LFC Requester:	Sunny Liu

AGENCY BILL ANALYSIS
2018 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

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{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original X **Amendment** ____
Correction ___ **Substitute** ____

Date 1/25/18
Bill No: SB36

Sponsor: Senator William P. Soules
Short Title: PUBLIC SCHOOL FUNDING SUFFICIENCY

Agency Code: 924
Person Writing Marian Rael
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	**FY19**		
	374,900.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	**FY19**	**FY20**		

(Parenthesis ( ) Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriations contained in the General Appropriation Act

BILL SUMMARY

Synopsis:

SB 36 makes a $374.9 million appropriation to PED to distribute through the State Equalization Guarantee in FY19 based upon a funding increase proposed in a 2008 American Institutes of Research (AIR) study and adjusted for inflation.

FISCAL IMPLICATIONS

The appropriation of $374.9 million contained in SB 36 is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY19 will revert to the general fund.

The appropriation contained in this bill is a one year appropriation only and cannot be sustained in future years without additional appropriations.

The amount proposed in SB 36 is based on adjusting the $334.7 million recommendation made in the American Institutes for Research (AIR) analysis of the public school funding formula multiplied by approximately 12.0 percent for inflation since 2009.

The Executive budget recommendation does not include the $374.9 million appropriation specified in this bill. Therefore, the provisions of this bill would add this money on top of the amount already proposed to be appropriated to the SEG, increasing the SEG distribution in FY 19 by $374.9 million above what it is currently in in the Executive budget recommendation, and would reflect a 14.7 percent increase to the proposed SEG appropriation.

The source of the additional $374.9 million in General Fund is unclear and absent additional revenues, the appropriation would impact other General Fund appropriations across the state budget.

SIGNIFICANT ISSUES

Amounts contained in the AIR study have been debated by policy makers, dating to the time they were developed. Though consensus was reached by study participants, little consensus was ever reached by policy makers on whether the amounts suggested by the study were sufficient, feasible or advisable. Though the original study recommended $334.7 million be included in the formula, the original bill proposing the implementation of the new formula, HB 331 of the First Regular Session of 2009, did not contain an appropriation. Instead the amount was included in the LFC recommendation for FY09 and was reduced to a $25 million appropriation to the SEG to implement the recommendations of the study.

In testimony before the Legislative Education Study Committee (LESC) as the AIR study was wrapping up, the principal investigator noted that it would require more than $900 million to implement the provisions of the study. In response to the backlash from legislators, members of the taskforce modified various components of the proposed funding formula in order to bring the amount to a more acceptable level. This subjective change brought into question the veracity of the study and corroborated much of the work of Dr. Eric Hanushek in which he makes the point that costing out models are used in developing funding formulas when the goal is to increase funding and not necessarily focusing on student need. The more than $320 million recommended by the study was the amount determined to be acceptable and was used as the starting point in seeking additional funding without asking for additional school days, longer school years or more accountability from educational staff.

Leaving aside the lack of consensus among policy makers regarding sufficient funding, the age of the study makes it unclear if the amount is appropriate for today's policy environment. Making adjustments upward for inflation builds in historic assumptions of an education landscape from nine years ago that may no longer be true as the policy landscape is always shifting in its focus and emphasis to meet new challenges, or as previous challenges have been met.

SB 36 defines sufficiency and adequacy as a dollar amount rather than as programs that meet the needs of students. Increasing funding without regard to effectiveness or efficiency of educational programmatic spending may result in an educational system that has received additional resources but may not be, in substance, adequate or effective for students.

ADMINISTRATIVE IMPLICATIONS

The administrative impact to the PED will be minimal.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

The appropriation contained in this bill is to the Public Education Department for distribution through the State Equalization Guarantee (SEG). Typically, recurring appropriations for the SEG are made to the SEG. The sponsor may wish to consider changing the appropriation source from the Public Education Department to the SEG.