

**JBC STAFF FISCAL ANALYSIS
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING THE CREATION OF A MODERNIZED APPROACH TO FUNDING PUBLIC EDUCATION.

Prime Sponsors: Reps. McCluskie and Bacon
Sens. Lundeen and Zenzinger

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Appropriation Items of Note

Appropriation Required, Amendments in Packet

General Fund Impact

Significant Cost Increase in Second Year

Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 04/15/24.

	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
XXX	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 House Education Committee Report (04/18/24) includes amendments to the bill, however, Legislative Council Staff and JBC Staff agree that the committee amendments do not change the fiscal impact of the bill.

The Legislative Council Staff Fiscal Note (04/15/24) indicates the bill requires an increase of \$2.5 million from the State Land Board Trust Administration Fund and a corresponding reduction from the Public School (Permanent) Fund related to Public School Fund Investment Board Expenses in the Department of the Treasury. However, the appropriation in the FY 2024-25 Long Bill for this purpose is only \$1,760,000. The increase and corresponding reduction should therefore be \$1,760,000. Legislative Council Staff agrees with this assessment.

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.001	Staff-prepared appropriation amendment
J.002	Staff-prepared appropriation amendment
L.017	Bill Sponsor amendment - changes fiscal impact <i>and</i> appropriation
L.018	Bill Sponsor amendment - does not change fiscal impact
L.020	Bill Sponsor amendment - does not change fiscal impact
L.021	Bill Sponsor amendment - changes fiscal impact <i>and</i> appropriation
L.022	Bill Sponsor amendment - changes fiscal impact
L.023	Bill Sponsor amendment - changes fiscal impact
L.025	Bill Sponsor amendment - changes fiscal impact
L.026	Bill Sponsor amendment - changes fiscal impact <i>and</i> appropriation
L.027	Bill Sponsor amendment - changes fiscal impact
L.028	Bill Sponsor amendment - does not change fiscal impact
L.029	Bill Sponsor amendment - does not change fiscal impact
L.030	Bill Sponsor amendment - does not change fiscal impact

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 making the following appropriations and reductions for FY 2024-25:

- \$2.1 million General Fund to the Department of Education for Public School Finance Administration, which is based on the assumption that the Department will require an additional 2.0 FTE. This appropriation includes \$1.9 million dollars and 0.2 FTE for costs related to the two studies required by the bill;
- \$11.5 million cash funds from the Charter School Facilities Assistance Account in the Public School Capital Construction Assistance Fund for State Aid for Charter School Facilities in the Department of Education;
- An increase of \$5.0 million cash funds from the State Education Fund and a corresponding decrease of \$5.0 million cash funds to the FY 2024-25 Long Bill appropriation from the State Public School Fund for the State Share of Districts' Total Program Funding in the Department of Education;
- An increase of \$5.0 million cash funds from the State Education Fund and a corresponding decrease of \$5.0 million cash funds to the FY 2024-25 Long Bill appropriation from the State Public School Fund for At-risk Per Pupil Additional

- Funding in the Department of Education; and
- An increase of \$1.76 million cash funds from the State Land Board Trust Administration Fund and a corresponding decrease of \$1.76 million cash funds to the FY 2024-25 Long Bill appropriation from the Public School (Permanent) Fund for Public School Fund Investment Board Expenses in the Department of the Treasury.

J.002 Staff has prepared amendment **J.002** (attached) to add a provision making the following appropriations and reductions for FY 2024-25:

- \$184,433 General Fund to the Department of Education for Public School Finance Administration, which is based on the assumption that the Department will require an additional 1.8 FTE. This appropriation is \$1.9 million less than **J.001** due to the elimination of the studies by Bill Sponsor amendment **L.021**;
- \$11.5 million cash funds from the Charter School Facilities Assistance Account in the Public School Capital Construction Assistance Fund for State Aid for Charter School Facilities in the Department of Education (this amount is identical to the appropriation in amendment **J.001**);
- An increase of \$5.0 million cash funds from the State Education Fund and a corresponding decrease of \$5.0 million cash funds to the FY 2024-25 Long Bill appropriation from the State Public School Fund for the State Share of Districts' Total Program Funding in the Department of Education (this amount is identical to the appropriation in amendment **J.001**);
- An increase of \$5.0 million cash funds from the State Education Fund and a corresponding decrease of \$5.0 million cash funds to the FY 2024-25 Long Bill appropriation from the State Public School Fund for At-risk Per Pupil Additional Funding in the Department of Education (this amount is identical to the appropriation in amendment **J.001**); and
- \$32,875 General Fund to the Legislative Department related to the mill levy override match working group created by Bill Sponsor amendment **L.026**.

The Committee should adopt J.002 if Bill Sponsor amendments L.017, L.021, and L.026 (discussed below) are all adopted. In that case, the Committee should **not** adopt amendment **J.001**. The other Bill Sponsor amendments in this packet do not affect the FY 2024-25 appropriation.

L.017 Bill Sponsor amendment **L.017** (attached) eliminates changes to how proceeds from public school lands in the State School Land Trust are distributed and how the Public School Fund Investment Board is funded. The amendment also simplifies changes related to redirecting interest and income earned on the Public School (Permanent) Fund to the Public School Capital Construction Assistance Fund over a three year phase-in period. Legislative Council Staff and JBC Staff agree that this amendment eliminates the need to change the fund source for the Public School Fund Investment Board in the Department of Treasury.

L.018 Bill Sponsor amendment **L.018** (attached) directs the General Assembly to freeze

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implementation of the new formula during the phase-in period if certain economic conditions are met.

- L.020** Bill Sponsor amendment **L.020** (attached) adds requirements concerning district and institute charter school contracts with multi-district administrative units for special education services.
- L.021** Bill Sponsor amendment **L.021** (attached) eliminates the requirement for the Department of Education to conduct the student count and weighted student budgeting studies. Legislative Council Staff and JBC Staff agree that this change reduces the required appropriation to the Department of Education by \$1.9 million General Fund for FY 2024-25.
- L.022** Bill Sponsor amendment **L.022** (attached) increases the at-risk factor to 0.32 for districts with fewer than seven thousand funded pupils and an at-risk percentage of 70 percent or higher.
- L.023** Bill Sponsor amendment **L.023** (attached) adds \$100,000 in addition to the local factor funding for districts classified as rural remote or town remote.
- L.025** Bill Sponsor amendment **L.025** (attached) makes changes to the hold harmless calculation used during the six year phase-in period.
- L.026** Bill Sponsor amendment **L.026** (attached) creates a working group to make recommendations concerning mill levy override match funding during the 2024 interim. Legislative Council Staff and JBC Staff agree that this amendment requires an appropriation of \$32,875 General Fund to the Legislative Department for FY 2024-25.
- L.027** Bill Sponsor amendment **L.027** (attached) reconstitutes the Public School Finance Task Force with expanded membership starting in FY 2025-26 to monitor the implementation of the new formula and make recommendations for a new student count system.
- L.028** Bill Sponsor amendment **L.028** (attached) adds reporting requirements related to the new school finance formula to the Department of Education's annual SMART Act presentation beginning in January 2026.
- L.029** Bill Sponsor amendment **L.029** (attached) adds details related to charter schools to the existing annual report required by the Public School Capital Construction Assistance Board beginning with the report due by February 15, 2026.
- L.030** Bill Sponsor amendment **L.030** (attached) changes the statutory factors used to determine the cap on total additional local property tax revenue that a district may receive pursuant to an election.

Points to Consider

General Fund Impact

The Joint Budget Committee has proposed a budget package for FY 2024-25 based on the March 2024 Office of State Planning and Budgeting (OSP) revenue forecast. The budget package includes \$63.1 million in set-asides for legislation outside of the package (see table below). The budget package accounts for the 15.0 percent reserve associated with the placeholders (a total of \$9.5 million).

General Fund Appropriation Placeholders for Other 2024 Legislation	
Description	FY 2024-25
General Legislative Priorities	\$21,739,130
Legislation for Shared Housing Priorities	12,043,478
Legislation for Shared Workforce and Education Priorities	16,152,110
Legislation for Other Shared Priorities	10,519,130
Legislation for Distributions to Rural Hospitals	2,608,689
TOTAL Placeholders for Other 2024 Legislation	\$63,062,537

This bill requires a General Fund appropriation of \$2,084,344 for FY 2024-25, reducing the \$63.1 million set aside by the same amount. If Bill Sponsor amendments **L.021** and **L.026** are adopted, the General Fund impact for FY 2024-25 is reduced to \$217,308.

Future Fiscal Impact

The bill establishes a new school finance formula beginning in FY 2025-26, to be phased in over six years. Based on the Legislative Council Staff Fiscal Note dated 04/15/2024, the new formula will increase costs for the State Share of Districts' Total Program Funding in the Department of Education by an estimated \$84.8 million in FY 2025-26, \$163.6 million in FY 2026-27, and \$248.3 million in FY 2027-28 compared to current law. These costs may be paid by the General Fund, the State Education Fund, or the State Public School Fund.

Bill Sponsor amendments **L.022**, **L.023**, and **L.025** make changes to the new school finance formula that impact the estimates discussed above. For FY 2025-26, the new school finance formula, as modified by these three amendments as well as incorporating S.B. 24-188 (Public School Finance) and H.B. 24-1393 (Accelerating Concurrent Enrollment Program Modifications), would increase the State Share of Districts' Total Program Funding by an estimated \$91.6 million compared to current law. Additional information on the cost of the formula is available from Legislative Council Staff upon request.