

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members
FROM Craig Harper, JBC Staff (303-866-3481)
DATE April 25, 2017
SUBJECT Adjusting School Finance Appropriations to Reflect Gallagher Information

Current law requires the Long Bill to maintain the negative factor as a constant dollar amount (\$828.3 million) from FY 2016-17 to FY 2017-18. Doing so requires \$6.635 billion in total program funding in FY 2017-18 (including local and state revenues).

- Based on the Legislative Council Staff December 2016 Revenue Forecast (LCS December Revenue Forecast), the introduced Long Bill assumes a total of \$2.3 billion in local revenues for total program in FY 2017-18.
- Using that estimated local share to calculate the state share of total program funding, the introduced Long Bill includes a total of \$4.4 billion for the *state share* of districts' total program funding. As introduced by the Committee, the budget package includes a "placeholder" assuming a reduction of \$48.8 million General Fund and a resulting increase of \$48.8 million in the negative factor.

Gallagher Update: On April 17, 2017, the Department of Local Affairs (DOLA) published its final report recommending the *residential assessment rate* (RAR) for FY 2017-18. While the LCS December Revenue Forecast assumed that the RAR would decline from 7.96 percent in FY 2016-17 to 6.85 percent in FY 2017-18, DOLA's final report recommends a rate of 7.2 percent.

- The recommended change to the RAR, combined with updated estimates of property values, increases the amount of local funding anticipated to be available for school finance in FY 2017-18 (relative to the assumptions included in the Long Bill). **Increasing the local share of funding allows for a reduction in the state share while maintaining a constant level of total program funding.**
- Legislative Council Staff has provided three scenarios to estimate the increase in local revenues for FY 2017-18, ranging from a low of \$48.7 million to a high of \$214.2 million, with a "blended forecast" amount of \$128.4 million.¹

Staff Recommendation: **Based on conversations with Legislative Council Staff, JBC Staff recommends adopting the "blended forecast" amount of \$128.4 million and reducing the Long Bill appropriation for the state share of districts' total program funding by \$128,431,835 to account for the increase in local revenues. Staff recommends the following reductions in state funding: (1) \$48.8 million General Fund (or the amount necessary for balancing purposes) and (2) the remainder (approximately \$79.6 million) cash funds from the State Education Fund.** The table on the following page shows the appropriations for total program funding in the introduced version of the Long Bill, the recommended change based on the revised information from DOLA and LCS, and the recommended final appropriation for the FY 2017-18 Long Bill.

¹ See the Legislative Council Staff Memorandum, dated April 18, 2017, and titled "Impact of Residential Assessment Rate Study on Local Share".

ALTERNATIVE FUNDING SCENARIOS FOR TOTAL PROGRAM FUNDING IN FY 2017-18				
	FY 2016-17 APPROPRIATION	FY 2017-18 INTRODUCED LONG BILL	RECOMMENDED CHANGE	FINAL STAFF LONG BILL RECOMMENDATION
Total Program Before Negative Factor	\$7,201,112,934	\$7,462,880,656	\$0	\$7,462,880,656
Less: Negative Factor	(828,280,474)	(828,280,474)	0	(828,280,474)
Adjusted Total Program	\$6,372,832,460	\$6,634,600,182	\$0	\$6,634,600,182
Statewide Average Per Pupil Funding	\$7,421	\$7,662	\$0	\$7,662
Local Share	\$2,257,704,955	\$2,281,512,223	\$128,431,835	\$2,409,944,058
State Share	\$4,115,127,505	\$4,353,087,959	(\$128,431,835)	\$4,224,656,124
General Fund Change from Current Law	3,591,214,900	3,971,957,330	(48,800,000)	3,923,157,330
Cash Funds (State Education Fund)	467,218,161	307,920,091	(79,631,835)	228,288,256
Cash Funds (State Public School Fund)	56,694,444	73,210,538	0	73,210,538

Please note that the state share of total program funding in the rerevised (House passed) version of the Long Bill is \$350,900 cash funds from the State Education Fund higher than the amounts shown in the table as a result of a House amendment adding 50 slots for the Accelerating Students through Concurrent Enrollment (ASCENT) program. If the Conference Committee for S.B. 17-254 uses the rerevised bill, then the total program and state share amounts would be \$350,900 cash funds from the State Education Fund higher than the amounts shown in the table.