addition of funding for all day kindergarten, the adjustment of the at-risk weighting from 0.456 to 0.484, and other smaller adjustments to various weightings and formula provisions.

The next step in this analysis was to adjust that amount for inflation. The index used for this consideration was the CPI-U for the Midwest region, as reported by the U.S. Bureau of Labor Statistics. For the inflation adjustments, please see the table below. The inflation adjustments resulted in a new total amount of aid to schools of \$3,434.9 million.

Year	Prior Year Amount	Inflation Percent	Inflation Adjustment Amount	New Amount
2011	\$ 3,108,690,821	3.22 %	\$ 100,099,844	\$ 3,208,790,665
2012	3,208,790,665	2.03	65,138,451	3,273,929,116
2013	3,273,929,116	1.40	45,835,008	3,319,764,124
2014	3,319,764,124	1.47	48,800,533	3,368,564,656
2015	3,368,564,656	(0.54)	(18,190,249)	3,350,374,407
2016	3,350,374,407	0.85	28,478,182	3,378,852,590
2017	3,378,852,590	1.66	56,088,953	3,434,941,542

The final step in arriving at the target amount for increased aid to schools was to deduct the current state aid and the already-scheduled increases for school year 2018-19. The school year 2017-2018 state aid amount was \$2,817.1 million, which is a sum of approximately \$31.2 million of virtual school state aid and approximately \$2,785.9 million of state foundation aid associated with a base aid for student excellence of \$4,006. At the time of these calculations, the estimated increase for school year 2018-2019 over 2017-2018 due to 2017 SB 19 was approximately \$95.6 million. Deducting these two amounts from \$3,434.9 million results in a remaining amount of \$522.2 million.

Target Aid to Schools	\$	3,434,941,542
Current Aid		(2,817,090,821)
Scheduled Increase in Aid		(95,606,000)
Total Target Additional Aid	\$	522,244,721

EFP/kal