

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: *HB 64

49th Legislature, 2nd Session, 2010

Tracking Number: .180858.1

Short Title: School Equalization Distribution Date Change

Sponsor(s): Representative Rick Miera and Others

Analyst: Peter B. van Moorsel

Date: January 26, 2010

Bill Summary:

HB 64 creates a temporary provision allowing the Secretary of Public Education to adjust the program unit value for school year 2009-2010:

- at a date later than January 31, 2010; and
- after receiving approval to use State Fiscal Stabilization Funds pursuant to the *American Recovery and Reinvestment Act of 2009* (ARRA) for a portion of the State Equalization Guarantee (SEG) distribution.

HB 64 contains an emergency clause.

Fiscal Impact:

HB 64 has no impact on the General Fund; however, if passed, the bill would allow the unit value to be reset upon the approval of the state's application for \$45.4 million in federal State Fiscal Stabilization Funds, which would allow for additional operational funds to be distributed to public school districts and charter schools.

Fiscal Issues:

As part of the solvency initiatives passed during the 2009 special session, the FY 10 appropriation to the SEG was reduced by approximately \$89.4 million. \$45.5 million of this reduction was to be offset with federal State Fiscal Stabilization Funds. However, the Public Education Department (PED) reports that the use of these funds must first be approved by the US Department of Education and that PED may not receive approval until March 2010.

On January 25, 2010, based on the FY 10 appropriation reductions and the total funded units after the 40th day adjustments, the Secretary of Public Education announced the following 2009-2010 proposed final unit values:

<u>Funding Source</u>	<u>Initial Unit Value</u>	<u>Final Unit Value</u>	<u>Difference</u>
General Fund	\$3,606.40	\$3,458.06	(\$148.34)
State Fiscal Stabilization Fund	\$256.39	\$334.59	\$78.20
Total Combined Unit Value	\$3,862.79	\$3,792.65	(\$70.14)

Note - These unit values assume that the state's application for federal stabilization funds will be approved by the US Department of Education.

Without the use of \$45.5 million in federal State Fiscal Stabilization Funds, the unit value would be reduced by \$70.14. Allowing the unit value to be reset at a date later than January 31, 2010 (see “Background”) would allow the federal funds to be included in the final unit value and would enable school districts and charter schools to adjust their budgets to include the use of these federal funds.

Background:

Floating Unit Value

In 1992, in order to encourage the State Department of Education (now PED) and the districts to be more accurate in their projections, the Legislature instituted what came to be called the “floating unit value” in the *General Appropriation Act*, by including an overall appropriation amount without establishing the actual unit value, as had been the practice in the past.

Although never added to statute, language included with each public school support appropriation since the *General Appropriation Act of 1992* has required the State Superintendent of Public Instruction (now the Secretary of Public Education) to determine a preliminary unit value for the SEG to be used for districts to establish tentative budgets. The language also authorizes the Secretary, upon verification of the number of units statewide, to adjust the program unit value.

State Equalization Guarantee

The SEG distribution is the amount of money distributed by the state to each school district and state-chartered charter school to ensure that the school district’s or charter school’s respective operating revenues, including certain local federal revenues, are equal to the district’s or charter school’s program costs.

For the SEG distribution (an average of almost 90 percent of operational revenue statewide), each district’s and charter school’s units are multiplied times a unit value to establish program cost.

Currently, the state’s allocation to each district and state-chartered charter school equals the program cost minus any cash balance credit and minus 75 percent of the local 0.5 mill levy, noncategorical federal Impact Aid revenues, and federal forest reserve income.

Related Bills:

HB 2 *General Appropriation Act of 2010*

*HB 3 *Education Appropriation Act*