

Department of Planning and Budget 2003 Fiscal Impact Statement

1. Bill Number HB2389

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Albo

3. Committee Appropriations

4. Title Standards of Quality; apportionment of state and local share.

5. Summary/Purpose: This bill directs the General Assembly, in apportioning the state and local share for the costs of meeting the Standards of Quality, beginning July 1, 2003, in any year in which general fund revenue growth is at least three percent greater than population and inflation growth combined for the previous year, to increase the state share by three percent of the total costs, so that, by full implementation of this measure, the local share shall not exceed 65 percent and the state share shall be equal to at least 35 percent of the total costs.

6. Fiscal Impact

Fiscal Impact Estimates are:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03			
2003-04	Approximately \$40 million in savings	0.0	General Fund
2004-05	Unknown	0.0	

7. Budget amendment necessary: Yes, if the state wanted to capture the savings. Otherwise, the SOQ related programs would have a year-end balance.

8. Fiscal implications: This bill has an estimated state savings of approximately \$40 million (at full implementation based on FY04 costs), which would reduce the distribution to local school divisions.

This bill addresses the following elements:

1. It provides for an increase in the state share of SOQ costs of three percent, beginning July 1, 2003, when general fund revenue growth is at least three percent greater than population and inflation growth combined for the previous year. Since revenue growth is not projected to be at this level in FY2004, this provision has no impact.

Upon full implementation of this provision, the local share of SOQ costs shall not exceed 65 percent and the state share shall be equal to at least 35 percent of total costs. The bill, however, does not define the method by which population and inflation growth is measured. In

addition, the initial biennial SOQ costs are currently forecasted some 15 months prior to the first year of biennium. Consequently, it may be difficult to accurately forecast and budget for the costs related to this provision.

2. Annual increases in the state share shall be granted to only those school divisions whose local share is greater than or equal to 65 percent of the total costs in any fiscal biennium. The state share of SOQ funding is determined by the formula $(1 - \text{composite index of ability to pay})$. Under the provision of this bill, those school divisions with a composite index of .65 or greater would receive a three percent increase in state share, with the local share of costs never exceeding 35 percent.

3. The per pupil costs for providing required educational programs for school divisions whose local share, as of July 1, 2002, was less than 65 percent of the total costs shall be the same as their final per pupil amount for fiscal year 2003. The provision of the bill 'freezes' SOQ spending for affected school divisions at the FY2003 level and results in savings to the state in FY2004 and consequently, a loss in funding to the affected divisions. The FY2004 budget approved by the 2002 General Assembly and by the Governor provides for an increase in SOQ funding on a per pupil basis over FY2003 levels. Freezing the pupil amounts at the FY2003 levels would not allow affected divisions to receive the per pupil increase in FY2004 or subsequent increase in future biennia due to rising costs.

4. Until such time that no school division's local share exceeds 65 percent, no school division shall receive additional state funding for reductions in enrollment. Currently, state funding for the SOQ includes a provision for enrollment loss, where additional funding is based on a percentage of averaged daily membership (ADM) loss according to a division's composite index. The bill eliminates this funding.

In summary, the state savings of \$40 million would result from freezing the per pupil increase in FY2004 for those school divisions whose local share was less than 65 percent of the total cost and eliminating enrollment loss payment to school divisions. This fiscal impact in future biennia would be contingent upon state general fund revenue growth.

9. Specific agency or political subdivisions affected: local school divisions, Department of Education

10. Technical amendment necessary: No.

11. Other comments: SB755 is a similar bill.

Date: 01/20/03/acd

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cc: Secretary of Education
Secretary of Finance