

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 406(EDC)
Fiscal Note Number:	1
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Identifier: HB406CS(FIN)-EED-FP-4-4-18
 Title: SCHOOL FUNDING FOR CONSOLIDATED SCHOOLS
 Sponsor: EDUCATION
 Requester: House Finance Committee

Department: Department of Education and Early Development
 Appropriation: K-12 Aid to School Districts
 Allocation: Foundation Program
 OMB Component Number: 141

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

This CS changes language in section one, on pages 3 and 5; where the term 'state aid' was used it has been replaced with 'basic need' to be consistent with AS 14.17.410, which is being amended. Page 5, clarifies paragraph M by explaining what districts must submit and paragraph N is deleted, which gave a definition for community that is already defined in regulation for this chapter.

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Division:	Finance and Support Services	Date:	04/04/2018 04:30 PM
Approved By:	Dr. Michael Johnson, Commissioner	Date:	04/04/18
Agency:	Department of Education & Early Development		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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Analysis

The intent of HB406 amends the public school funding formula under AS 14.17.410 by providing a provision that assists districts that consolidate one or more schools within a community. The district must show a decline in basic need for the affected schools in order to use this provision.

The process calculates the average daily membership (ADM) for each of the schools affected by the consolidation, based on AS 14.17.410(b)(A) - (C): beginning with school size adjustment (A); district cost factor (B); special education factor 1.20 (C); and the vocational and technical instruction adjustment of 1.015, also listed under (C). The total adjusted ADM up to this point is totaled up amongst the affected schools and then divided by the total unadjusted ADM that was submitted for those schools. The same process is then repeated for the affected schools in the previous fiscal year, prior to consolidation, to establish the base. The result of those two calculations, for the base year and the consolidation year, are subtracted and is multiplied by the original ADM submitted for the first year of consolidation. The result of the multiplication is added back to the ADM adjusted after the vocational and technical instruction adjustment of 1.015.

The above calculation will only be established in the first fiscal year of consolidation and then applied in the out years as follows: the first two fiscal years following the consolidation the district can offset 100% of the reduction in basic need of the affected schools; the third fiscal year there is a 66% offset of those funds; the fourth fiscal year 33% offset of those funds; and finally completely transitioned by the fifth fiscal year.

In the following hypothetical example the numbers are representative of individual schools in a community and the letters refer to the corresponding statutory references shown above.

Affected Schools 1, 2, 3, and 4, in the prior fiscal year:

School 1 (A) x (B) x (C) x (C)

School 2 (A) x (B) x (C) x (C)

School 3 (A) x (B) x (C) x (C)

School 4 (A) x (B) x (C) x (C)

TOTAL of ADM adjustments of Schools 1 ,2, 3, and 4 DIVIDED by the total ADM submitted for schools 1 ,2, 3, and 4 = quotient X

Consolidation of School 1 into Schools 2, 3, and 4, in the current fiscal year:

School 2 (A) x (B) x (C) x (C)

School 3 (A) x (B) x (C) x (C)

School 4 (A) x (B) x (C) x (C)

TOTAL of ADM adjustments of Schools 2, 3, and 4 DIVIDED by the total ADM submitted for schools 2, 3, and 4 = quotient Y

Quotient X of the prior fiscal year MINUS Quotient Y of the current fiscal year, MULTIPLIED by the Total ADM submitted in the current fiscal year, EQUALS the portion of ADM to be added back to the current/consolidated fiscal year's ADM as adjusted under AS 14.17.410(b)(A)-(C).

The calculation must be run each year to determine the total ADM adjustment under AS 14.17.410(b)(A)-(C) to ensure the affected schools are not above the base year prior to consolidation. If the total ADM's in the consolidation year for the affected schools increase then the provision would not be available to the district.

Following the calculation is language intended to provide additional qualifiers.

* If one of the fiscal year's calculation of basic need, following consolidation, for the affected schools is greater than the base year, then there is no adjustment and the provision ends.

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BILL NO. HB406

Analysis

- * A district may not use both the hold harmless provision and this provision at the same time.
- * Building a new facility for consolidation purposes does not qualify a district for this provision.
- * A district may not reopen and reconsolidate a school more than once every seven years.
- * A district will provide the department with the schools and corresponding ADM affected by the consolidation.

Section 1 has no fiscal impact on the department in years one and two, as districts will continue to receive the same amount of funding they currently receive after the consolidation of one or more schools within a community under this provision. Years three and four are the first years the department could see any saving under this provision; however, this is unknown at this time as the exact schools that will consolidate within a district is unknown and any ADM fluctuations statewide could have an effect on the total revenue.

Section 2 would amend AS 14.17.905, facility constituting a school, by adding a new subsection (c) to fix an unintended consequence of the number of adjustments a community, with an ADM of more than 425 and one school, can receive. Currently the law reads that a community with an ADM of 101 to 425 may receive two adjustments for school size: one for elementary and another for secondary. Once the community goes above 425 ADM however, it reduces down to one adjustment per school facility. A single site facility in the community such as Hooper Bay in Lower Yukon School District, would result in a significant loss of funding when it exceeded 425 ADM. The amended language would mitigate this by providing two adjustments for a community greater than 425 ADM with a single site facility serving grades Kindergarten through 12. If the actual FY2018 ADM of 449.40 is applied to the projection for FY2019, instead of the 425 ADM that was submitted for Hooper Bay School, then the result is a \$386.3 increase in funding.

Section 3 amends uncodified law by stating that Section 1 of this bill only applies to schools that consolidate on or after the effective date of this bill.

This act takes effect immediately under AS 01.10.070(c).

The funding mechanism is a general fund transfer to the Public Education Fund (PEF). The fiscal note effect for FY2019 through FY2024 is reported in the fiscal note for the PEF, as the funding is deposited to the PEF not into the Foundation Program funding component. The above analysis is presented here for explanation purposes only.