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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/06

SPONSOR Nava LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE State Support Reserve Fund for Use in Schools SB 58

ANALYST Aguilar

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
\$10,000.0		Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates an appropriation contained in HB-3  
 Duplicates House Bill 210

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of finance and Administration (DFA)  
 Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

Senate Bill 58 appropriates \$10 million from the general fund for expenditures in FY06 and subsequent fiscal years to the State Support Reserve Fund to augment appropriations to the State Equalization Guarantee distribution and to provide for emergency needs of school districts over and above emergency distributions provided.

### FISCAL IMPLICATIONS

The State Support Reserve Fund was created in statute to augment the appropriations to the state equalization guarantee to prevent to the extent possible the reduction of the unit value in a given year. Further, the bill expresses the intent of the Legislature that the Fund is reimbursed in the amount of the yearly distribution by appropriation in the year following the distribution, so that the fund at the beginning of each fiscal year will have a credit balance of at least \$10,000 million.

Senate Bill 58 changes the intent of the Fund by broadening its stated purpose to provide for emergency needs of school districts over and above the emergency distributions available through other statutory mechanisms, including the public school funding formula. Given concerns raised in legislative testimony regarding district hold harmless issues pertaining to the three-tier career ladder, and small school issues among others, concerns are raised that this could lead to a recurring appropriation of up to \$10 million annually.

The appropriation of \$10 million contained in this bill is a recurring expense to the general. Any unexpended or unencumbered balance remaining at the end of a fiscal shall not revert to the general fund.

This bill provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions, as earmarking reduces the ability of the legislature to establish spending priorities.

### **SIGNIFICANT ISSUES**

It is projected that there will be fewer credits for the state in future years. If credits come in less than the amount used to establish the unit value, the unit value would decrease and reduce school district funding. This appropriation would be used to offset the decrease and maintain the unit value. If a school district were to receive less funding this would create a shortfall in their operating budget and a need for emergency funding to uphold district obligations.

PA/yr