

FISCAL NOTE
Requested by Legislative Council
04/02/2013

Revised
 Amendment to: HB 1319

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$1,669,824,000	\$140,326,000		
Appropriations			\$1,544,574,000	\$140,326,000		

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts		\$1,095,976,162	
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

House Bill 1319 is the integrated K-12 formula plan implementing the Executive Budget recommendation to deliver both expanded property tax relief and adequacy-based education funding.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill implements a fundamental change in the K-12 school funding formula. It is based on the premise that the state will determine the base level of support necessary to educate its students to state standards and provide that level of support to school districts through a combination of state and local tax sources. It repeals the current mill levy reduction grant program. State taxes will fund a larger share of the cost of education accomplished through increased state funding for the new integrated formula. The local funding requirement will be set at 50 mills and a percentage (75%/100%) of identified local in-lieu of property tax sources, reducing local support for the cost of education from 35% to 18% statewide. In exchange for increased state funding through the adequacy formula, school district levy authority is rewritten to reduce the general fund mill levy cap to 60 mills and to consolidate the numerous special purpose levies into a miscellaneous 12 mill authority under the control of the public school board. Levies for capital purposes and reserve funds are maintained. Major impact on school district budgets is minimized through baseline adjustments. A baseline rate per weighted student unit is calculated for each school district. The baseline rate is determined by dividing the revenue generated during the 2012-13 school year from state school aid formula funding, mill levy reduction grants, general fund, technology and alternative education levies, and a percentage (75%/100%) of identified local in-lieu of property tax sources. The formula payment is adjusted to minimum and maximum baseline funding on a weighted student unit basis. Changes in HB 1319 with fiscal impact that are not reflected in the Executive Budget recommendation: Section 9 Weighted average daily membership: • The special education factor is increased from .079 to .082. This change adds 612 weighted student units. The estimated additional cost is \$5.5 million. • Changes REA factor from .004 to .002. This change decreases weighted student units by 405. The estimated savings in the formula is \$3.7 million. • The home education supervised factor was reduced from .500 to .200. This change decreases weighted student units by 50. The estimated saving in the formula is \$515,000. Section 10 School district size weighting factor – Weighted student units: • Extends the school district size weighting factor schedule down to 125 students. This change adds 825 weighted student units. The estimated cost is \$7,315,000. Section 11 Baseline funding – Establishment – Determination of state aid. • Changes in the methodology for calculating baseline adjustments from a state funding focus to a state and local funding focus. The estimated cost is \$4.8 million. • Identified other in-lieu revenue for inclusion in the formula resulting in a

reduction of \$2.9 million. • Changes in the percentage of other in-lieu revenue included in the formula resulting in a reduction of \$2.7 million. Section 12 State Aid – Minimum local effort – Determination • Changes the minimum local effort calculation to 20% of the state average resulting in an increase of \$10.6 million. Section 34 Appropriation: • This section appropriates \$100,000 to the legislative council for the study of education funding and accountability in section 33. Section 35 Appropriation • This section appropriates \$250,000 to CTE for a certificate program preparing individuals with autism spectrum disorder for employment in the technology sector. Expenditures include an additional \$4.0 million for revised budget estimates.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The funding for this bill: Appropriation: HB 1013 Integrated Formula Payments 1,684,550,000 HB 1319 Section 34 Study 100,000 HB 1319 Section 35 CTE Certificate Program 250,000 Funding: General fund 1,544,574,000 Tuition fund 140,326,000 NOTE: The fiscal note does not address fiscal impacts of HB 1358 (OGGPT) or SB 2214 (isolated school transition payments).

Name: Jerry Coleman

Agency: Public Instruction

Telephone: 328-4051

Date Prepared: 04/04/2013