
JOINT BUDGET COMMITTEE SUPPLEMENTAL PACKAGE BILL

**SUMMARY OF S.B. 13-108:
CONCERNING ADJUSTMENTS IN THE AMOUNT OF TOTAL PROGRAM FUNDING FOR
PUBLIC SCHOOLS FOR THE 2012-13 BUDGET YEAR.**

Prime Sponsors: Senator Steadman and Representative Gerou

Bill Summary

The bill increases total program funding for public schools for FY 2012-13 by \$7.1 million, based on the actual student count that occurred in October 2012, and makes related adjustments to appropriations. Absent legislative action, the Department of Education will be required to increase the school finance formula negative factor from 16.05 percent to 16.24 percent of total program funding, causing per pupil funding to decrease by \$11.03, on average, below the amount anticipated by districts.

Specifically, this bill makes the following changes:

- Section 1 is a non-statutory legislative declaration concerning public school funding for FY 2012-13, stating that:
 - (a) total program funding is \$7.1 million higher than anticipated due to higher than anticipated increases in the total funded pupil count and the number of at-risk students;
 - (b) actual local tax revenues are \$6.2 million lower than anticipated; and
 - (c) the General Assembly intends that the negative factor be adjusted to provide additional funding associated with the actual October pupil count data.

- Section 2 amends the provision in the School Finance Act concerning the negative factor. Specifically, this section raises the statutory total program funding "floor" for FY 2012-13 to \$5,294.0 million. This is the amount necessary to ensure that the impact of the negative factor remains at \$1,011.5 million (16.03 percent of total program funding).

Section 2 also creates a mechanism to establish a total program funding floor for FY 2013-14 and subsequent years. This floor amount is intended to serve as a starting point for purposes of preparing the FY 2013-14 Long Bill and for purposes of

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calculating the fiscal impact of any 2013 legislation that impacts school finance funding for FY 2013-14. Under the bill, the total program funding floor will be the amount necessary to increase statewide average per pupil funding by the rate of inflation. As a result, the total program funding floor would fund inflation and enrollment growth each year. It is assumed that the General Assembly will subsequently amend the statutory total program funding floor for each year – either increasing or decreasing it – through the annual school finance bill.

- Section 3 amends current law regarding the Accelerating Students Through Concurrent Enrollment (ASCENT) program. The bill clarifies that the State Board of Education shall not designate more ASCENT participants in a given year than are approved in the annual Long Bill. In prior years, including in FY 2012-13, the General Assembly has specified a number of participants in a footnote in the Long Bill, and this bill clarifies that the General Assembly intends to limit participation through that footnote.
- Section 4 is the appropriation clause adjusting the state share of total program spending in FY 2012-13, described below.
- Section 5 is the appropriation clause adjusting the allocation of funds (within total program) for the ASCENT program to account for participants that were not anticipated in the original appropriation (an increase of \$452,545 to support an additional 76.5 student FTE). This section simply adjusts the Long Bill footnote - the \$452,545 is part of the \$13.3 million increase.
- Section 6 is a safety clause to ensure that the FY 2012-13 appropriation changes are effective as soon as possible.

Fiscal Impact

This bill makes mid-year adjustments to appropriations for the state share of districts' total program funding for FY 2012-13. Local tax revenues for school finance did not increase as much as projected last Spring, and are thus \$6.2 million lower than anticipated. The appropriation in Section 4 of the bill increases the state share of total program expenditures by \$13.3 million to: (1) offset the \$6.2 million decrease in available local funding and (2) increase total program funding by \$7.1 million to account for the actual pupil counts from

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October 2012. The following table details the mid-year appropriation adjustments that are included in Section 4 of the bill.

Adjustments to FY 2012-13 Appropriations for School Finance			
Fund Source	Initial Appropriation	Mid-year Adjustment	Adjusted Appropriation
<u>State Share of Districts' Total Program Funding</u>			
General Fund	\$2,852,301,877	\$0	\$2,852,301,877
Cash Funds: State Education Fund	324,236,331	13,253,672	337,490,003
Cash Funds: State Public School Fund	<u>189,922,411</u>	<u>0</u>	<u>189,922,411</u>
Total State Funds	3,366,460,619	13,253,672	3,379,714,291

Background Information

Why are mid-year changes required for school finance? While the applicable inflation rate is known at the time the Long Bill appropriation for school finance is established, other data that affects funding for public school finance are not known. The initial appropriation is thus based on estimates of the funded pupil count, the number of at-risk students, and available local tax revenues. Subsequently, school districts conduct a student count in October, county assessors and the State Board of Equalization certify the total valuation for assessment of all taxable property, and school district boards certify the district's mill levy for school finance. By early January within the fiscal year, this data has been finalized by school districts and compiled by the Department of Education. The Department annually submits a supplemental request to make mid-year appropriation adjustments based on the actual data.

What are the mid-year data adjustments for FY 2012-13? The following table details relevant school finance data for FY 2011-12 and FY 2012-13. The far-right column identifies the mid-year changes for FY 2012-13 related to the actual student count, and the state and local shares of school districts' total program funding.

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Changes to School Finance Based on Actual Enrollment and Local Revenues				
School Finance: Total Program	FY 2011-12 Actual	FY 2012-13		
		Data Used for Initial Appropriation	Data Related to Revised Appropriation	Mid-year Change
Funded Pupil Count	808,138.8	817,221.0	817,659.7	438.7
<i>Annual Percent Change</i>	<i>1.2%</i>	<i>1.1%</i>	<i>1.2%</i>	
Statewide <u>Base</u> Per Pupil Funding	\$5,634.77	\$5,843.26	\$5,843.26	
<i>Annual Percent Change</i>	<i>1.9%</i>	<i>3.7%</i>	<i>3.7%</i>	
Total Program Funding PRIOR TO Negative Factor	\$6,006,861,965	\$6,302,403,884	\$6,309,482,173	\$7,078,289
LESS: Negative Factor Reduction	(\$774,416,118)	(\$1,011,518,997)	(\$1,011,518,997)	\$0
<i>Negative Factor as % of Total Program</i>	<i>-12.9%</i>	<i>-16.1%</i>	<i>-16.0%</i>	
EQUALS: Adjusted Total Program Funding	\$5,232,445,847	\$5,290,884,887	\$5,297,963,176	\$7,078,289
<i>Annual Percent Change</i>	<i>-3.8%</i>	<i>1.1%</i>	<i>1.3%</i>	
Statewide Average Per Pupil Funding (for adjusted total program funding)	\$6,474.69	\$6,474.24	\$6,479.42	\$5.18
<i>Annual Percent Change</i>	<i>-5.0%</i>	<i>0.0%</i>	<i>0.1%</i>	
<u>Local Share</u> of Districts' Total Program Funding	<u>\$1,900,524,533</u>	<u>\$1,924,424,268</u>	<u>\$1,918,248,885</u>	<u>(\$6,175,383)</u>
Property Tax Revenue	\$1,771,659,824	\$1,791,693,618	\$1,790,680,597	(\$1,013,021)
Specific Ownership Tax Revenue	\$128,864,709	\$132,730,650	\$127,568,288	(\$5,162,362)
<i>Annual Percent Change on Total</i>	<i>-5.9%</i>	<i>1.3%</i>	<i>0.9%</i>	
<u>State Share of Districts' Total Program Funding</u>	<u>\$3,331,921,314</u>	<u>\$3,366,460,619</u>	<u>\$3,379,714,291</u>	<u>\$13,253,672</u>
<i>Annual Percent Change</i>	<i>3.9%</i>	<i>1.0%</i>	<i>1.4%</i>	
<i>State Share as Percent of Districts' Total Program</i>	<i>63.7%</i>	<i>63.6%</i>	<i>63.8%</i>	

Why does the statutory total program funding floor differ from the "Adjusted Total Program Funding" figure in the above table? The statutory total program funding floor for FY 2012-

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13, as adjusted (\$5,294,033,449), serves as the starting point for calculating the negative factor. Actual total program funding after application of the negative factor will be \$5,297,963,176 – \$3,929,727 higher than the adjusted floor. This \$3.9 million difference is the amount of the negative factor reduction that is attributable to those school districts that receive little or no state funding for total program, and thus are not impacted by the negative factor to the same extent as other districts.

