

**JBC STAFF FISCAL ANALYSIS
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING FINANCING PUBLIC SCHOOLS.

Prime Sponsors: Reps. Hamner and Rankin
Sens. Lambert and Steadman

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Phone: 303-866-2061
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Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Revised Fiscal Note (attached) reflects the fiscal impact of the bill as of 03/29/16.

XXX	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
	Update: Fiscal impact has changed due to <i>new information or technical issues</i>
	Update: Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

The Legislative Council Staff Revised Fiscal Note indicates that the bill requires a General Fund appropriation. Because the required appropriation is for the state share of districts' total program funding, an authorized use of the State Education Fund, the General Assembly may appropriate either General Fund or State Education Fund to support the bill.

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.001	Staff-prepared appropriation amendment
L.005/J.002	Bill Sponsor amendment - changes fiscal impact <i>and</i> appropriation

Current Appropriations Clause in Bill

The bill requires but does not contain an appropriation clause.

Description of Amendments in This Packet

J.001 Staff has prepared amendment **J.001** (attached) to add a provision appropriating a total of \$544,797 cash funds from the State Education Fund to the Department of Education for FY 2016-17. The appropriation clause includes the following adjustments to the FY 2016-17 appropriation for the state share of districts' total program funding: (1) an increase of \$719,726 to support the changes to the school finance formula size factor included in the bill; and (2) a reduction of \$174,929 associated with the bill's changes to funded pupil counts for school districts with less than 50.0 pupils. While the General Assembly has the discretion to make these appropriations from either the General Fund or the State Education Fund, at

the sponsor's direction the attached amendment adjusts the appropriations from the State Education Fund.

L.005 and J.002

Bill Sponsor amendment **L.005** (attached) modifies the process for calculating funded pupil counts for school districts with less than 50.0 enrolled student FTE. Under current law, any district with fewer than 50.0 enrolled students is funded as though it has 50.0 pupils. As discussed in the Legislative Council Staff Revised Fiscal Note, the introduced bill would create a graduated pupil count for such districts. Amendment L.005 would modify the pupil enrollment intervals in the bill and phase in changes over three years (FY 2016-17 through FY 2018-19) as shown in the table below.

Amendment L.005. Phased in Changes to Funded Pupil Counts			
Pupil Enrollment	FY 2016-17 Funded Pupil Count	FY 2017-18 Funded Pupil Count	FY 2018-19 Funded Pupil Count
40 - 50 pupils	50.0	50.0	50.0
30 - 40	40.0	40.0	40.0
20 - 30	40.0	30.0	30.0
Less than 20	40.0	30.0	25.0

Legislative Council Staff and Joint Budget Committee Staff agree that amendment L.005 reduces state expenditures for school finance in FY 2016-17 by \$349,636 cash funds from the State Education Fund relative to current law and \$174,707 relative to the introduced bill. Staff has prepared amendment **J.002** (attached) to add a provision appropriating a total of \$370,090 cash funds from the State Education Fund to the Department of Education for the state share of districts' total program funding for FY 2016-17, including: (1) an increase of \$719,726 to support the changes to the school finance formula size factor included in the bill (as in amendment J.001); and (2) a decrease of \$349,636 to reflect the impact of the changes in pupil count calculations included in amendment L.005.

If the Committee adopts amendment L.005, then it should adopt amendment J.002 and should not adopt amendment J.001.

Points to Consider

State Education Fund Impact

The introduced bill requires an appropriation of \$544,797 cash funds from the State Education Fund for FY 2015-16. Based on the Legislative Council Staff March 2016 Revenue Forecast, and incorporating appropriations in the FY 2016-17 Long Bill (H.B. 16-1405), it is projected that \$100.0

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million would remain in the State Education Fund at the end of FY 2016-17. However, that balance is the result of significant transfers of one-time funding from the General Fund, including \$1.074 billion in FY 2013-14, and annual appropriations from the State Education Fund currently exceed annual revenues. For example, the FY 2016-17 Long Bill appropriates \$773.9 million in funds that originate in the State Education Fund (including funds transferred from the State Education Fund to other cash funds), while annual revenues pursuant to Amendment 23 are projected to be \$546.7 million in FY 2016-17 – a revenue shortfall of \$227.2 million or 29.4 percent of Long Bill appropriations. The use of additional State Education Fund moneys in FY 2016-17 will reduce the amount available in subsequent years and require additional General Fund appropriations once one-time funding in the State Education Fund is depleted.