

FISCAL NOTE

Bill #: SB0070

Title: Revise k-12 funding by increasing entitlements and direct state aid percentage

Primary Sponsor: Bill Glaser

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	\$37,117,593	\$48,707,711
Net Impact on General Fund Balance:	(\$37, 117,593)	(\$48,707,711)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
X		Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. The average number belonging (ANB) in K-12 public schools will be as follows:

	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>
K-6 ANB	79,901	78,169	76,405
7-8 ANB	26,113	25,459	25,147
9-12 ANB	<u>51,524</u>	<u>51,046</u>	<u>50,795</u>
Total ANB	157,538	154,673	152,347

(continued)

2. SB70 increases the basic and per-ANB entitlements by 3.3% in FY2002 and by 2.5% in FY2003; increases the Direct State Aid (DSA) percentage from 44.7% to 50% reducing the GTB percentage correspondingly; and decreases the high school and elementary stop loss levels to 600 and 800 ANB respectively. These adjustments are list as follows:

	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>
Basic entitlement EL	18,540	19,152	19,631
Basic entitlement HS	206,000	212,798	218,118
Per-ANB entitlement EL	3,763	3,887	3,984
Per-ANB entitlement HS	5,015	5,180	5,310
Direct State Aid Percentage	44.7%	50.0%	50.0%
GTB Percentage	35.3%	30.0%	30.0%
Stop loss on decreasing rate			
Elementary	1,000	800	800
High School	800	600	600

3. State general fund costs of DSA and GTB will increase by \$14,748,189 in FY2002 and \$25,967,798 in FY2003 for entitlement increases; \$20,371,699 in FY2002 and 20,716,490 in FY2003 for DSA percentage increases; and \$1,997,705 in FY2002 and \$2,023,422 in FY2003 for changes in the stop loss levels.
4. The statewide taxable valuation will increase by 2.96% in FY2002 and by 2.59% in FY 2003.
5. Under current law, direct state aid will be 316.325 million in FY2002 and \$312.304 million in FY 2003. Special education payments will be \$33,899,850 in FY 2002 and FY 2003. Guaranteed tax base aid paid to schools will be \$95.790 million in FY2002 and \$94.333 million in FY2003.
6. SB70 does not affect the state special education appropriation.
7. Under SB70, direct state aid will be \$367.393 million in FY2002 and \$372.013 million in FY2003. Guaranteed tax base aid paid to schools will be \$81.840 million in FY2002 and \$83.333 million in FY2003.
8. As district general fund budgets rise, increased salaries will lead to higher district retirement costs and undetermined increases in countywide retirement levies and state general fund retirement GTB costs. The current state general fund retirement GTB obligation is \$20 million per year.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>		
Transfers	\$37,117,593	\$48,707,711
<u>Funding:</u>		
General Fund (01)	37,117,593	48,707,711
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$37, 117,593)	(\$48,707,711)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Increasing the direct state aid percentage from 44.7% to 50.0% will provide direct property tax relief of \$19.7 million in FY2002 and \$19.6 million in FY2003.

Schools will respond to the increases in the entitlements in two ways. Some districts will increase district general fund spending; others will provide property tax relief. Some districts will combine the two approaches. Districts at the Base will be required to increase expenditures.

Increases in taxes to support the over-BASE portion of the school district general fund budget will require voter approval.