

## State School Fund

	2011-13 Actuals	2013-15 Leg. Approved	2015-17 CSL LFO	2015-17 Governor's Recommended
General Fund	5,129,904,792	6,322,625,891	6,937,384,687	6,598,757,737
Lottery Funds	545,904,513	327,374,109	327,374,109	311,639,006
Other Funds	340,252	3,936,407	3,936,407	3,936,407
Other Funds Non-Limited	22,449,100			
<b>Total Funds</b>	<b>5,698,598,657</b>	<b>6,653,936,407</b>	<b>7,268,695,203</b>	<b>6,914,333,150</b>

### Program Description

The State School Fund (SSF) is the major source of funding for the general operations of School Districts and Educational Service Districts (ESDs) for grades K through 12. The SSF and local school revenues (e.g., property taxes) are combined and represent the total funding distributed through a statutorily defined allocation formula. The GF/LF SSF amount represents roughly 2/3s of the total school formula revenues.

### CSL Summary and Issues

- Both the Executive Branch and the LFO CSL estimates factor in the same adjustments for anticipated growth in; (1) school district employee compensation (1.18% growth in the 15-16 school year and 3.01% in the 16-17 school year) which factors in PERS, teacher longevity, health benefits, and salary changes, (2) 1.5% annual adjustment for non-employee compensation spending, (3) growth in the amount of property taxes and other local revenues as determined by LRO, and (4) increases in the ADMw estimates.
- The major differences between the two CSL estimates are that the LFO estimate includes factoring in the \$100 million approved in the 2013 Special Session for the second year of the 2013-15 biennium and the impact of full-day Kindergarten. The 2015-17 impact of the supplemental 2013-15 \$100 million appropriation is over \$200 million as the full 24 month period is rolled –up.
- The LFO full-day Kindergarten CSL estimate is \$286.3 million GF/LF and is based on an annual increase in the ADMw of 18,500. This number is then multiplied by the cost per ADMw for all other students (\$7,738 per year) to generate the \$286.3 million estimate. LFO contends that without statutory change, the calculation must follow the current formula model which assumes an equal cost for each ADMw across all grades – a Kindergarten student costs the same as an 12<sup>th</sup> grader. Using the Quality Education Model (QEM) generates the impact of full-day Kindergarten at approximately \$220 million.

### ***Policy Issues***

- Between 1991-93 and 2013-15, the SSF has grown roughly 185%, but when adjusted for “inflation”, the growth is roughly 36%. For the same period, the amount of resources distributed through the school funding formula grew by over 61%, but after it is adjusted for inflation, the amount has actually declined over 23%.
- The gap between the amount estimated to be required by the QEM and the actual SSF budget was just over \$2 billion for 2013-15; and estimated to be just over \$1.9 billion for 2015-17. Given available revenues and competing needs of the General Fund/Lottery Funds budgets, it is virtually impossible to significantly close this gap in the near future.
- A Task Force on School Funding has been meeting during the biennium. While it may not directly address the size of the appropriation for the SSF, it does have findings and recommendations addressing distribution of the SSF and program areas the SSF funds. Specifically it dealt with issues surrounding equity, English Language Learners (ELL) and the High Cost Disabilities Account.
- While the SSF and the school funding formula are generally directed to funding K-12 activities, there are some districts that have delayed graduation for high school students who have met graduation requirements. These “fifth-year” students attend post-secondary institutions while their school districts still receive school funding formula revenue for that pupil.
- A portion of the SSF distributed through the school funding formula is directed for transportation costs. Districts, depending on their transportation costs, receive between 70% in cost reimbursement and 90%. One issue that has been raised is that school districts may not have sufficient incentives to be more efficient in providing transportation services under the current model.

### ***Other Significant Issues and Background***

- Approximately 4.5% of the amount distributed through the school funding formula (including the SSF) is distributed to ESDs. Support for ESDs varies significantly in the education community. There continues to be interest in providing more flexibility to school districts to “opt out” of ESD services.
- For the current 2013-15 biennium, the distribution from the Common School Fund assumes a 5% distribution, an increase from the State Land Board’s policy of 4%. For 2013-15, this additional distribution is dedicated to the Network for Quality Teaching and Learning. If the State Land Board opts to continue this increased distribution a further \$27.5 million in local revenue would flow through the school funding formula.
- The current state revenue and economic forecast assumes that the corporate kicker will “kick” generating an additional \$56.2 million for education in 2015-17. These increased revenues have been factored into the figures in the Governor’s budget and the Co-Chair’s Framework.

***Co-Chairs' Budget Framework Discussion***

- The Co-Chairs' Framework sets the combined General Fund/Lottery Funds funding level for the State School Fund is \$7.235 billion, a \$585 million or an 8.8% increase over the 2013-15 funding level. This amount assumes a \$220 million cost for implementing state payment for full-day Kindergarten and a \$34 million increase (\$36 million currently in the CSL) in the amount available for the High Cost Disability grants to assist school districts that are experiencing higher special education costs. This second issue will require a statutory change. If additional revenues beyond those assumed in the initial Framework development, the Co-Chairs propose adding an additional \$20 million to the SSF.
- With the new forecast of local revenues, the total estimated amount distributed through the school funding formula will total (including carve-outs) \$10.908 billion with \$7.235 billion in state resources and \$3.673 in local revenues.