

JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE

CONCERNING THE CREATION OF A MODERNIZED APPROACH TO FUNDING PUBLIC EDUCATION, AND, IN CONNECTION THEREWITH, MAKING AND REDUCING AN APPROPRIATION.

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

JBC Analyst: Andrea Uhl
Phone: 303-866-4956
Date Prepared: May 4, 2024

Appropriation Items of Note

Appropriation Already Added to Bill, Amendment 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 Revised Fiscal Note (attached) reflects the fiscal impact of the bill as of 05/01/24.

Table with 2 columns: Status and Description. Rows include: No Change, Update (new information), Update (amendment adopted), and Non-Concurrence.

The Senate Education Committee Report (05/03/24) includes amendments to the bill that change district distributions through the mill levy override match program and increase the cost of the program by \$11,374,594 in FY 2023-24. The amendments include a transfer of \$9,135,698 from the State Education Fund to the Mill Levy Override Match Fund, which is the cost of the changes adjusted for the existing available fund balance in the Mill Levy Override Match Fund. The bill requires an appropriation of \$11,374,594 cash funds from the Mill Levy Override Match fund to the Department of Education in FY 2023-24 in order to fully fund the mill levy override match program as amended by the Senate Education Committee Report (05/03/24). Legislative Council Staff agrees with this assessment.

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.005	Staff-prepared appropriation amendment

Current Appropriations Clause in Bill

The bill includes an appropriation clause that makes 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.
- \$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.
- \$32,875 General Fund to the Legislative Department related to the mill levy override match working group.

Description of Amendments in This Packet

J.005 Staff has prepared amendment **J.005** (attached) to add a provision appropriating \$11,374,594 cash funds from the Mill Levy Override Match Fund to the Department of Education for FY 2023-24.

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 (OSPB) 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 \$217,308 for FY 2024-25, reducing the \$63.1 million set aside by the same amount.

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 Revised Fiscal Note dated 05/01/24, the new formula will increase costs for the State Share of Districts' Total Program Funding in the Department of Education by an estimated \$91.6 million in FY 2025-26 compared to current law. These costs may be paid by the General Fund, the State Education Fund, or the State Public School Fund. Additional information on the cost of the formula is available from Legislative Council Staff upon request.

Technical Issues

Under current law, up to \$21.0 million in interest and income from the Public School (Permanent) Fund is credited to the State Public School Fund. The bill gradually diverts this funding to the Restricted Account of the Public School Capital Construction Fund over a three-year period. The Legislative Council Staff Revised Fiscal Note dated 05/01/24 identifies costs from the State Education Fund required to backfill the State Public School Fund in FY 2024-25 through FY 2026-27 for this diversion, and the bill includes an appropriation of \$10.0 million from the State Education Fund for the required FY 2024-25 backfill. However, the bill does not include changes to portions of statute that require specific line items to be funded by the State Public School Fund from funds originating as interest and income from the Public School (Permanent) Fund. This technical issue will cause a statutory conflict starting in FY 2026-27 when the diversion is fully phased-in.