



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0283
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Title:	Revise criteria for expansion from elementary district to K-12 district
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Primary Sponsor:	Murphy, Terry
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Status:	As Introduced
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| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$728,000	\$342,200
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	\$0	\$0	(\$728,000)	(\$342,200)

Description of fiscal impact: SB 283 allows for the creation of a high school district within the boundaries of an elementary school district where at least 50 high school students reside.

FISCAL ANALYSIS

Assumptions:

1. SB 283 revises the moratorium on new high school districts to allow creation under certain circumstances of a high school district for the purpose of expanding into a K-12 district. This bill eliminates all criteria for creating a new K-12 district except that the elementary district wanting to become a K-12 district must have at least 50 high school students residing in the elementary district.
2. In existing K-12 school districts, the high school enrollment ranges from 19% to 44% of the total school district enrollment. On average, high school students comprise 32% of the total enrollment in K-12 districts.
3. In order to estimate the number of independent elementary districts that have 50 high school students residing within the district boundaries, the Office of Public Instruction (OPI) applied an average of 32% to the elementary districts' FY 2013 fall enrollment to determine an approximate number of high school students.

4. This method generates a list of 30 elementary school districts that would be eligible to establish high school programs of 50 students or more. Those 30 elementary school districts currently feed into ten high school districts.
5. If all of the school districts, that are estimated to be eligible, created new high school districts immediately, OPI estimates that 4,200 students could transfer to a new high school district under this bill.
6. Taxable value in the existing high school district would be reduced and transferred to the newly formed high school districts’ budget units within the new K-12 districts. The transfer would reduce each existing high school districts’ state funding and the newly created K-12 districts would receive those payments.
7. There could be an increase to the Indian Education for All payment due to a shifting of budget limit ANB from current year to three year average ANB and vise-versa possibly increasing the ANB statewide.
8. Each new high school budget unit will generate an additional basic entitlement in an amount of \$264,558 in FY 2014 and \$270,061 in FY 2015. The state pays direct state aid of 44.7% of each basic entitlement.
9. Under current law, Per-ANB funding for K-12 BASE Aid is based on the prior year October and February counts, so there would be a double count of students in the first year of the new high school’s operation because the schools where the students have been residing would have counted the students to determine the ensuing year budget and then the students would be counted for determining the new high school district’s budget.
10. It is assumed that it would take some time for construction of new high school buildings within the new K-12 school districts. OPI estimates that no districts would be ready to establish a new high school program and begin serving students in the 2015 biennium. The earliest fiscal impacts associated with SB 283 would begin in FY 2016.
11. For purposes of this fiscal note, East Helena Elementary School District is assumed to be the only district that would take advantage of the provisions set forth in SB 283 in the next four years. Approximately 380 students will leave the Helena school district and enroll in the new East Helena K-12 district. The additional state cost in terms of K-12 BASE aid is estimated to be \$728,000 in FY 2016 and \$342,200 in FY 2017.
12. If six of the next largest independent elementary districts establish K-12 districts under the provisions of SB 283, four existing high schools could be affected.
13. Using the method for determining fiscal impact outlined above, the cumulative effect of all of these districts creating K-12 districts is shown below. This impact includes the six districts plus East Helena School District. The impacts are lower in FY 2017 due to a lag in how changes in taxable valuation affect GTB subsidies and due to provisions for three-year averaging of ANB.

	FY 2016	FY 2017
Total DSA	3,136,109	1,497,580
Total GTB	5,929	(179,219)
Indian Education for All	20,706	8,935
County Retirement GTB	62,464	(25,993)
	<u>3,225,208</u>	<u>1,301,303</u>

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
K-12 BASE Aid	\$0	\$0	\$728,000	\$342,200
TOTAL Expenditures	\$0	\$0	\$728,000	\$342,200
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$728,000	\$342,200
TOTAL Funding of Exp.	\$0	\$0	\$728,000	\$342,200
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	(\$728,000)	(\$342,200)

Effect on County or Other Local Revenues or Expenditures:

1. Local property taxes will shift among school districts as a result of creating new high school programs, transferring students among programs, and construction of new high school buildings. These impacts are unknown both in terms of timing and amounts.
2. Local property taxes in the existing high school district will have less tax base to levy school mills on once the new K-12 district is formed. It will become the responsibility of the K-12 district local property taxpayers to bear the cost of the new district as well as the cost of new facilities to house the new K-12 high school district. These costs have not been calculated for this fiscal note.
3. Debt service for newly bonded facilities has not been included in this fiscal note.

Long-Term Impacts:

1. It is anticipated, for this fiscal note, that there would only be one circumstance that would lead to creation of a new K-12 high school district under SB 283 in the next four years. For the purpose of this fiscal note, it is assumed that no elementary district will complete the process of converting to a K-12 district and open a new high school before the end of the 2015 biennium.

Sponsor's Initials

Date

Budget Director's Initials

Date