

Framework for a New School Finance Formula

October 2016

Background

The 2015 Kansas Legislature changed the school finance funding system from a formula-based system to a Block Grant for the 15/16 and 16/17 school years. The Block Grant is set to expire June 30, 2017.

School administrators and Board members began to meet in the summer of 2015 to build a new school finance system. Participants represented a cross-section of school size, geographical representation, differing student demographics along with urban and rural districts.

School leaders are lending their expertise, knowledge, and experience to assist the legislature in writing a new permanent school finance formula which will provide the foundation to support student success as outlined in the Kansas State Board of Education's new vision and mission.

The organizations participating include United School Administrators, Kansas School Superintendents Association, Kansas Association of School Business Officials, Kansas Association of Special Education Administrators, Kansas School Public Relations Association and Kansas Association of School Boards.

Throughout the year, a series of meetings continued the refinement of the school finance framework. Participants reviewed the prior formula and Block Grant characteristics, strengths and areas for improvement. Consideration for issues raised by Legislators has been included in the evaluation.

The focus is to develop a funding framework which meets the educational needs of Kansas students.

July – December 2015

- July Call to Action meeting
- August KASB school finance summit
- Stakeholder meetings

Legislative Session 2016

- Updates to legislative committees
- Additional stakeholder meetings

Spring - Summer 2016

- April USA – KASB school finance session
- Work group meetings to incorporate discussions into the framework
- Continuation of feedback and revisions. The working groups continue to develop and refine a framework which supports the Guiding Principles and Kansas State Board of Education's vision, mission and outcomes for student success.

Fall - 2016

- Continuation of feedback and revisions.
- Primary and General Elections will determine the 2017 Legislature's membership.

Guiding Principles

The school finance discussion is rooted in the guiding principles developed by the participants and by the Kansas State Board of Education's new vision statement - *Kansas Can* and mission statement. Guiding Principles were written at the first meeting and have been revisited at each statewide meeting to check for agreement.

Guiding Principles

Every public school student in Kansas will have an equal opportunity to be college and career ready, as defined by the Rose Standards and the Kansas State Board of Education Kansas Can mission and vision;

Some students will require greater supports to meet standards;

Funding to districts must be directly related to what it costs to educate each individual student;

Any formula must meet constitutional requirements for equity and adequacy;

The formula should recognize local control and provide funding of educational services; and,

The Legislature and school districts need budgeting predictability.

Kansas State Board of Education

Vision

Kansas leads the world in the success of each student.

Mission

To prepare Kansas students for lifelong success through rigorous, quality academic instruction, career training and character development according to each student's gifts and talents.

Motto

Kansans CAN.

Successful Kansas High School Graduate

A successful Kansas high school graduate has the

Academic preparation,

Cognitive preparation,

Technical skills,

Employability skill and

Civic engagement

to be successful in postsecondary education, in the attainment of an industry recognized certification or in the workforce, without the need for remediation.

Outcomes for measuring progress

- Kindergarten readiness
- Individual Plan of Study focused on career interest
- High school graduation rates
- Postsecondary completion/attendance
- Social/emotional growth measured locally

Framework for a finance formula supporting student learning

The goal is to develop a funding system to support the Guiding Principles and Kansas State Board of Education's (KSBE) vision, mission and goals for a successful high school graduate. This framework will provide a system to distribute appropriated funds in a manner which addresses Guiding Principles and KSBE's vision and mission.

This document makes no attempt to address the amount of funding needed for public education. The focus is on the concepts by which all funding should be distributed to schools. Efforts were made to make the Framework understandable and predictable while giving districts the ability to address the needs of the individual student. A hold harmless should not be required if adequacy is met but may be needed if a multi-year phase-in is adopted. It should also be understood by the reader that no formula will be "perfect" for every school district. Hence, the formula should distribute funding based on solid concepts that address the needs of the individual student and yet allows for local control and flexibility based on the individual district's needs.

This report is organized into four sections for the purpose of grouping items for consideration. The organization of the report, and the "names" or "titles" attached are not the priority. The individual concepts presented are the primary focus of the Framework for School Finance.

Sections:

- A. **Foundation Student Funding and Aid.** Foundational Funding provides the basis for meeting the Guidelines and KSBE vision by supporting every student and classroom. Foundational Funding provides for local control to meet curriculum and support services required to serve individual student needs.
- B. **High Needs Aid.** Funding for the students that need additional support as a result of factors outside of the district's control.
- C. **Student Programs.** Identified educational programs that have some form of funding specifically identified for the program.
- D. **Enterprise Funding.** Areas of funding supporting operations, capital and local control budget.

A. Foundation Student Funding and Aid

Foundation Funding must provide adequate funding for Kansas students to meet the expectations of student success as measured by the KSBE outcomes and Rose Standards.

The number of enrolled students will provide the foundation for funding Kansas schools.

To provide predictability for the Legislature and for school districts, the prior year's audited enrollment will provide the base for funding. Districts with declining enrollment may use a three-year average.

Districts experiencing unforeseen cost increases have the option to apply for Relief Aid (outlined in Section D)

In order to support KSBE's outcome measure of "Kindergarten readiness", it is important to continue the 4-year-old At Risk program under current guidelines, and expand funding to meet the needs of all students identified under the program criteria.

Kindergarten students attending full-day should be counted as 1.0 Full Time Equivalent (FTE) student.

Once the Foundation Formula is adequately funded, an annual Consumer Price Index (CPI) adjustment (also known as an escalator) must be included, in order to cover inflationary cost increases.

Foundational Student Funding supports Guiding Principles:

Every student in Kansas public schools will have an equal opportunity to be college and career ready, as defined by the Rose Standards;

Any formula must meet constitutional requirements for equity and adequacy;

The Legislature and school districts need budgeting predictability.

Foundational Student Funding Support KSBE's vision and mission:

Supports the successful Kansas high school student

Supports the five outcomes for measuring progress

B. High Needs Aid

The Guiding Principles recognize some students will require additional support. High academic needs students require additional support to meet the outcomes for a successful Kansas high school graduate. Two widely agreed on factors contributing to increased academic needs are poverty and language. Students who live in poverty or are English language learners require additional support to become successful high school graduates. There are many other factors that affect students' ability to achieve thus creating the need for additional support. This area should continue to be developed as a new formula is implemented.

High Academic Needs – Poverty

The number of students qualifying for free lunch is the most commonly used factor across the nation to determine poverty levels in schools. It is the preferred method for providing funding for students with high academic needs, however, if an alternative method is needed and option would be to use a combination of the U.S. Census state-wide poverty data and the free lunch count in districts.

Alternative:

The initial pool of funding will be based on Legislative Post Audit *Cost Study Analysis*, for at risk students to determine the overall pool. Each year the statewide pool will be adjusted based on changes in the U.S. Census state-wide poverty data. When census data increases or decreases, the statewide pool will be adjusted accordingly.

The pool will be distributed to districts on a dollar amount per pupil basis for all students eligible for free lunch, as determined by Child and Nutrition Guidelines. KSDE will audit student free lunch applications as required by the U.S. Department of Agriculture (USDA).

Census data to determine the statewide pool after the first year would be available during the Legislative session, providing budget predictability both for the Legislature and for local districts.

High Academic Needs – English Language Learners

Funding for English Language Learners (ELL) would be determined by the number of students who qualify for ELL services as identified by home language surveys and outcomes from the state assessment (KELPA).

KSDE audits will provide the Legislature with data.

High Academic Needs – High Density

The Legislative Post Audit Cost Study cited research indicating concentrated urban poverty is associated with a variety of more serious social problems, including drugs and violent crime, requiring additional resources to address student academic performance and social emotional issues. Additional funding should be provided on a sliding scale as the number of high needs students increase.

Supplemental Student Funding supports Guiding Principle:

Some students will require greater supports to meet standards;

Funding to districts must be directly related to what it costs to educate each individual student;

The Legislature and school districts need budgeting predictability.

Supplemental Student Funding supports KSBE's vision and mission:

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Supports the 5 outcomes for measuring progress

C. Student Programs

Career and Technical Education (CTE)

Adapt CTE funding to a teacher-based categorical model. Districts would be funded based on certified faculty teaching approved Career Pathway courses.

To meet the KSBE outcome for individual plans of study focused on career interest, establish a ratio for counselors to pupils for middle and high school to determine funding for Career Counselors.

To meet Kansas workforce needs for 70% post-secondary credential, both CTE categorical and counselor funding should increase to meet changing industry and business needs.

Virtual Education

To address the changing educational demands and continued scarcity of teachers, KSBE should conduct a comprehensive study of virtual education in Kansas. Examine the current delivery systems and models to determine if the current system is an effective use of state resources, by looking at state assessment performance and other student success data.

Special Education

The current funding model should be continued and funded at the statutory rate of 92% of excess cost. School districts are using general fund money to supplement the special education state aid **to** provide mandated services and to meet maintenance of effort requirements. The subsidy of special education, due to underfunding of excess cost, diminishes resources available for core educational needs of all students.

Student Programs supports Guiding Principles:

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Student Programs supports KSBE's vision and mission:

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Supports the 5 outcomes for measuring progress

D. Enterprise Funding

Local Control – Local Option Budget

Currently the Supplemental General Fund/Local Option Budget is used for operational costs and is no longer “supplemental” to the education needs of students. Foundation Aid should be high enough to address all of the operational costs of a district. This would allow the Local Option Budget to return to its original intent of providing additional funding for locally determined needs that are above the regular operational needs of a district.

The LOB would be fully equalized

Authorized by a vote of the local school board

Use of the funds is determined by the local School Board

Capital Outlay

Continue the current capital outlay system with equalization as defined in the prior formula and current law.

Flexibility of funds should be limited to the current criteria in the current resolution defined in statute.

Bond and Interest

Current law limits bond and interest state aid to no more than the six-year floating cap. This cap provides the legislature with budget predictability.

Return to the state aid calculation in the prior formula.

Low Enrollment

Reinstate the low enrollment calculation from the prior formula.

The Block Grant eliminated consolidation incentives. Study how other states are incentivizing consolidation and review options based on geographical size, enrollment and density.

Relief Aid

Funding should be provided to address unanticipated costs. KSBE should have the responsibility of distributing funds based on the criteria similar to the Extraordinary Needs program. Funds not awarded should remain in the school finance fund.

E. Enterprise Funding (continued)

Transportation

Continue funding transportation as determined by the prior formula.

Expand transportation aid to include students living less than 2.5 miles from the school for qualified reasons, such as hazardous routes as determined by KSDE.

New Facilities

Acknowledge new facilities have additional startup costs and a need for additional funding. Use a calculation based on square footage for simplicity and clarity.

Operational Funding supports Guiding Principles:

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The formula should recognize local control and provide funding of educational services;

The Legislature and school districts need budgeting predictability.

Operational Funding supports KSBE's vision and mission:

Supports the successful Kansas high school student

Supports the 5 outcomes for measuring progress