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AGENCY BILL ANALYSIS
2017 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

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and

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{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original X **Amendment** ____
Correction ___ **Substitute** ____

Date January 26, 2017
Bill No: SB35

Sponsor: Senator William P. Soules
Short Title: PUBLIC SCHOOL FUNDING SUFFICIENCY

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	$368,500.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SB 35 makes a $368.5 million appropriation to PED to distribute through the State Equalization Guarantee in FY18 based upon a funding increase proposed in a 2008 American Institutes of Research (AIR) study and adjusted for inflation.

FISCAL IMPLICATIONS

The appropriation of $368.5 million contained in SB 35 is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY18 will revert to the general fund.

The appropriation contained in this bill is a one year appropriation only and cannot be sustained in future years without additional appropriations.

The amount proposed in SB35 is based on adjusting the $334.7 million recommendation made in the American Institutes for Research (AIR) independent analysis of the public school funding formula multiplied by approximately 10.0 percent for inflation.

The Executive budget recommendation does not include the $368.5 million appropriation specified in this bill. Therefore the provisions of this bill, would add this money on top of the amount already provided to the SEG. Increasing the SEG distribution in FY 18 by $368.5 million above what it is currently in in the Executive budget recommendation, and would reflect a 14.9 percent increase to the SEG appropriation.

The source of the additional $368.5 million General Fund revenue in FY18 is unclear and absent additional revenues, the appropriation would impact other General Fund appropriations across the state budget.

SIGNIFICANT ISSUES

Amounts contained in the AIR study have been debated by policy makers, dating to the time they were developed. Though consensus was reached by participants in the study's professional judgement and advisory panels on the $334.7 million amount, little consensus was ever reached by policy makers on whether the amounts suggested by the study were sufficient, feasible or advisable. Though the original study recommended $334.7 million be included in the formula, the original bill proposing the implementation of the new formula, HB 331 of the First Regular Session of 2009, did not contain an appropriation. Instead the amount was included in the LFC recommendation for FY09 and was reduced to a $25 million appropriation to the SEG to implement the recommendations of the study.

In testimony before the Legislative Education Study Committee (LESC) as the AIR study was wrapping up, the principal investigator noted that it would require more than $900 million to implement the provisions of the study. In response to the backlash from legislators, members of the taskforce modified various components of the proposed funding formula in order to bring the amount to a more acceptable level. This subjective change brought into question the veracity of the study and corroborated much of the work of Dr. Eric Hanushek where he makes the point that costing out models are used in developing funding formulas when the goal is to increase funding and not necessarily focusing on student need. The more than $320 million recommended by the study was the amount determined to be acceptable and was used as the starting point in seeking additional funding without asking for additional school days, longer school years or more accountability from educational staff.

Leaving aside the lack of consensus among policy makers that $368.5 million will provide sufficient funding, the age of the study also makes it unclear if the amount is still sufficient for today's policy environment. It is unclear whether some other amount would be necessary under the current education program environment should the professional judgement and advisory panels be reconvened. Making adjustments upward for inflation builds in historic assumptions of an education landscape from eight years ago that may no longer be true as the policy landscape is always shifting in its focus and emphasis to meet new challenges.

SB 35 also defines adequacy as a dollar amount rather than as programs that meet the needs of students. Increasing funding without regard to effectiveness or efficiency of educational programmatic spending may result in an educational system that provides little assurances of a return on the state's investment to improve student achievement. SB 35 does not match the PED’s stated goal of targeting investments to ensure a smarter return on the state’s investments in education.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

The administrative impact to the PED will be minimal.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 30 proposes changes to the public school funding formula, and it is unclear how the provisions of SB 35 would proportionally impact school districts and charter schools under a new distribution mechanism created by SB 30.

TECHNICAL ISSUES

The appropriation contained in this bill is to the Public Education Department for distribution through the State Equalization Guarantee (SEG). Recurring appropriations for the SEG are made to the SEG.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS