

HB 287

Education and Pupil Transportation

An Early and Stand-alone Appropriation Bill

ARNOLD LIEBELT – STAFF TO REPRESENTATIVE PAUL SEATON
HOUSE FINANCE PRESENTATION – JANUARY 25, 2018

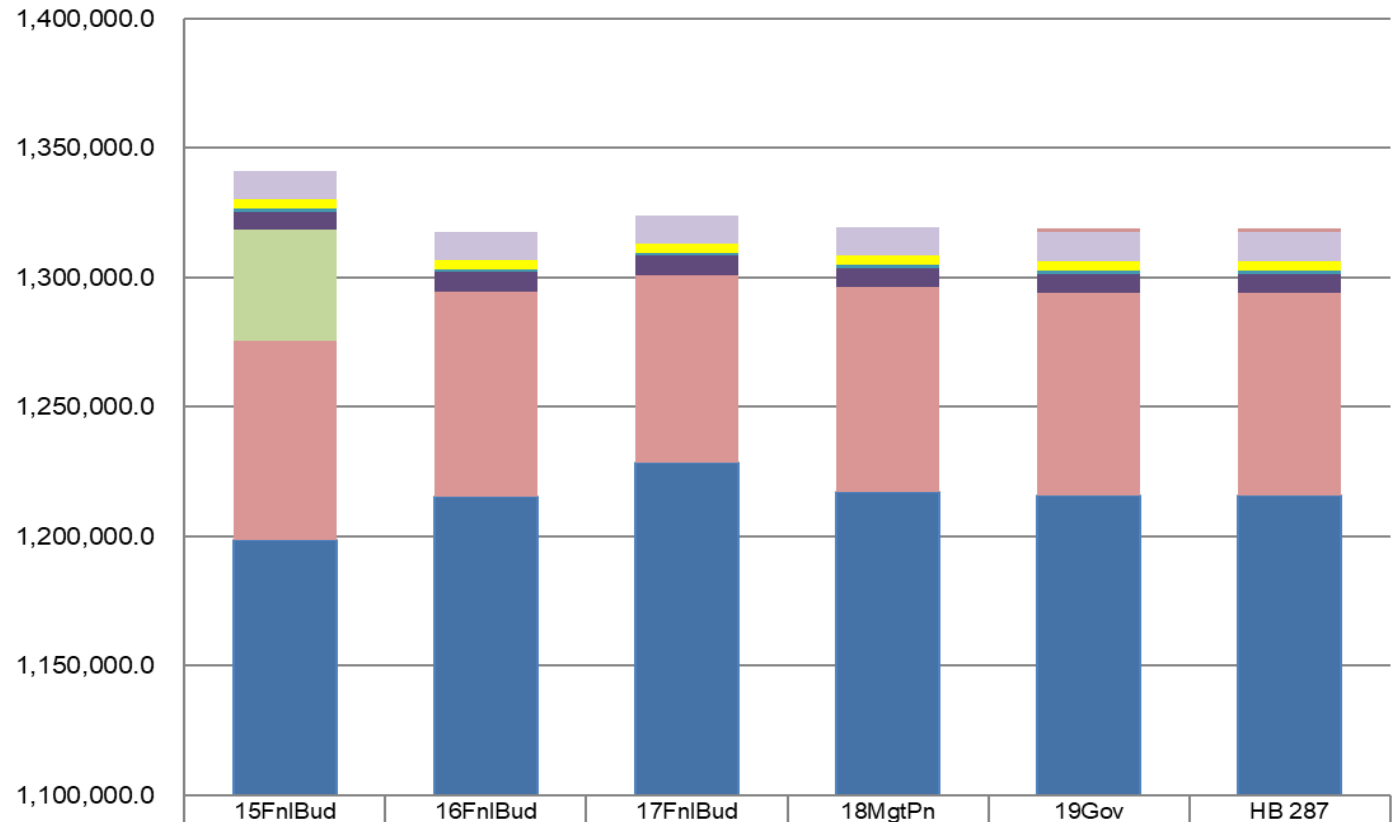
HB 287

The Bill uses the Constitutional Budget Reserve fund (CBR), the Statutory Budget Reserve fund (SBR), and other funds for K-12 Education and Pupil Transportation.

The bill will:

- Allow school districts to know their state aid in advance of passage of the state operating budget.
- Avoid unnecessary teacher layoff notices due to passage of the state operating budget after school districts plan their budgets.
- Include the same level of funding as the Governor's request.
- Appropriate \$1.2 billion from CBR and about \$67.8 million from SBR.

K-12 Funding History - All Funds (FY15-19)

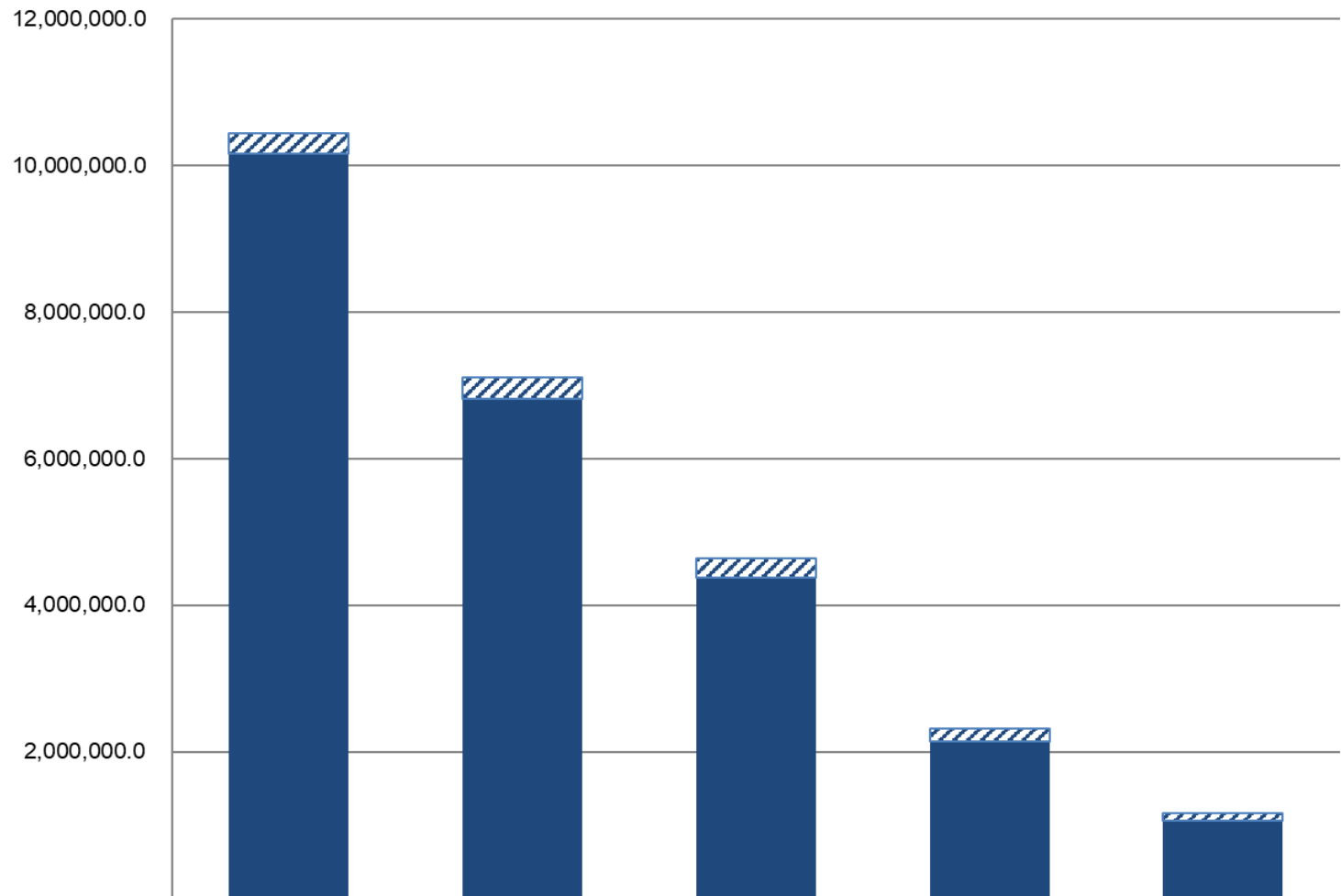


■ Mount Edgecumbe Boarding School Facilities Maintenance	-	-	-	-	1,192.7	1,192.7
■ Mt. Edgecumbe Boarding School	10,927.0	10,808.3	10,833.3	11,014.0	11,420.6	11,420.6
■ Special Schools	3,693.3	3,582.4	3,532.4	3,563.9	3,558.2	3,558.2
■ Youth in Detention	1,100.0	1,100.0	1,100.0	1,100.0	1,100.0	1,100.0
■ Boarding Home Grants	6,960.3	7,696.4	7,553.2	7,453.2	7,453.2	7,453.2
■ Additional Foundation Funding	42,953.5	-	-	-	-	-
■ Pupil Transportation	76,773.9	79,240.3	72,619.8	79,029.6	78,184.6	78,184.6
■ Foundation Program	1,198,664.3	1,215,262.7	1,228,382.9	1,217,257.6	1,215,805.8	1,215,805.8

Why use the CBR and SBR?

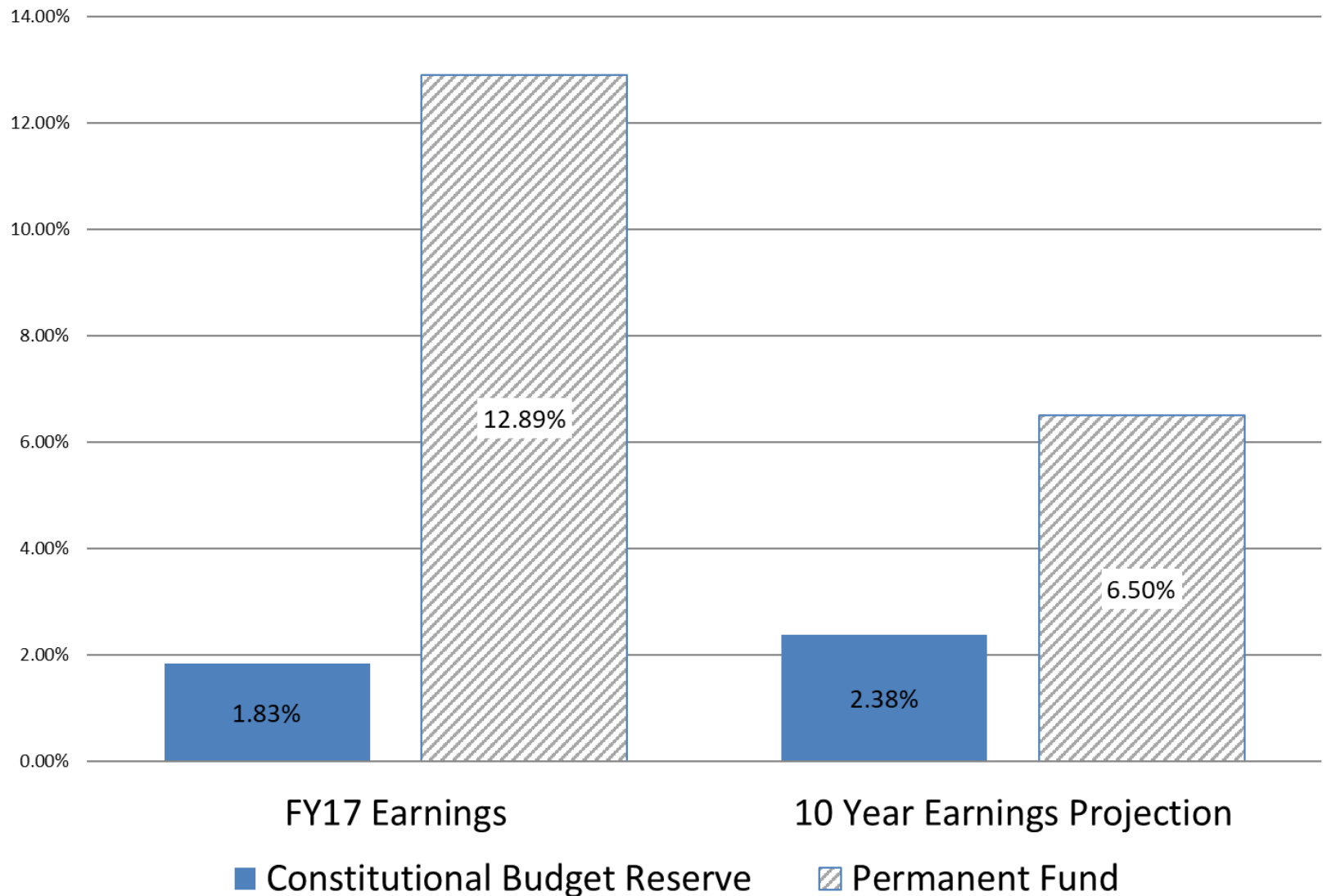
- 1) Education is required by the Constitution and is a high priority program that legislators support.
- 2) The CBR earns lower interest rates when compared to other funds for generating revenue.
- 3) Using the CBR for education preserves the growth of higher earning funds, thus allowing for greater revenue in the future.
- 4) Only the CBR or the Earnings Reserve Account (ERA) include sufficient funds to fully fund education and pupil transportation.
- 5) The CBR balance after this appropriation would be above \$1 billion.
- 6) The SBR has sufficient balance to allow flexibility for “estimated to be”.

End-of-Year Savings Balances - FY15-19



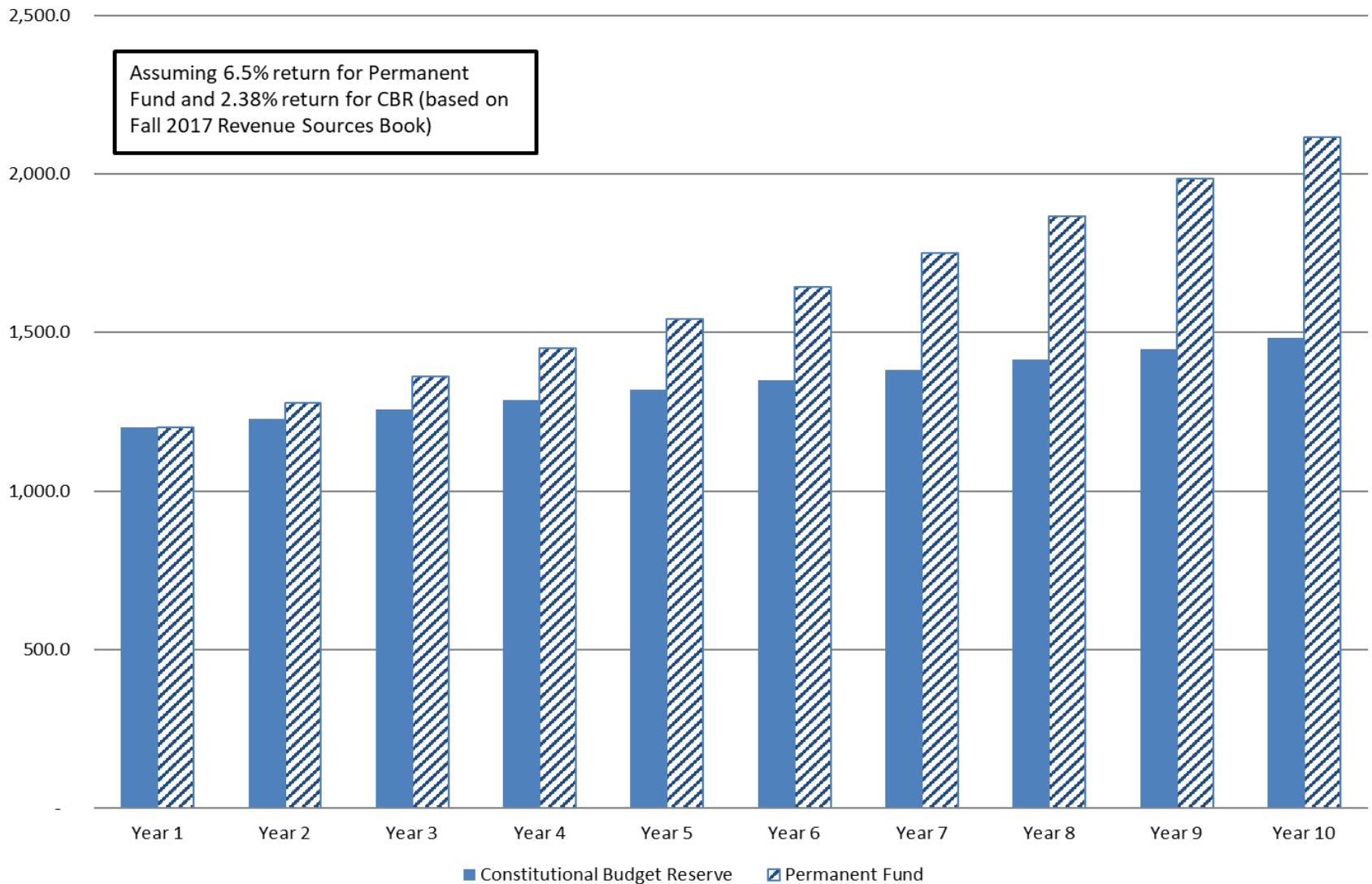
Statutory Budget Reserve	FY15	FY16	FY17	FY18	FY19 (after HB 287 draws)
Constitutional Budget Reserve	10,153,804.0	6,820,888.0	4,373,288.0	2,146,988.0	1,063,288.0

Earnings Comparisons - CBR and Permanent Fund



Effect of Earnings Rate on \$1.2 Billion

Assuming 6.5% return for Permanent Fund and 2.38% return for CBR (based on Fall 2017 Revenue Sources Book)



Late Passage of Operating Budget

In 2015, the state needed to come back in special session to pass a second operating budget that included education funding. This special session bill passed the legislature on June 11 and was signed by the Governor on June 29.

In 2016, the state operating budget was passed by the legislature on May 31 and signed by the governor on June 28.

Last session, the state operating budget did not pass the Legislature until June 22 and was signed by the Governor on July 1.

Funding uncertainty forces school districts to draft multiple budgets. Anticipating low appropriations requires districts to give termination notices (pink slips) to tenured teachers by May 15 and to non-tenured teachers by the last day of school.

Education is one of the highest priority programs for the state and educators are shaping future generations.

HB 287 reflects the importance of education to our state.