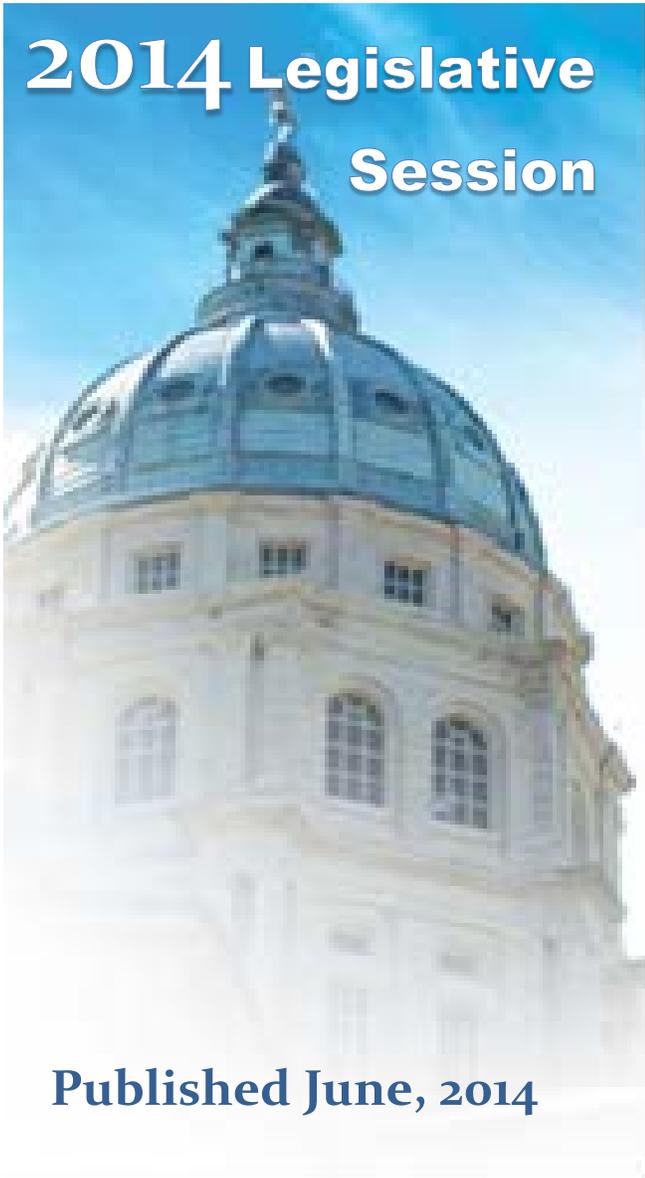


Selected Senate & House

EDUCATION SUMMARIES

Enrolled bills passed into law during the



2014 Legislative Session

Published June, 2014



**Compiled by the School Finance Section of the
Division of Fiscal and Administrative Services**

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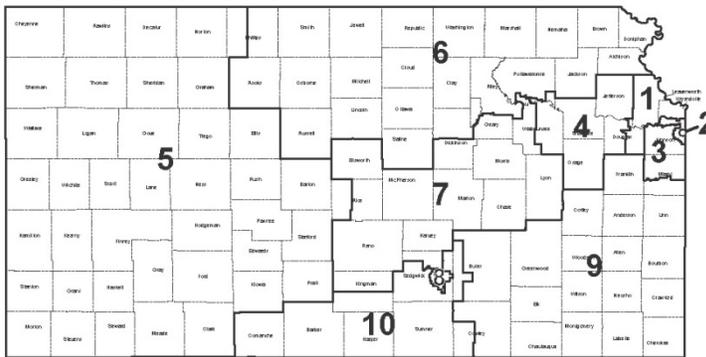
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The mission of the Kansas State Board of Education is to prepare Kansas students for lifelong success through rigorous, quality academic instruction, career training and character development according to each student's gifts and talents. To accomplish this mission the State Board has identified five goals. They are as follows:

- Provide a flexible delivery system to meet our students' changing needs.
- Provide an effective educator in every classroom.
- Ensure effective, visionary leaders in every school.
- Promote and encourage best practices for early childhood programs.
- Develop active communication and partnerships with families, communities, business stakeholders, constituents and policy makers.

Adopted Mar. 2013



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June 2014

This booklet, **Selected Senate & House Education Summaries – 2014 Legislative Session**, is published annually to provide enrolled copies and summaries of selected education bills passed by the Kansas Legislature relating generally to Unified School Districts, Interlocal operatives, and private schools.

The summaries of the bills were prepared by the Kansas Legislative Research Department in cooperation with the Kansas Department of Education.

The bills chosen include important legislative information related to education and may be found and printed from:

http://www.kslegislature.org/li/b2013_14/measures/bills/

To select a specific bill, type the bill number in the “Filter” search box on the right of the page, or scroll through the list of bills and resolutions in the center of the web page.

Dale M. Dennis, Deputy Commissioner
Division of Fiscal & Administrative Services

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House Sub. for SB 231

Tax Provisions—Court of Tax Appeals; Property Tax Valuation; Delinquent Property Taxes

House Sub. for SB 231 makes a number of changes in the power, duties, and functions of the State Court of Tax Appeals (COTA), especially with regard to property tax valuation appeals; renames that body the State Board of Tax Appeals (BOTA); makes several changes with respect to how property may be valued for taxation purposes; and lowers the interest rate on delinquent property taxes.

Changes in COTA/BOTA Procedures

A requirement that final orders regarding property tax cases be rendered in writing and served within 120 days after matters have been finally submitted is replaced with a provision requiring a written summary decision be rendered and served within 14 days. Extensions from this deadline can continue to be granted pursuant to the written consent of all parties or for good cause shown. An aggrieved party, within 14 days of having received the summary decision, can request a full and complete BOTA opinion within 90 days. Failure of BOTA to comply with the 14-day or 90-day requirements, absent agreement by the parties or good cause shown, results in all filing fees being returned to the taxpayer.

Aggrieved persons have the right to appeal final orders of BOTA to a district court or the Kansas Court of Appeals, rather than only to the Court of Appeals. Any appeal made to a district court will be a *de novo* trial. All such appeals to district courts will be conducted by the court with jurisdiction in which the property is located; or, if the property in question is located in multiple counties, the appellants have the option of choosing which district court will hear the appeal. A requirement that bonds be given of up to 125 percent of taxes assessed when reviews of property tax cases are being sought is repealed.

A new provision stipulates that one member of BOTA be a licensed and certified general real property appraiser. Additional language limits to 90 days after the expiration of members' terms the maximum amount of time they could continue to serve.

A requirement that those appeals decided by COTA (BOTA) deemed to be "of sufficient importance" be published is replaced with a new mandate that all appeals be made available to the public and published on the body's website within 30 days. A monthly report on all appeals decided, as well as all of those that have not yet been decided and are beyond the new statutory deadlines, is required to be made available to the public and transmitted to all 165 members of the Kansas Legislature.

An additional provision declares it legislative intent that all proceedings in front of BOTA be conducted in a fair and impartial manner, and that all taxpayers be entitled to a neutral interpretation of state tax laws. BOTA is prohibited from deciding cases based upon arguments concerning the shifting of tax burdens or upon revenue losses or gains.

Relative to the cases in the small claims division, the chief hearing officer is prohibited from appointing any persons employed by BOTA as hearing officers. The maximum amount of appraised valuation above which cases cannot be considered in the small claims division is increased from \$2 million to \$3 million. Additional language clarifies that notices of appeal to the small claims division can be signed by either taxpayers or their authorized representatives.

In cases involving leased commercial and industrial property, taxpayers bear the burden of proof unless they have furnished county appraisers with complete income and expense statements for the property, within 30 calendar days on forms regularly maintained by taxpayers in the ordinary course of business for the three years prior to the appeal year in question.

Changes in COTA/BOTA Procedures continued

Single-property appraisals involving leased commercial and industrial property submitted by taxpayers with an effective date of January 1 are deemed to return the burden of proof to county appraisers.

The salaries of members and the chief hearing officer who are newly appointed after June 30, 2014, will be set at the same amounts paid to administrative law judges until such time as the continuing education requirements have been met, at which point the salaries will be \$2,465 less per year than amounts paid to a Chief Judge of the district court. (The current COTA Chief Judge receives the salary equal to that of a district court's Chief Judge; other COTA judges and the chief hearing officer receive salaries \$2,465 per year below that level.)

Additional provisions prohibit BOTA from determining who may sign appeals forms, who may represent taxpayers, what constitutes the unauthorized practice of law, and whether contingency fee agreements are a violation of public policy. BOTA further is prohibited from impeding any agreement or settlement between a county and a taxpayer.

Relative to cases involving residential real estate and commercial and industrial real property, appraisals made by counties are required to be released through the discovery process to taxpayers or their representatives. Taxpayers in such cases submitting single-property appraisals with an effective date of January 1 that have been conducted by certified general real property appraisers and for which valuations are less than the amounts determined by the county mass appraisals are entitled to have the qualifying single-property appraisals accepted into evidence at BOTA.

New language stipulates filing fees can no longer be charged to taxpayers who have filed appeals for a previous year that have not been decided under the new statutory time deadlines, to taxpayers filing in most cases involving single-family residential property, and for cases of not-for-profit organizations with property valued at less than \$100,000. An additional provision exempts municipalities and political subdivisions from all filing fees.

A statutory requirement that a request for reconsideration of final COTA orders be filed before seeking judicial review is eliminated.

Property Tax Valuation System Changes

A requirement that appraisals be performed in accordance with certain standards of the Appraisal Foundation in effect as of March 1, 1992, is amended such that the specific date is repealed, effectively requiring all appraisals to be performed prospectively in accordance with that Foundation's most current standards.

The bill prohibits county appraisers from increasing the valuation for two years for certain real property that has had its value reduced by a final determination made pursuant to the valuation appeals process, unless substantial and compelling reasons have been documented by the appraisers. "Substantial and compelling reasons" are defined generally to include a change in the use of the property, or to include situations involving substantial additions or improvements to the property. Additions or improvements defined as substantial include expansions or enlargements of the physical occupancy of the property or renovations of existing structures or improvements. Specifically excluded from the additions and improvements that can be considered substantial (and therefore be construed as a substantial and compelling reason to increase valuation) are maintenance or repair of existing structures, equipment or improvements on that property, and reconstruction or replacement of existing equipment or components of any existing structures or improvements. (The law had prohibited county

House Sub. for SB 231 (continued)

Property Tax Valuation System Changes continued

appraisers from increasing certain valuations that have been reduced for one year absent the determination of substantial and compelling reasons, which had not been defined.)

Delinquent Property Tax Interest Rate Change

The interest rate for delinquent property taxes is reduced by 2.0 percent. The rate had been as otherwise determined statutorily by KSA 2013 Supp. 79-2968, plus 2.0 percent; the additional 2.0 percent is eliminated by the bill. (The property tax delinquency rate determined for tax year 2013, which was 6.0 percent, would have been 4.0 percent if this provision had been in effect for that tax year.)

Renaming

The bill replaces numerous statutory references to COTA with references to BOTA.

###

Sub. for SB 245

Oil and Gas Valuation Depletion Trust Fund

Sub. for SB 245 amends current law to credit 12.41 percent of FY 2013, FY 2014, and FY 2015 mineral severance taxes collected in counties with receipts in excess of \$100,000 to the Oil and Gas Valuation Depletion Trust Fund (OGVDTF) for distribution in FY 2014, FY 2015, and FY 2016, respectively. The bill abolishes the OGVDTF on July 1, 2016.

The bill also creates the Mineral Production Education Fund (MPEF) on July 1, 2016. Beginning in FY 2017, the bill credits the fund with 20 percent of mineral severance taxes collected during the previous fiscal year in counties with receipts in excess of \$100,000. The monies in the MPEF subsequently will be transferred twice each year to the State School District Finance Fund (SSDFF).

The bill allows counties to retain funds currently in their respective oil and gas valuation depletion trust funds, and those funds will be released to their county general fund to be expended as directed by the board of county commissioners. Under previous law, counties may only release 20 percent from the OGVDTF to the county general fund if the oil and gas leasehold *ad valorem* valuation of the county is less than 50 percent of the oil and gas leasehold *ad valorem* valuation of the county for the second succeeding tax year, as certified by the Property Valuation Division, Department of Revenue.

Further, the bill provides that the mandatory school district general fund property tax levy (20 mills) be remitted to the State Treasurer to be deposited in the SSDFF. Under previous law, this money is distributed to school district general funds with the exception of excess local effort, which is transferred to the SSDFF.

The bill will be in effect upon publication in the *Kansas Register*.

###



SB 263

Military Honors Fund, Death Benefits, Disabled Veterans Preference, and Other Technical Adjustments to Legislation

SB 263 establishes

- The Military Honors Funeral Fund in the State Treasury;
- An alternative death gratuity payment arrangement with the Kansas Adjutant General; and
- Preference in the State Use Law for disabled veterans.

The bill also makes technical adjustments to 2014 Sub. for HB 2681, which abolished the Kansas Commission on Veterans Affairs, replacing it with the Kansas Commission on Veterans Affairs Office, and to 2014 Senate Sub. for HB 2506 regarding school districts on military bases.

Military Honors Fund

The Military Honors Funeral Fund is established, to be administered by the Adjutant General. Any gifts, grants, donations, and bequests for the purpose of providing military honors at funerals will be deposited in the new fund. Expenditures are subject to appropriations by the Legislature. Interest is credited to this fund.

Death Gratuity Payment

The new legislation requires the Adjutant General to pay a death gratuity of \$100,000 for any eligible Kansas military service member during a federal government shutdown, beginning on or after January 1, 2015, if federal funds are not available. Funding for the alternative death gratuity payment will be loaned by the Pooled Money Investment Board (PMIB) to the Adjutant General. The Adjutant General is required to develop and implement procedures on or before January 1, 2015, to secure such federal reimbursements after the government reopens. The bill creates the Adjutant General Death Gratuity Payment Facilitation Fund in the State Treasury for these transactions.

State Use Law and Preference to Disabled Veterans

The bill revises provisions of the State Use Law as it pertains to bidding preferences for state contracts, certified businesses, and procurement negotiating committees by adding definitions for “disabled veteran” and “disabled veteran business.”

The legislation establishes a new preference for awarding state job or service contracts to disabled veteran businesses in Kansas. The Secretary of Administration will have the goal to award at least 3.0 percent of all state contracts to disabled veteran businesses. By October 1, 2015, the Secretary of Administration must file with the Kansas Commission on Veterans Affairs Office a report of the number of contracts awarded to disabled veteran businesses during FY 2015 and the number of such businesses that responded to state bids. “Disabled veteran” is defined as a person verified by the Kansas Commission on Veterans Affairs Office to have served in the armed forces of the United States and who is entitled to compensation for a service-connected disability or loss, or permanent loss of use of one or both feet or one or both hands, or for permanent visual impairment. “Disabled veteran business” means a business certified annually by the Department of Administration that is a sole proprietorship, partnership,

SB 263 (continued)

State Use Law and Preference to Disabled Veterans continued

association or corporation domiciled in Kansas, or any corporation, even if a wholly owned subsidiary of a foreign corporation, and is verified by the Kansas Commission on Veterans Affairs Office.

Kansas Commission on Veterans Affairs Office

Technical changes to 2014 Sub. for HB 2681 are included to correct the language which abolished the Kansas Commission on Veterans Affairs and created the Kansas Commission on Veterans Affairs Office.

Education Funding

Also included are technical changes that will allow school districts on military reservations in Kansas to receive school facilities weighting if the district commences operation of a new school facility in school year 2013-2014 or 2014-2015, the construction of such facility was financed primarily with federal funds, and the school is located on a military reservation. School facilities weighting may be assigned to enrollment of the district only in the school year in which operation of a new school facility is commenced and in the next succeeding year.

###



SB 367

Student Data Privacy Act

SB 367 creates the Student Data Privacy Act, which provides restrictions on what data contained in a student's educational record can be disclosed, and to whom it may be disclosed. The bill requires that any student data submitted to and maintained by a statewide longitudinal student data system may be disclosed only to individuals or organizations as outlined in the bill.

Under the bill, educational agencies (school districts or the State Department of Education) must give annual written notice that student data may be disclosed as outlined in the Act. The notice must be signed and returned, and the district must keep it on file.

The bill permits student data to be disclosed at any time to the following:

- The student and the student's parent or legal guardian, but only if the data pertain solely to that student;
- Authorized personnel of an educational agency or the Kansas Board of Regents who require such disclosures to perform their assigned duties; and
- Any authorized personnel of any state agency with a data sharing agreement between the state agency and the educational institution.

Authorization is granted for disclosure of student data to any state agency not specified above, or to a service provider of a state agency, educational agency or school who is engaged to perform a specified educational service, provided there is a data-sharing agreement between the relevant educational agency and the state agency or service provider that provides for

SB 367 (continued)

specific procedures, including data security and destruction or return of the data at the appropriate specified time. (Destruction of data must comply with National Institute of Standards and Technology requirements.) An exception to the data destruction requirement of student transcripts is provided for a service provider engaged to perform an instructional function, if retention of the transcripts is required by applicable laws and rules and regulations.

The bill permits student data to be disclosed to any governmental entity not otherwise specified or to any public or private audit and evaluation or research organization, provided the data disclosed is aggregate and contains no personally identifiable student information. Personally identifiable information may be disclosed if an adult student or a minor student's parent or legal guardian consents in writing. The terms "aggregate data" and "personally identifiable data" are defined in the bill and are exclusive of each other.

In addition, an educational agency is allowed to disclose the following:

- Directory information when the agency deems disclosure is necessary and if consent is given in writing by a student's parent or legal guardian.
- Directory information to such entities as yearbook publishing companies and class ring vendors, including a student's name, address, telephone listing, and other specified information.

###

HB 2047

Property Tax - Actions of Local Units

HB 2047 prohibits most municipalities, absent a majority vote and publication of such vote in official county newspapers, from approving annual budgets or other appropriations funded by certain increases in property taxes over the prior year that exceed the rate of inflation. The provisions of the bill do not apply to those political subdivisions or taxing districts that receive \$1,000 or less in annual property tax receipts.

A second provision of the bill requires all other municipalities, in response to increases in total tangible property valuation, to reduce the amount of tax levied to the prior year's level, except for the inflation allowance; taxes levied on valuation added as a result of new construction; valuation added from property located within newly added jurisdictional territory; valuation added because property has changed in use; and valuation added from certain increased personal property. Also excluded from the computation are property taxes that have been previously approved by voters, taxes levied to pay principal and interest on bonds, and taxes collected pursuant to the 21.5 mills in state property tax levies.

Municipalities subject to the requirements contained in the bill generally are defined as all political subdivisions levying property taxes in excess of \$1,000, including counties, townships, municipal universities, school districts, community colleges, drainage districts, and other taxing units.

###



HB 2130

Petition Circulators and Ballot Language Statements

HB 2130 addresses elections issues regarding petition circulators and ballot language statements. The bill takes effect upon publication in the *Kansas Register*.

Petition Circulators

The bill removes the requirement that a petition circulator be a resident of the State of Kansas and possess the qualifications of an elector.

It creates a definition of “petition circulator” as a person who is a U.S. citizen, is at least 18 years of age, and has not been convicted of a felony or, if convicted of a felony, has been pardoned or restored to that person’s civil rights. In addition, all petition circulators must submit to the jurisdiction of the state for purposes of subpoena enforcement regarding the integrity and reliability of the petition process.

Ballot Language Statements

The bill creates new law concerning ballot language statements. The bill allows county election officials to request the preparation of a ballot language statement to explain the language of any municipal ballot question. If a request is submitted, the next steps depend somewhat on whether the ballot question language was derived from a petition.

- If such a request is made, and if the ballot question language was derived from a petition submitted to a county attorney, district attorney, or county counselor, the election officer is required, within ten days of certification of the petition, to request the applicable office prepare the ballot language statement. Within 15 days of a county election officer’s request for a ballot language statement, the office drafting the language is required to prepare and forward the language to the Secretary of State’s office for approval. After receiving the language, the Secretary of State has five days to provide approved language to county officials.
- If a request is made, and if the ballot question language did not derive from a petition submitted to a county attorney, district attorney, or county counselor, the county election officer is required, within ten days of publication of the local government resolution, to request the Secretary of State’s office to prepare the statement. Within 15 days of a county election officer’s request for a ballot language statement, the Secretary of State’s Office must prepare and forward the language to the Attorney General for approval. After receiving the language, the Attorney General has five days to provide the approved language to county officials.

Ballot language statements must fairly and accurately explain what a vote for and a vote against the question represents. Such statements must be true and impartial and cannot be intentionally argumentative or likely to create prejudice for or against a proposed measure. Statements are required to be prepared and transmitted in good faith and without malice.

HB 2130 (continued)

Ballot language statements are required to be:

- Posted in each polling place, but cannot be placed on the ballot;
- Provided to registered voters voting by advance ballot, but cannot be placed on advance ballots; and
- Made available for public inspection at the county election office, but can be posted on the county website.

The bill expressly provides that there is no legal cause of action to challenge the validity of the form of a ballot language statement. The bill also provides that there is no liability for the Attorney General, assistant Attorney General, Secretary of State, Secretary of State's employees, county election officers, county attorneys, district attorneys, or county counselors who prepare ballot language statements.

Preparation of ballot language statements cannot form the basis for an election contest and does not result in the waiver of state immunity.

If a ballot language statement is not available to insert with advance ballots, it will not be prepared or otherwise made available.

The Secretary of State is authorized to promulgate rules and regulations addressing the rights and responsibilities of elections officials.

###

Senate Sub. for HB 2197

Kansas State High School Activities Association Board

Senate Sub. for HB 2197 amends law concerning the Kansas State High School Activities Association (KSHSAA).

The bill, while continuing to require at least 60 members to serve as directors on the KSHSAA, modifies the law regarding membership composition by doing the following:

- Ends four of the six State Board of Education appointments upon expiration of the terms of those scheduled to expire after July 1, 2014, and replaces those directors with four successor directors appointed by the Governor. Any gubernatorial appointee must not be employed by any school affiliated with a KSHSAA league nor be a member of the State Board of Education; and
- Restructures the statutory requirement regarding representation of ethnic minority groups and both genders and adds a requirement regarding congressional district representation. Prior law required the State Board of Education to attain, when necessary and insofar as possible, such representation by its appointment of not more than four additional directors from the public at large. The bill requires the Governor to attain such representation with gubernatorial appointees, when necessary and insofar as possible. In addition, the Governor's appointments must be made in a way that ensures that a resident from each congressional district is appointed.

Senate Sub for HB 2197 (continued)

The bill revises membership on the KSHSAA executive board by specifying the following:

- A director must serve at least one year as a member of the board of directors before being elected to the executive board; and
- At least two members of the executive board must be elected from among the four gubernatorial appointees to the board of directors, to the extent possible given the restriction that these members may be eligible to serve on the executive board only during the second, fourth, and sixth years of their terms.

###



State Budget; Senate Sub. for Sub. for HB 2231, Senate Sub. for HB 2506, and Senate Sub. for HB 2338

Includes funding for claims against the state; FY 2014 and FY 2015 supplemental expenditures for most state agencies; and FY 2014 and FY 2015 capital improvements for selected state agencies.

FY 2014

The approved FY 2014 budget totals \$15.029 billion, including \$5.999 billion from the State General Fund. The approved budget is a reduction of \$34.8 million from all funding sources, including a decrease of \$27.1 million from the State General Fund below the Governor's recommended expenditures. The budget also reflects a decrease of 71.0 FTE positions below the Governor's recommendation, primarily due to the deletion of 40.0 vacant positions in the Department of Labor, 15.0 vacant positions in the Adjutant General, and 12.0 vacant positions in the Kansas Bureau of Investigation. The FY 2014 approved budget provides for a State General Fund balance of \$687.5 million, or 11.5 percent of state expenditures.

Among the approved adjustments to the Governor's FY 2014 recommendations include:

- Adjusted for the new spring estimate for all human services caseloads with a **decrease of \$17.1 million from all funding sources and \$24.5 million from the State General Fund**. These adjustments include a decrease of \$640,598 from all funding sources for the Temporary Assistance to Families (TANF) program which reflects new program policies and adjustments to reflect current trends. In addition, the estimate includes a reduction of \$4.7 million from the State General Fund that reflects a reduction in the state maintenance of effort that is possible because the TANF work participation rate has been met without the need for excess maintenance of effort. The estimate for Foster Care is reduced by \$74,991 from all funding sources. However, the State General Fund is increased by \$2.9 million, which reflects a decrease in the amount of federal funding that can be claimed for the program. (continued)

State Budget; Senate Sub. for Sub. for HB 2231, Senate Sub. for HB 2506, and Senate Sub. for HB 2338 (continued)

The new estimate for the Department of Corrections/Juvenile Services Out of Home Placements reflects fewer children in the system and estimated savings of \$2.4 million, including \$1.9 million from the State General Fund.

- Deleted \$1.1 million, all from the State General Fund, for reappropriations from FY 2013 to FY 2014. Deleted reappropriations include; \$498,692 from the Department of Commerce, \$200,000 from the Office of the Attorney General, \$194,454 from the Department of Administration, and \$137,514 from the Kansas Bureau of Investigation among others.
- Adds \$169,698, all from the State General Fund (SGF), for the Municipal University Operating Grant.

FY 2015

For FY 2015, the approved budget totals \$15.352 billion, including \$6.301 billion from the State General Fund. This represents an increase from all funding sources of \$755.9 million and a State General Fund expenditures increase of \$92.2 million above the Governor's recommendations for FY 2015. FTE positions were decreased by 168.0 below the Governor's recommendation. The budget also represents decreased State General Fund receipts of \$4.0 million for FY 2015. The FY 2015 approved budget provides for a State General Fund balance of \$365.7, or 5.8 percent of state expenditures.

Among the approved adjustments to the Governor's FY 2015 recommendations include:

- Adjusted for the new spring estimate for all human services caseloads with an **increase of \$55.2 million from all funding sources and a decrease of \$6.0 million from the State General Fund**, as compared to the Governor's recommended budget. The estimate for the TANF program is a decrease of \$2.3 million all from federal funds. As was the case for the FY 2014 estimate, the number of families receiving services is expected to decrease. The decrease in state maintenance of effort for the TANF program reflects savings of \$4.7 million from the State General Fund and was included in 2014 Senate Sub. for HB 2506. The estimate for Foster Care is increased by \$1.2 million from all funding sources, including \$4.8 million from the State General Fund, which reflects an increase in the number of children in the program and a decrease in the amount of federal funding that can be claimed for the program. The estimate for the Department of Corrections/Juvenile Services Out of Home Placements is decreased by \$2.3 million, including \$2.2 million from the State General Fund, resulting from fewer children in the program.
- Added \$16.3 million, including \$7.1 million from the DADS Social Welfare Fund, which was made available from the CHIPRA bonus received and transferred to provide additional services to individuals with physical and developmental disabilities.
- Transferred \$400,000 from the State General Fund to the State Fair Capital Improvements Fund to match the agency's \$300,000 contribution.
- Redirected \$160,000 from the Weights and Measures program to wheat genetics research in the **Department of Agriculture**.

State Budget; Senate Sub. for Sub. for HB 2231, Senate Sub. for HB 2506, and Senate Sub. for HB 2338 (continued)

FY 2015

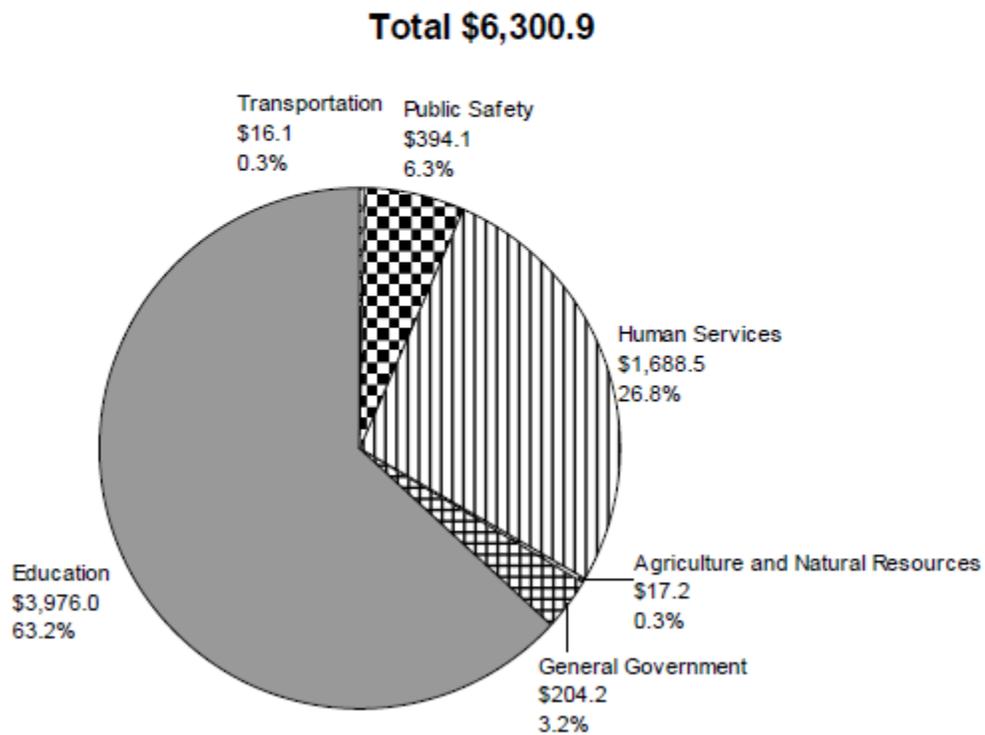
- Added \$940,646, from the State General Fund, for a 10.0 percent base pay increase to forensic scientists and special agents in the **Kansas Bureau of Investigations**.
- Added \$11.3 million, including \$4.5 million from the State General Fund, for employee bonuses of \$250 for all full-time employees except elected officials who were employed on January 1, 2014.
- Deleted \$10.5 million, including \$5.1 million from the State General Fund, for a 1.5 percent base pay increase for classified executive branch employees.
- Added \$500,000, all from the State General Fund, to provide information technology opportunities to high schools through the Board of Regents.
- Closed Rainbow Mental Health Facility and transferred 30 beds to Osawatomie State Hospital. Total costs for the transfer are a net zero.
- Added \$235,000, all from the State General Fund, for the KIDS grant program in the **Office of the Attorney General** to provide internet training for kids predominantly through local girls and boys clubs. The Legislature also approved a Governor 's Budget Amendment of \$94,393 from the State General Fund, to fund SB 256 which allows for citizen petitions for grand jury indictments.
- Added \$250,000, all from the State General Fund, and 3.0 FTE positions to increase the number of audits performed by **Legislative Post Audit**.
- Deleted \$143,720, all from the State General Fund, in the **Department of Administration** for vacant positions in the Office of Systems Management and a supplemental request for a conference for volunteer Certified Long Term Care Ombudsman.
- Added \$109.3 million for Supplemental General State Aid (local option budget equalization aid) and makes a revenue transfer of \$25.2 million to the Capital Outlay Fund from the State General Fund. **(HB 2506)**
- Added \$17.4 million, all from the State General Fund, although there is shift of approximately \$18.0 million from special revenue funds to the State General Fund for FY 2015. **(HB 2506)**
- Restored funding of \$2.1 million, all from the State General Fund, for the tiered technical formula to community and technical colleges. **(HB 2506)** Added \$1.9 million from the State General Fund for the GED accelerator program; Added \$316,853 for the KAMS Summer Academy. **(HB 2506)**
- Added \$500,000 from the State General Fund for training and equipment for Wichita State University. **(HB 2506)**
- Added \$2.0 million, all from the State General Fund, for the Judicial Branch. The additional appropriation provides a State General Fund budget of \$97,783,948 for FY 2015. **(HB 2338)**

State Budget; Senate Sub. for Sub. for HB 2231, Senate Sub. for HB 2506, and Senate Sub. for HB 2338 (continued)

- Added \$586.8 million, all from special revenue funds, to the Department of Education from language in Sub. for SB 245 which requires the deposit of 20 mill property tax in the State Treasury. This was formerly provided directly to local school districts.

The following pie chart reflects approved State General Fund expenditures by function of government for FY 2015:

**FY 2015 Approved State General Fund Budget
by Function of Government
(Dollars In Millions)**



Note: The pie chart above does not include \$4.5 million in expenditures for state employee bonuses which has not been allocated to state agencies as of this publication. The \$4.5 million is included in the above total.

All dollar figures in this summary reflect the items included in the Governor's veto message dated May 16, 2013. The impact of the veto actions regarding Senate Sub. for Sub. for HB 2231 represent total additional expenditures of \$189,835 for FY 2014. The impact of veto actions reflect a decrease in total expenditures of \$705,363 and a decrease in revenue adjustments of \$5.4 million for FY 2015.

Legislative consideration of the line item vetoes would occur on Sine Die, May 30, 2014, which could result in adjustments to these numbers.

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HB 2420

School Crossing Guards

HB 2420 allows the governing body of any township in Johnson County to appoint and equip volunteers and designated employees as school crossing guards. Under current law, only school districts, nonpublic schools, cities, and counties are authorized to provide school crossing guard services. In addition, the bill authorizes all the named types of jurisdictions to provide training to designated employees as school crossing guards. Current law authorizes such training only for volunteers.

The bill also allows the authorized types of jurisdictions to contract with private providers for school crossing guard services.

The bill takes effect upon publication in the *Kansas Register*.

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Senate Sub. for HB 2506 -- Updated

K-12 Education—Appropriations and School Finance, Adoption of Rose Capacities, Student Performance and Efficiency Commission, Alternative Teacher Licensure, Kansas Tort Claims Act, Public Innovative District Ceiling Increase, Virtual Schools and Programs, Uniform Financial Accounting and Reporting Act, Due Process Rights of Teachers, and Tax Credit for Low Income Students Scholarship Program Act

Senate Sub. for HB 2506 makes appropriations for both K-12 and higher education. The bill also makes a number of policy revisions, mostly for K-12 education, which are described below.

Higher Education (partial)

Performance-Based Funding

The bill provides payments by the Board of Regents to postsecondary educational institutions that have provided any of the following to an individual enrolled in the institution: receipt of a GED credential while enrolled in an eligible career technical education (CTE) program; receipt of a CTE credential; or enrollment in an eligible CTE program.

K-12 Education

Appropriations

The bill appropriates an additional \$109.3 million for Supplemental General State Aid (local option budget equalization aid) and makes a revenue transfer of \$25.2 million to the Capital Outlay Fund from the SGF. Changes in the school finance formula, described below, result in a decrease in various weightings taking affect beginning in FY 2015 and thereafter, unless otherwise noted below.

Senate Sub. for HB 2506 – *Updated* (continued)

Policy Statement

The bill states the purpose and intention of the Legislature is to provide a K-12 funding system that provides students with the seven “Rose” capacities. [Staff Note: These capacities, originally set out in *Rose v. Council for Better Education, Inc.*, 790 S.W.2d 186 (Ky. 1989), were held by the Kansas Supreme Court in *Gannon v. State of Kansas* to be the standards against which to evaluate the adequacy of the K-12 funding system.] The bill requires the funding system to be sufficiently flexible for the Legislature to consider and use financing methods from all available resources, such as the following:

- Federal funding to school districts or schools;
- State moneys appropriated for the improvement of public education. The bill includes a list of examples of such state funding sources;
- Any provision authorizing local tax levies for school funding purposes; or
- Any transfer of funds or appropriations from one object or fund to another approved for the purpose of funding public schools.

Phase-Out of the School Facilities Weighting

The bill limits use of the school facilities weighting to only those districts that have adopted a local option budget (LOB) of at least 25 percent of the amount of state financial aid and for which the contractual bond obligations incurred by the district were approved by voters on or before July 1, 2014.

Elimination of the Nonproficient Pupil Weighting

The bill eliminates the weighting for pupils not eligible for the federal free lunch program but who scored below proficiency or failed to meet the standards established by the State Board on either the mathematics or reading state assessments in the preceding school year.

Change in Definition of At-Risk Pupil

The bill excludes from the definition of at-risk pupil any pupil enrolled less than full time in grades 1 through 12 or any student over 19 years of age. However, these provisions would not apply for any student who has an individualized education program (IEP).

LOB Authority Expansion; Election Requirement

With regard to the LOB, the bill:

- Amends the statutory Base State Aid Per Pupil (BSAPP) used in calculating the LOB from **\$4,433 to \$4,490** for school years 2014-2015 and 2015-2016 (The current BSAPP of \$4,433 for LOB calculation purposes is extended until June 30, 2017.);
- Excludes virtual school state aid from the amount of state financial aid used in calculating the LOB;

Senate Sub. for HB 2506 – *Updated* (continued)

LOB Authority Expansion; Election Requirement continued

- For school year 2014-2015, allows any school district that has adopted an LOB in excess of 30 percent on or before June 30, 2014, to adopt a second resolution in an amount not to exceed 2 percent. This resolution will expire on June 30, 2015, at which time a mail ballot election will be required to exceed an LOB of 30 percent; and
- Authorizes USD 207, Ft. Leavenworth, to adopt an LOB in excess of 30 percent with a resolution, subject to protest petition.

K-12 Student Performance and Efficiency Commission

The bill establishes the K-12 Student Performance and Efficiency Commission, charged with studying and making recommendations to the Legislature regarding opportunities to make more efficient use of taxpayer money and, in particular, study the following areas:

- Opportunities for school districts to be operated in a cost-effective manner;
- Variances in per-pupil and administrative expenditures among districts with comparable enrollment, demographics, and statewide assessment outcomes;
- Opportunities for implementing recommendations made by any efficiency task forces established by the Governor prior to July 1, 2014;
- Administrative functions that may be shared between school districts; and
- Expenditures not directly or sufficiently related to the goal of providing every child with the *Rose* capacities.

The bill sets forth the composition of the Commission, which will have nine voting and five nonvoting, *ex officio*, members. Procedural, staffing, reimbursement, and vacancy provisions also are included in the bill. The Commission's authority expires January 12, 2015.

The bill requires the Commission to submit a report to the Legislature before January 9, 2015, with any findings and recommendations including those for any legislation. The bill further requires that identical bills be introduced in the two chambers during the 2015 Legislative Session.

Alternative Teacher Licensure

The bill requires a specific group of prospective teachers be exempted from the requirement to complete a teacher preparation program prior to licensure if the licensure applicant satisfies one of the following conditions:

- The applicant holds a valid teaching license from another jurisdiction and has obtained the required scores on the test series required by the State Board of Education (Board) for licensure.
- The applicant has obtained an industry-recognized technical profession certificate, has at least five years of work experience in that profession, and has secured a commitment to be hired to teach a related course from a local school district board.

Senate Sub. for HB 2506 – *Updated* (continued)

Alternative Teacher Licensure continued

- The applicant has obtained at least a bachelor's degree in science, technology, engineering, mathematics, finance or accounting; has at least five years of work experience in the subject matter area; and has secured a commitment to be hired to teach a related course from a local school district board.

Such licensure applicant would be authorized to teach only in the subject or subjects specified on the face of the license.

Notice Regarding Protections under the Kansas Tort Claims Act

The bill requires each school district to provide to each employed teacher a written notice of protections afforded under the Kansas Tort Claims Act. The bill specifies the information that must be included in the notice.

Codification of Rose Capacities

The bill revises KSA 2013 Supp. 72-1127 to eliminate a set of goals similar, but not identical, to the *Rose* capacities, and replace these goals with the exact language of the *Rose* capacities. The revised language states the Board must design subjects and areas of instruction to achieve the goal established by the Legislature of providing every child with at least the following capacities:

- Sufficient oral and written communication skills to enable students to function in a complex and rapidly changing civilization;
- Sufficient knowledge of economic, social, and political systems to enable the student to make informed choices;
- Sufficient understanding of governmental processes to enable the student to understand the issues that affect his or her community, state, and nation;
- Sufficient self-knowledge and knowledge of his or her mental and physical wellness;
- Sufficient grounding in the arts to enable each student to appreciate his or her cultural and historical heritage;
- Sufficient training or preparation for advanced training in either academic or vocational fields so as to enable each child to choose and pursue life work intelligently; and
- Sufficient levels of academic or vocational skills to enable public school students to compete favorably with their counterparts in surrounding states, in academics or in the job market.

Public Innovative District Ceiling Increase

The bill increases the maximum percentage of Kansas school districts that may operate as Public Innovative Districts from 10 percent to 20 percent. The bill authorizes the additional 10 percent of school districts to operate as Public Innovative Districts if the school district operates a school within its district that is deemed to be either a Title I Focus School or a Title I Priority School pursuant to the Elementary and Secondary Education Act Flexibility Waiver for Kansas. Any such request for approval must be reviewed by the Coalition Board.

Change in Statutory BSAPP and Formula Definitions

The bill changes the statutory BSAPP from \$4,492 to an amount appropriated by the Legislature in a fiscal year for a designated school year. The amount must be at least \$3,838.

Requirement to Study Virtual Schools and Programs

The bill requires the Legislative Division of Post Audit to conduct a performance audit of virtual schools and programs as well as their funding.

Renewal of Capital Outlay Authority

The bill provides a school district with the authority to renew its capital outlay tax levy prior to the expiration of its existing capital outlay levy.

Kansas Uniform Financial Accounting and Reporting Act Changes

The bill amends the definition of “budget summary” to be a one-page summary. Additionally, the bill requires publications of the financial accounting information already required to be collected to be made available to the public at every board of education meeting at which the district’s budget or other school finance matters are discussed.

Due Process Rights of Teachers—Changes in Definition of “Teacher”

The bill amends the law concerning due process procedures for the termination of a teacher contract. In the act governing due process procedures, the bill strikes from the definition of “teacher” any professional employee who is required to hold a certificate to teach in any school district. Instead, the bill defines “teacher” as any teacher or instructor in any technical college, the Institute of Technology at Washburn University, or community college. “Teacher” does not include any persons employed in an administrative capacity by any technical college, community college, or the Institute of Technology at Washburn University.

However, for the purposes of the section in that act governing the renewal of a teacher’s contract absent written notice to terminate the contract, “teacher” includes any professional employee who is required to hold a certificate to teach in any school district. (This narrowing of the definition of “teacher” for the act as a whole makes the due process procedures inapplicable to such professional employees, as outlined above.)

The bill makes technical amendments to conform with that change and strikes provisions exempting certain teachers from due process procedures and concerning plans of assistance for teachers who have completed at least three years of employment. The bill also amends provisions of the law concerning the mentor teacher program to revise the definitions of “probationary teacher” to mean a certificated teacher who has completed less than three consecutive school years of employment in the school district.

Tax Credit for Low Income Students Scholarship Program Act

The bill creates the Tax Credit for Low Income Students Scholarship Program Act (Act), to provide eligible students with scholarships to pay all or a portion of tuition to attend a qualified school in Kansas.

Scholarship Eligibility

An “eligible student” is a child who qualifies as an at-risk pupil (eligible for free lunch under the National School Lunch Act) and:

- Attends a school that would qualify as either a Title I Focus School or a Title I Priority School; or
- Received an educational scholarship under this program and has not graduated from high school or reached 21 years of age.

Eligible students will be required to reside in Kansas while receiving a scholarship and be enrolled in a public school in the year prior to receiving the scholarship or be eligible to be enrolled in a public school, if under the age of six.

Tax Credits

The scholarship will be financed via a tax credit against corporate income and premium (insurance companies) or privilege (financial institutions) tax liability beginning with tax year 2014 in an amount equal to 70 percent of the amount contributed for scholarships. The credit will be claimed and deducted from the taxpayer’s tax liability during the tax year in which the contribution was made. However, if the credit would exceed the donor’s tax liability for a particular year, the excess amount can be carried over in future years until the total credit was used. The total amounts of credits allowed in each tax year will not exceed \$10.0 million.

Scholarship Granting Organizations

The bill creates scholarship granting organizations (SGOs) to administer the Act. The bill requires SGOs to provide verification to the Secretary of Revenue of the SGOs’ federal income tax exemption via section 501(c)(3) of the federal Internal Revenue Code. Further, the bill requires SGOs to disburse not less than 90 percent of the contributions received within a 36-month time period in educational scholarships not to exceed \$8,000 per eligible student. Allocation of the tax credits will be determined by the SGO in consultation with the Secretary of Revenue.

Applications for a scholarship will be made to the SGO, which must verify students meet the eligibility criteria of the bill and report which eligibility criteria the student met to the State Board of Education by June 1 of each year. Other information required to be reported to the State Board includes name and address of the SGO and of each scholarship recipient, and the total number and amount of contributions and scholarships received and awarded during a 12-month period.

Each SGO is required to have its accounts examined and audited by a certified public accountant annually. An SGO having contributions in excess of \$50,000 during a school year must provide to the State Board a surety bond or financial information demonstrating an ability to pay an amount equal to contributions received. An SGO will be responsible for ensuring schools receiving scholarships comply with the Corporate Education Tax Credit Program requirements.

Finally, an SGO is prohibited from providing an eligible student with a scholarship funded by a student’s relative or accepting a contribution directed toward a specific student.

Qualified Schools

The bill provides eligible students with an opportunity to attend qualified schools chosen by their parents. “Qualified school” is defined as any nonpublic school providing education to elementary and secondary students. The school must notify the State Board of its intention to participate in the scholarship program.

The provisions of the Tax Credit for Low Income Students Scholarship Program Act take effect upon publication in the *Kansas Register*.

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HB 2533

KPERS Tier 3 Plan Modified

HB 2533 makes retirement plan design changes for future tier 3 members of the Kansas Public Employees Retirement System (KPERS) plan to be implemented on January 1, 2015, to include most newly hired public employees. The provisions of the bill:

- Change the base year from 2016 to 2015 for initial calculation of interest credits on annuity savings accounts and on retirement annuity accounts;
- Reduce the minimum guaranteed crediting rate from 5.25 percent to 4.0 percent for both types of accounts. The bill also revises the formula for determining the additional discretionary interest credits for both types of accounts; and
- Revise the initial annuity interest rate credit of 6.0 percent at time of retirement to an interest rate equal to 2.0 percent less than the actuarial assumed investment rate of return, as established by the KPERS Board of Trustees upon the member’s annuity start date. The current earnings assumption is 8.0 percent, as adopted by the KPERS Board of Trustees in 1987.

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HB 2596

State Employees Retirement Calculation Hold-Harmless

HB 2596 revives a provision concerning state employee retirement and disability benefits that previously expired on June 30, 2007, and permanently reinstates the provision.

The provision holds harmless both the retirement and disability benefits calculations for any state employee member of the Kansas Public Employees Retirement System (KPERS), the Kansas Police and Firemen’s (KP&F) Retirement System, or the Retirement System for Judges, if the employee is furloughed or accepted a voluntary reduction in pay during the period of time used for determining benefits.

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HB 2643

Tax Provisions—Property Tax on Machinery and Equipment; Motor Vehicle Tax Clarification; Mortgage Registration Tax Repeal; Income Tax Penalties; ROZ Program

HB 2643 makes a number of amendments to property tax, motor vehicle tax, and mortgage registration tax provisions. The bill also makes a change to an income tax penalty provision and expands the “rural opportunity zone” (ROZ) program.

Property Tax Provisions

One section of the bill retroactively clarifies legislative intent from 2006 (when a property tax exemption for certain commercial and industrial machinery and equipment was enacted) by determining the circumstances under which property may be classified as personal property or real property. In making the classification determination, county appraisers are required to conform to the definitions of real and personal property provided elsewhere in Kansas law.

Where the classification of property may not be otherwise clearly determined, appraisers are required to utilize a three-part, fixture-law test (generally involving annexation, adaption, and intention) in determining its classification as real or personal.

Additional language clarifies that the basic factors in determining whether items are to be classified as real or personal will be their designated use and purpose, that such determination is to be made on a case-by-case basis, and that all three parts of the three-part fixture test must be satisfied for an item to be classified as real property.

Another set of provisions stipulates that after July 1, 2014, owners of property constructed or purchased with the proceeds of industrial revenue bonds (IRBs) and exempt from property tax will be required to notify county appraisers within 30 days of the completion of improvements on the projects, and the county appraiser subsequently is required to classify the improvements as real or personal property. Owners aggrieved with the classification determination may appeal to the Court of Tax Appeals. Property classified pursuant to this process may not be reclassified within two years after the expiration of the exemption absent the approval of the Court of Tax Appeals or determination of a material physical change to the property, a material change in the use of the property, or a substantial change in directly applicable law. A statute relating to the IRB exemption also is amended to clarify that any listing of property at the time of the exemption application process will not constitute an official classification for property tax purposes.

Taxpayers or county appraisers are authorized to request that the Property Valuation Division (PVD) of the Department of Revenue contract with independent appraisers to classify and appraise certain “complex” properties. PVD is required to contract with qualified appraisers who are certified real property appraisers with at least three years of experience in classifying and appraising complex properties. Counties are responsible for paying all reasonable costs of the independent classifications and appraisals, regardless of which party made the request. Final determinations made by independent appraisers are deemed admissible before the courts and the Court of Tax Appeals in any subsequent proceedings. PVD is allowed to require county appraisers and taxpayers to submit relevant documentation to the independent appraisers.

HB 2643 (continued)

A further section defines for property tax purposes beginning in tax year 2014 commercial and industrial machinery and equipment to include such property used directly in the manufacture of cement, lime or similar products. Property that is eligible includes kilns, pumps, lifts, process fans, bucket elevators, compressors, raw mills, hammer mills, grinders, conveyors, ball mills, mixers, storage tanks, scales, crushers, reclaimers, processing vessels, filters, electric motors, cement and clinker coolers, finish mills, separators, electric hoists, stackers, roller mills, clinker breakers, hydraulic and lubricating systems used directly in manufacturing and processing activities, analyzers, aeration systems, air pollution control equipment, bulk loading systems, material and gas flow distribution gates, and handling and transport systems. Any such property valued and assessed as public utility property will not qualify for the statutory designation as commercial and industrial machinery and equipment.

Motor Vehicle Tax Provision

An additional provision clarifies that a motor vehicle tax exemption involving up to two vehicles owned by certain members of the military includes those full-time members stationed in Kansas who are active guard or reservists under either Title 10 or Title 32 of the *United States Code*.

Mortgage Registration Tax Provisions

The mortgage registration tax is phased out over five years, while additional fees collected by county registers of deeds are phased in over four years.

The mortgage registration tax, which has been levied at the rate of 0.26 percent of the principal debt or obligation secured by mortgages, is reduced to 0.2 percent for all mortgages received and filed for record during calendar year 2015; 0.15 percent during calendar year 2016; 0.1 percent during calendar year 2017; and 0.05 percent during calendar year 2018. The tax is repealed altogether beginning in 2019.

Prior law provided that 25/26ths of the revenue be retained by counties, with 1/26th coming to the state for deposit in the Heritage Trust Fund. The bill repeals the requirement that any mortgage registration tax receipts be distributed to the Heritage Trust Fund on and after January 1, 2015.

A number of statutory fees charged pursuant to KSA 2013 Supp. 28-115 relative to documents filed with county registers of deeds are increased from 2015 through 2018 (but are not increased for a final time in 2019 when the mortgage registration tax rate is reduced for the final time).

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