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FISCAL IMPACT REPORT

SPONSOR: Aragon DATE TYPED: 2-02-03 HB _____

SHORT TITLE: 5 Percent Budget Shift for School Districts SB 297

ANALYST: Segura

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			*See Fiscal Impact	Recurring	GF

SOURCES OF INFORMATION

Responses Received From

Legislative Education Finance Committee (LESC)
 State Department of Education (SDE)
 Schools Districts

SUMMARY

Synopsis of Bill

Senate Bill 297 represents an Executive initiative to require school districts to demonstrate a five percent shift in their operational budgets from administration to direct instruction before fiscal year 2004. The bill contains an emergency clause.

Significant Issues

Section 1 of Senate Bill 297 provides that the State Department of Education shall not approve a school district budget for fiscal year 2004 that does not demonstrate a five percent shift of total budgeted state funds as compared to fiscal year 2003 from administration into direct instruction.

FISCAL IMPLICATIONS

Senate Bill 297 proposes to implement the Governor's direction to local school districts to find savings equal to five percent of their respective budgets, which the executive estimates to be

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\$88.2 million. These monies are to be redirected into teacher salaries, and other direct classroom expenditures. The governor is proposing a six percent salary increase for teachers only.

ADMINISTRATIVE IMPLICATIONS

According to school districts, the five percent shift would have a significant impact on public school operations.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 297 duplicates the Executive's FY04 budget recommendation for Public School Support. An attachment is provided that reflects FY04 budget differences between the State Board of Education, Legislative Education Study Committee, Legislative Finance Committee and executive.

TECHNICAL ISSUES

The title of Senate Bill 297 should read "for" fiscal year 2004 instead of "before".

OTHER SUBSTANTIVE ISSUES

According to information developed by representatives of school superintendents, school business managers, and the State Department of Education, the function of the chart of accounts, direct instruction, receives 60.2 percent of the total operational budget of schools. This is more than the executive estimate of 56 percent. In addition, after factoring various parts of the budget to reflect where the five percent would be shifted, the attached chart shows that a reduction in salaries and benefits affecting school personnel within functions 2 through 10, represents program areas such as special education, school nurses, speech therapists, librarians, counselors, maintenance and other essential school personnel.

The State Department of Education states that applying the five percent to various districts would only generate \$36.5 million. SDE reports in some districts, the five percent would be impossible to shift to direct instructional services.

RS/njw

Attachments