

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: HB624

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Rasoul

3. Committee: Appropriations

4. Title: Public school funding; places several parameters on SOQ funding calculations performed by DOE.

5. Summary: Places several parameters on Standards of Quality funding calculations performed by the Department of Education, including (i) requiring the Department, when calculating the cost of salaries under the Standards of Quality funding formula, to include facilities staff and transportation staff salaries in the calculation of any cost of competing adjustment to salaries for instructional and support positions that is provided as part of the state share of basic aid pursuant to the general appropriation act; (ii) requiring the Department, when estimating the cost of any compensation supplement for instructional and support positions under the Standards of Quality funding formula, to include and estimate the cost of such a compensation supplement for facilities staff; (iii) prohibiting the Department from applying any cap on inflation rate adjustments to non-personal cost categories during the biennial process of rebenchmarking the direct aid to public education budget; and (iv) requiring the Department to utilize a three-year average of the most recently available data to calculate the composite index of local ability-to-pay for each school division. The bill also amends Standard of Quality 2 by (a) including in the definition of "support services position" any central office clerical position that is not otherwise set forth in such definition, (b) requiring a per-pupil Standards of Quality funding add-on to be provided for English language learner and special education students, (c) requiring, in addition to the positions supported by basic aid, state funding, pursuant to the general appropriation act, to be provided to cover the actual average school division cost to educate children with disabilities, and (d) establishing the At-Risk Program, defined in the bill as any state funding provided for programs of prevention, intervention, or remediation or pursuant to the at-risk add-on for the purpose of supporting programs for students who are educationally at risk. The bill requires (1) the determination of the amount of state funding for which a school division is eligible pursuant to such At-Risk Program to be based on the school division's identified student percentage, defined in the bill as the fraction, expressed as a percentage, that results from dividing the number of identified students enrolled in a school division by the total number of students enrolled in such school division, weighted by the factor of 1.5, and then adjusted by the addition of a percentage that corrects for undercounting English language learner students as identified students and (2) such funding to be distributed as follows: 60 percent on a flat per-student rate set out in the general appropriation act and 40 percent on a variable rate set out in the general appropriation act based on the concentration of poverty in the school division. The bill also requires that any school division that would have received more

state funds for the current at-risk program and the current prevention, intervention, and remediation program than it would pursuant to the new consolidated program shall be held harmless effective for the 2024-2025 school year through the 2026-2027 school year.

6. **Budget Amendment Necessary:** Yes, Item 123 and Item 125.
7. **Fiscal Impact Estimates:** Preliminary, see item 8.
8. **Fiscal Implications:**

Department of Education

This bill adds several responsibilities to the Department of Education (DOE) budget office for calculation of costs for Direct Aid to Public Education and data collection and maintenance from local school divisions. DOE estimates that an additional position will be required in order to meet the additional workload requirements, at an estimated cost of \$158,880 general fund, including salary, benefits, and technology, per year beginning in FY25.

Direct Aid to Public Education

This bill makes several changes to the calculation of Standards of Quality (SOQ) funding for local school divisions calculated by DOE and funded through Direct Aid to Public Education. Many of these calculations are completed once biennially during the rebenchmarking process. If passed in the 2024 session, this bill would have an effective date of July 1, 2024, and requirements related to rebenchmarking calculations would be implemented in 2025 for the 2026-2028 biennium unless otherwise directed. At this time any costs to implement rebenchmarking calculations for the 2026-2028 biennium and future years are indeterminate.

This bill requires facilities and transportation staff to be included in the calculation of any cost of competing adjustments (COCA) to salaries. Currently transportation is recognized as a non-personal support cost and calculated based on prevailing cost, and the current SOQ funding model does not calculate full time equivalent positions for pupil transportation funding or for facilities staff funding. In order to be recognized in the COCA calculation, the funding model would need to be updated and reprogrammed to calculate funded positions for these categories. These positions would be considered support positions and would be subjected to the support position funding standard in the introduced budget, HB/SB30, of 24 positions per 1,000 students in Average Daily Membership (ADM). At this time, it is not possible to determine how many additional positions may be funded as a result of the inclusion of these positions, and any actual fiscal impact to include these staff in COCA calculations is indeterminate.

The bill requires that facilities staff are included in the calculation of the cost of any compensation supplement. Compensation supplements are not a rebenchmarking calculation. DOE estimated the cost of this provision based on the percentage of total facilities cost in the base year that is attributable to salaries, the same methodology that is used to include transportation staff in this calculation. Using HB/SB30 as a base, DOE estimates an additional state cost of \$10,000 general fund in FY 2025 and \$10,000 general fund in FY

2026 for every one percent compensation supplement provided. The reason for the insignificant fiscal impact is that facilities costs are funded as non-personal support at \$1.35 per pupil (prior to inflation), based on the cost data submitted by school divisions in the Annual School Report. This implies that, based on 1.2 million students, total facilities costs in Basic Aid are less than \$2.0 million per year. DOE indicates that most school divisions do not report costs in the facilities function on the Annual School Report. Any additional cost in future years is indeterminate.

The bill prohibits DOE from applying any cap on inflation rate adjustments to non-personal cost categories during the biennial rebenchmarking process. If implemented for the 2024-2026 biennium, there would be an additional state cost of \$27.5 million general fund in FY 2025 and \$27.5 million general fund in FY 2026 to remove the cap on inflation rate adjustments to non-personal cost categories. Any additional cost in future years is indeterminate.

The bill requires DOE to utilize a three-year average of the most recently available data to calculate the composite index of local ability-to-pay (LCI), which is calculated once biennially during rebenchmarking. Since LCI is typically only calculated every other year using base data from a single year, DOE does not currently have access to the three most recent years of the base data for the LCI calculation. DOE is working to get the base data to develop a three-year average, however, at this time DOE is unable to estimate the impact of using a three-year average to calculate LCI for the 2024-2026 biennium. If a three-year average had been used in the calculations of LCI for the 2022-224 biennium, there would have been a state savings of \$1.5 million general fund each fiscal year.

The bill requires that central office clerical positions are included as support service positions. These positions would be subjected to the support position funding standard in HB/SB30 of 24 positions per 1,000 students in ADM. At this time, it is not possible to determine how many additional positions may be funded as a result of the inclusion of these positions or what funded salary would be used for these positions. Current calculations already capture central office and clerical positions reported by school divisions, and it is unknown what additional positions and salaries are not already captured and would be reported by school divisions. Any actual state impact is indeterminate.

The bill requires that a per-pupil add-on funding amount be provided to school divisions, based on a percentage of the basic aid per-pupil funding that a school division receives, for each English language learner and special education student. The bill also eliminates the existing staffing standards for instructional positions for English language learners and special education students. HB/SB 30 provides \$128.1 million general fund in FY25 and \$136.7 million general fund in FY26 to fund the existing English language learner staffing standard and \$527.6 million general fund in FY25 and \$526.3 million general fund in FY26 for the existing special education staffing standard. At this time DOE is not able to provide an estimate for the impact of switching from a staffing standard to a weighted per-pupil add-on based on data for the 2024-2026 biennium because additional direction is required for methodology and data sources. DOE states that additional direction would be required on what count of students should be used, how the use of proficiency level data for English

language learners should be incorporated, and how additional data points collected from school divisions regarding special education students served, such as percent of day in special education services, should be incorporated. The methodology intended to be used for calculating the weights and per-pupil funding is unclear. The second and fourth enactment clauses of this bill require DOE to collect data related to actual expenditures in each school division for the education of English language learners and use this data during the process of rebenchmarking for the 2026-2028 biennium. DOE does not currently collect data from local school divisions about expenditures for English Language Learners. The earliest that this could be added to the Annual School Report data collection and that school divisions could begin reporting it is FY25, which means that the earliest this data could be included in calculations during rebenchmarking is the 2028-2030 biennium. Any actual impact is indeterminate.

The bill requires that state funding be provided to cover the actual average school division cost to educate children with disabilities. DOE states that additional direction would be needed on how the funding for the requirement shall be calculated. At this time, it is not possible to estimate the impact of this provision.

The bill removes the existing At-Risk Add-on and Prevention, Intervention, and Remediation programs and replaces them with a new At-Risk program and formula. The Governor's Introduced Budget, HB/SB 30, 2024 General Assembly Session, includes \$150.0 million general fund in FY25 and \$149.4 million general fund in FY26 for Prevention, Intervention, and Remediation. The introduced budget also includes \$237.8 million general fund and \$202.1 million lottery fund in FY25 and \$243.1 million general fund and \$195.0 million lottery fund in FY26 for the At-Risk Add-on. At this time DOE is not able provide an estimate for the impact of replacing the existing programs with the new At-Risk Program for the 2024-2026 biennium. The bill directs how funding for the At-Risk Program shall be distributed but does not require a specific funding amount, so an additional impact above the current amounts provided in HB/SB30 is unknown. DOE would require additional direction on funding levels and methodology from the appropriation act, including the flat per-student amount and the variable rate to be used to distribute funding. Any significant changes to methodology or the creation of a new program require time to be programed into the SOQ model and for data and calculation verification. Any actual impact is indeterminate.

The bill requires that any school division that would have received more state funds for the At-Risk Add-on and Prevention, Intervention, and Remediation programs, presumably as funded in HB/SB30, than it would pursuant to the new consolidated program shall be held harmless and not have its share of state funding reduced in FY25, FY26, and FY27. It is not possible to estimate the impact of this hold harmless without additional direction on the calculation of the new At-Risk Program. Calculating the hold harmless for FY27 will require additional work by staff at the DOE budget office during the process of rebenchmarking the Direct Aid to Public Education budget for the 2026-2028 biennium, as DOE will have to maintain a version of the SOQ model and calculate payments for both the old and new programs.

Additionally, the bill requires that DOE utilize identified student percentage (ISP) as the student poverty measure in calculations of the K-3 Class Size Reduction program, the SOL Algebra Readiness program, and the At-Risk program. Currently federal free lunch data is used in these calculations. DOE is not able provide an estimate for the impact of replacing the federal free lunch data with ISP based on data for the 2024-2026 biennium because of the time it will take to reprogram the SOQ model and ensure the accuracy of the new data and calculations.

Budget language amendments would be needed in Item 125 to direct DOE to complete the calculations as described in this bill for the current biennium or for future biennia, describe the methodology and amounts that DOE shall use, and to remove any conflicts that are currently in budget language. Multiple of the calculations that are described in this bill are currently directed in budget language.

Local school divisions would be required to meet the required local effort for any additional state funds received based on local composite index. The actual fiscal impact to local school divisions is indeterminate at this time.

9. Specific Agency or Political Subdivisions Affected: Department of Education, local school divisions

10. Technical Amendment Necessary: No

11. Other Comments: This bill is identical to SB227S1.