

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill No:** HB 63

**48th Legislature, 1st Session, 2007**

**Short Title:** Reversions to State-Support Reserve Fund

**Sponsor(s):** Representative Rick Miera and Others

**Analyst:** Frances R. Maestas

**Date:** January 29, 2007

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**FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE**

**Bill Summary:**

HB 63 amends provisions of the State Support Reserve Fund (fund) in the *Public School Finance Act* to:

- make the fund non-reverting; and
- for FY 07 and subsequent years, allow any unencumbered or unexpended balances in the General Fund appropriations to the Public Education Department (PED) and the State Equalization Guarantee (SEG) Distribution remaining at the end of any fiscal year to revert to the fund.

**Fiscal Impact:**

The bill does not contain an appropriation.

According to the Legislative Finance Committee, at the end of FY 06, PED reversions from the department budget, SEG, and special appropriations to the department totaled approximately \$4.0 million.

**Issues:**

- Current provisions of the State Support Reserve Fund:
  - state that “It is the intent of the legislature that the fund ... at the beginning of each fiscal year shall have a credit balance of at least ten million dollars (\$10,000,000).” The last appropriation to the fund was \$1.25 million for FY 97; at the present time, there is no balance in the fund; and
  - require that the fund be used only to augment the appropriations for the SEG in order to insure that the distribution for the SEG established by law is not reduced due to a reduction in credits (see Background: State Equalization Guarantee Distribution below).
- At least since 2003, according to PED, appropriated federal Impact Aid revenues have been reduced because of a decrease in the actual revenues received by the state. In testimony to the Legislative Education Study Committee during the 2006 interim, PED staff reported that for the current school year, the department is projecting a potential decrease in federal Impact Aid credits of approximately \$2.0 million which would ultimately lead to a decrease in the unit value.

**Background:**

***State Equalization Guarantee Distribution***

- Each year, the Legislature provides a General Fund appropriation for the SEG Distribution.
- In determining the SEG, the state takes credit for 75 percent of three revenue sources: a .5 mill local levy, federal forest reserve funds, and the operational portion of the federal Impact Aid funds, all of which remain in the local districts; the state does not take credit for Impact Aid funds designated for special education or for students living on Indian lands. Currently, school districts retain 25 percent of their local and federal revenues for operational or other purposes.
- Language in the General Appropriation Act requires that the distribution of the SEG be based on a program unit value determined by the Secretary of Public Education. The Secretary is required to establish a preliminary unit value to establish budgets for each school year and then a final unit value upon verification of the number of units statewide for the fiscal year, but no later than January 31. In any given year, if the credits fail to reach the appropriated level, the Secretary may have to decrease the unit value.

**Related Bills:**

None as of 1/29/07