

HB

313

<TARGET><BILL>HB 313</BILL><SUBJECT>HB
313</SUBJECT><COMM>HFIN27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA cost # codes
 2012 LEGISLATIVE SESSION

Bill Version HB313CS
 Fiscal Note Number _____
 Publish Date _____

Identifier (file name) HB313CS(EDC)-EED-ESS-3-19-12 Dept. Affected Education & Early Development
 Title "An Act relating to student counts, unreserved school Appropriation K-12 Support
operating fund balances, restrictions on school district... Allocation Foundation Program
 Sponsor Representative Feige
 Requester House Finance OMB Component Number 141

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits	0.0	0.0	0.0	7,554.5	7,554.5	7,554.5	7,554.5	
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	7,554.5	7,554.5	7,554.5	7,554.5	

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	0.0	0.0	0.0	7,554.5	7,554.5	7,554.5	7,554.5
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	7,554.5	7,554.5	7,554.5	7,554.5

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								

Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This bill is a committee substitute. The analysis is on page 2.

Prepared by Elizabeth Nudelman, Director Phone 465-8679
 Division School Finance & Facilities Date/Time 3/19/12 12:00 AM
 Approved by Mike Hanley Date 3/19/2012
Commissioner

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB313CS

Analysis

In summary, this bill changes the foundation formula by repealing the student count estimates in AS 14.17.500 and establishes the use of the current fiscal year's October student counts for developing the succeeding fiscal year's foundation funding. In addition, the bill provides supplemental funding in the current year when a district's average daily membership (ADM) adjusted for school size increases by the lesser of 200 students or 3 percent or more over the prior fiscal year.

This committee substitute (CS) makes the following changes over the original HB313:

- * The CS amends the criteria for the supplemental funding under AS 14.17.410(H) to the lesser of 200 students or 3 percent or more in their school size adjusted ADM from one fiscal year to the next. This means districts that meet this requirement will receive supplemental funding in addition to the full funding that would be paid in the succeeding fiscal year.
- * The CS adds additional language under AS 14.17.410(H) that if a district is unable to meet the current fiscal year funding needs and does not qualify for the supplemental funding, then the district can apply for supplemental funding that the department may approve.
- * The CS changes the current law under AS 14.17.505(a) by increasing the year-end unreserved fund balance from 10 percent to 15 percent. This gives districts the ability to carry forward more unrestricted operating funds from one fiscal year to the next.
- * Finally, the CS changes the existing law under AS 14.14.060(c) by restricting the assembly in the organized city/borough from reclaiming any amount of the local contribution to the district for another purpose, unless the restricted amount exceeds the year-end unreserved fund balance limitation.

The CS fiscal note is calculated on a comparison from FY2012 to FY2011 student counts and school size adjusted ADM. The fiscal note annual expenditures for the supplemental provision are estimated at **\$7.5 million**. Actual costs for the supplemental provision will depend on annual counts.

The supplemental provision would increase the public school funding expenditures to the extent that districts are paid for this provision both as a supplemental in the year of the change, and as funding in the following year when the count is used to generate entitlement dollars.

Original HB313 language was as follows:

- * Repeals AS 14.17.500 student count estimates.
- * Added language to AS 14.17.600 to fund districts on prior year student counts.
- * Supplied supplemental funding under AS 14.17.410(H) in the current fiscal year should a district's school size adjusted ADM increase by 5% or more.
- * It also returns existing law language removed in the repeal of AS 14.17.500. Counting of part-time students; and a correspondence student shall not exceed one full-time equivalent. (Note, correspondence funding is .80 of base student allocation, the full-time equivalent refers to the count process.)
- * The original cost of this bill was \$1.0 million.
- * The bill takes effect July 1, 2014.

Any supplemental funding would require a General Fund transfer to the Public Education Fund.

AMENDMENT #1

OFFERED IN THE HOUSE FINANCE COMMITTEE

REPRESENTATIVE LES GARA

TO: CSHB 313, Version LS1223\B

- 1 Page 8, line 22:
- 2 Delete "by the lesser of 200 students or three percent or more"

REPRESENTATIVE
ERIC FEIGE
House District 12

House Resources Committee Co-Chair
Education Committee
Transportation Committee
Joint Armed Services Committee

Alaska State Legislature



During Session:
State Capitol Room 126
Juneau, Alaska 99801-1182
(907) 465-4859
Fax (907) 465-3799
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House of Representatives

Sectional Analysis

HB 313 – Version LS1223\B (EDU)

Section 1, 2, and 3: Necessary conforming language pertaining to previous school construction funding caused by repealing AS 14.17.500 – Student Count Estimate in Sec. 10 of this bill.

Section 4: Prohibits a municipal assembly from taking funds from a school district after having allocated the funding to the district unless the district's fund balance exceeds the reserve fund maximum.

Section 5: Necessary conforming language due to the repeal of AS 14.17.500 – Student Count Estimate in Sec. 10 of this bill. Statute required boarding schools to provide the state a student count estimate.

Section 6: Amends AS 14.17.410(b) adding a part (H) to provide a hold harmless provision providing supplemental funding to a district that has a one year increase of 200 students or three percent in enrollment based upon the average daily membership count adjusted for the school size factor. Districts that don't qualify for the supplemental funding, but have a hardship, may apply for additional funding.

Section 7: Amends AS 14.17.505(a) to increase the amount of funds a district may retain in its unrestricted reserve account from 10 percent to 15 percent.

Section 8: Amends AS 14.17.600(a) to apply the student count to funding for the succeeding fiscal year following the count period.

Section 9: Amends AS 14.17.600 to replace provisions of AS 14.17.500 that are repealed by the bill but necessary to properly apply the student count to school funding, moving the provisions from AS 14.17.500 to AS 14.17.600.

Section 10: Repeals AS 14.17.500 – Student Count Estimates – because they are no longer necessary under the new application of the student count data to the succeeding fiscal year.

Section 11: Makes the bill effective with funding for FY 2015.

Alaska State Legislature
HOUSE FINANCE COMMITTEE
Agenda
9:00AM

Friday, March 30, 2012

HB 313-STUDENT COUNT ESTIMATES
NEW FISCAL NOTE (EED) \$ previous #1

Testifiers:

Rep. Eric Feige

Michael Paschall, Staff to Rep. Eric Feige

OFF NET:

Duncan Ware, Superintendent, Delta Greely School District

Ken Forrest, Chief Business Official, Matanuska-Susitna School
District, 907-746-9277

Available for Questions:

Elizabeth Nudelman, DEED, Director of School Facilities and
Finance

Jean Mischel, LAA Legal Services

Previously Heard

HB 64-PERMANENT MOTOR VEHICLE REGISTRATION

New Fiscal Note (ADM)FORTHCOMING

New CS WORKDRAFT FIN 27-LS0327\S

HB 313

Application of
Average Daily Membership (ADM)
to
Base Student Allocation (BSA)

Application of ADM to BSA

Estimate	Budget Period	ADM Count	ADM Confirmation	Expenditure Year	Payment Schedule
Jan 2011	Spring 2011	Oct. 2011	Jan. 2012	FY 11-12	Jul-Mar Estimate Apr-Jun Adjusted
	Spring 2014	Oct. 2013	Jan. 2014	FY 14-15	Jul-Mar Actual Apr-Jun Actual *w/Supplemental

*If hold harmless applies

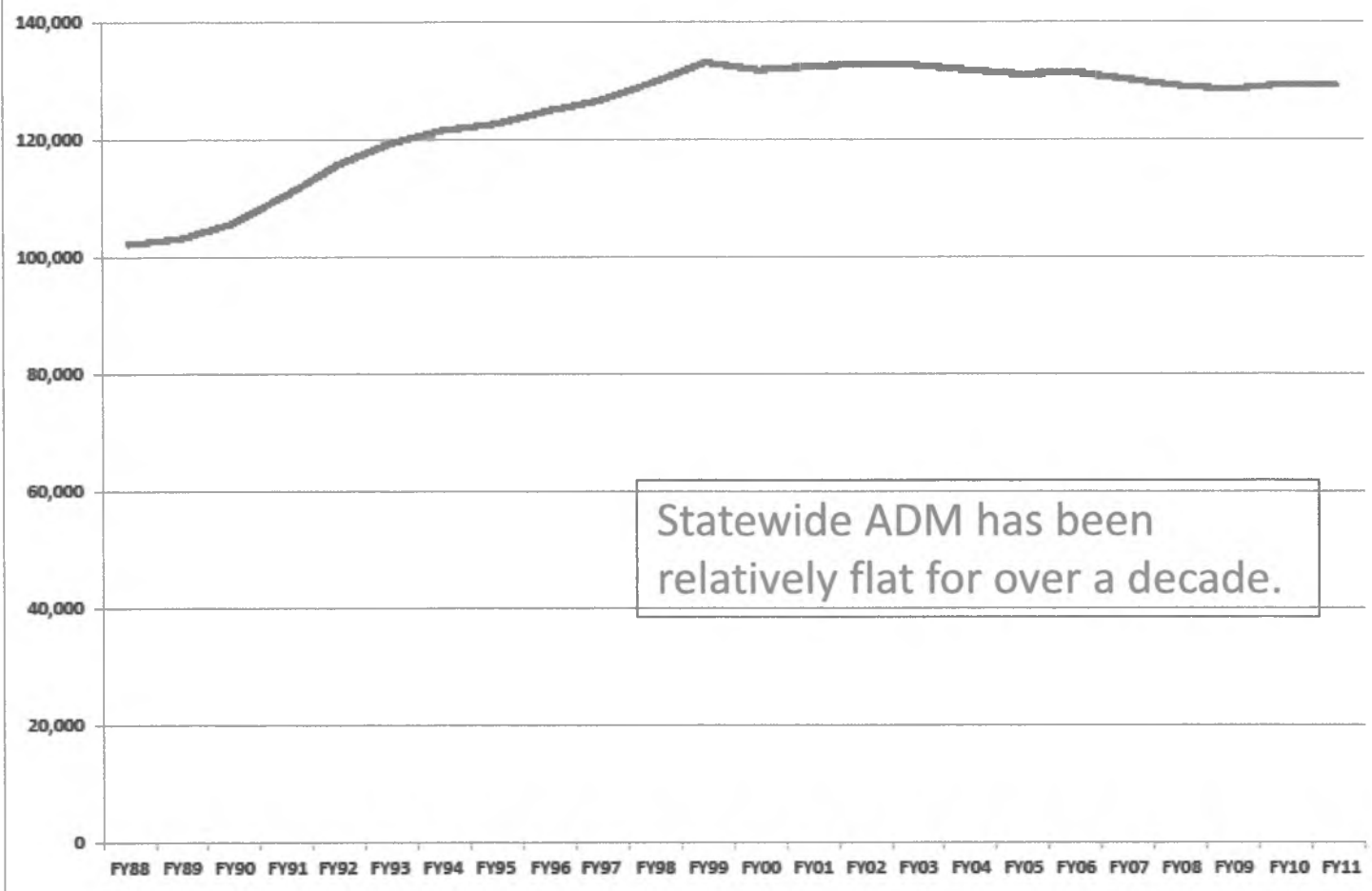
Variations in ADM Projections

- For FY 2011, Variations ranged from
 - 743 students too high (1.5%) to
 - 192 students too low (0.84%)

 - 9.8% too high (3.35 students)
 - 15.8% too low (16.25 students)

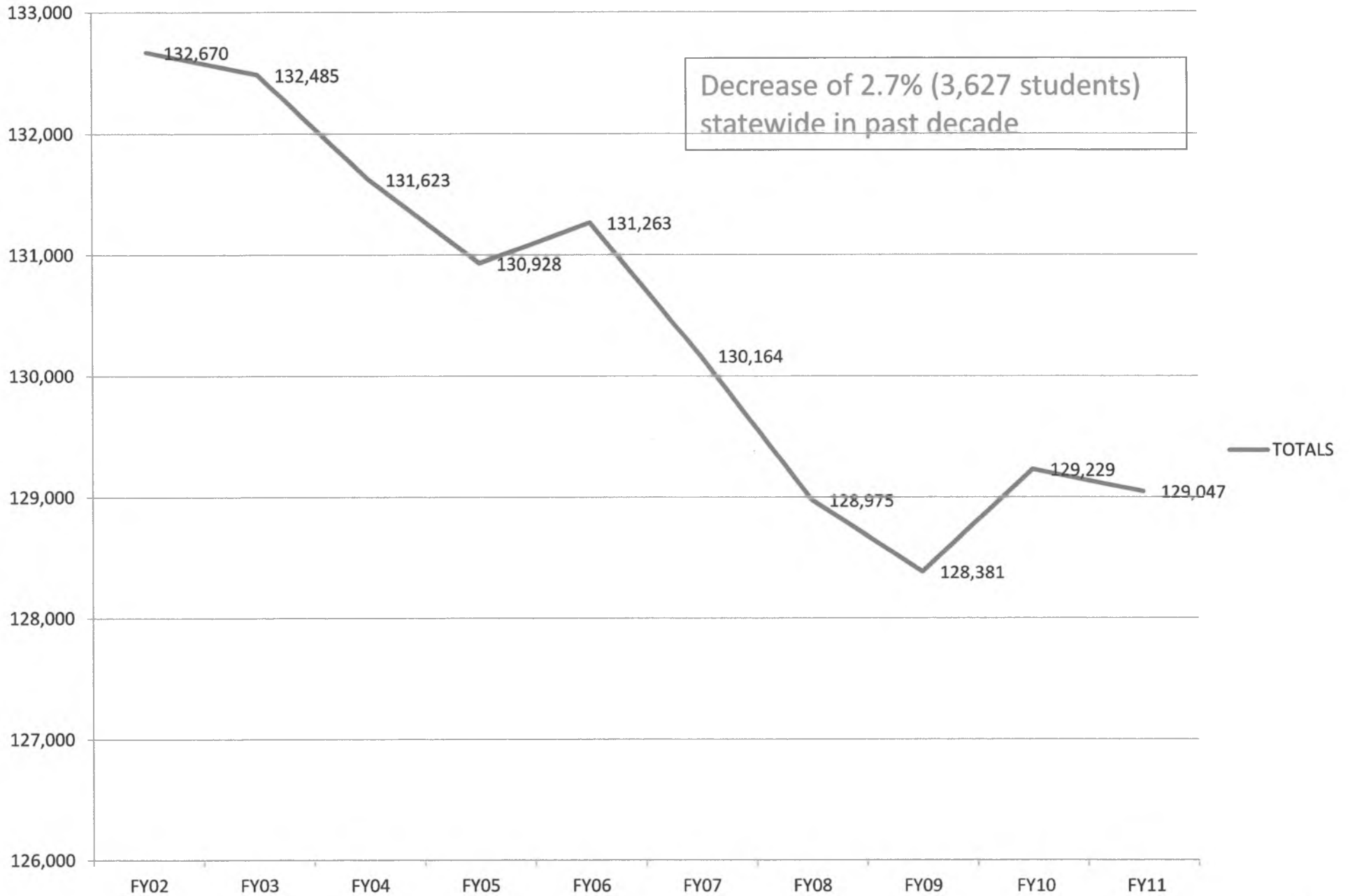
 - Based upon unadjusted ADM

Statewide Average Daily Membership Fiscal Year 1988-2011



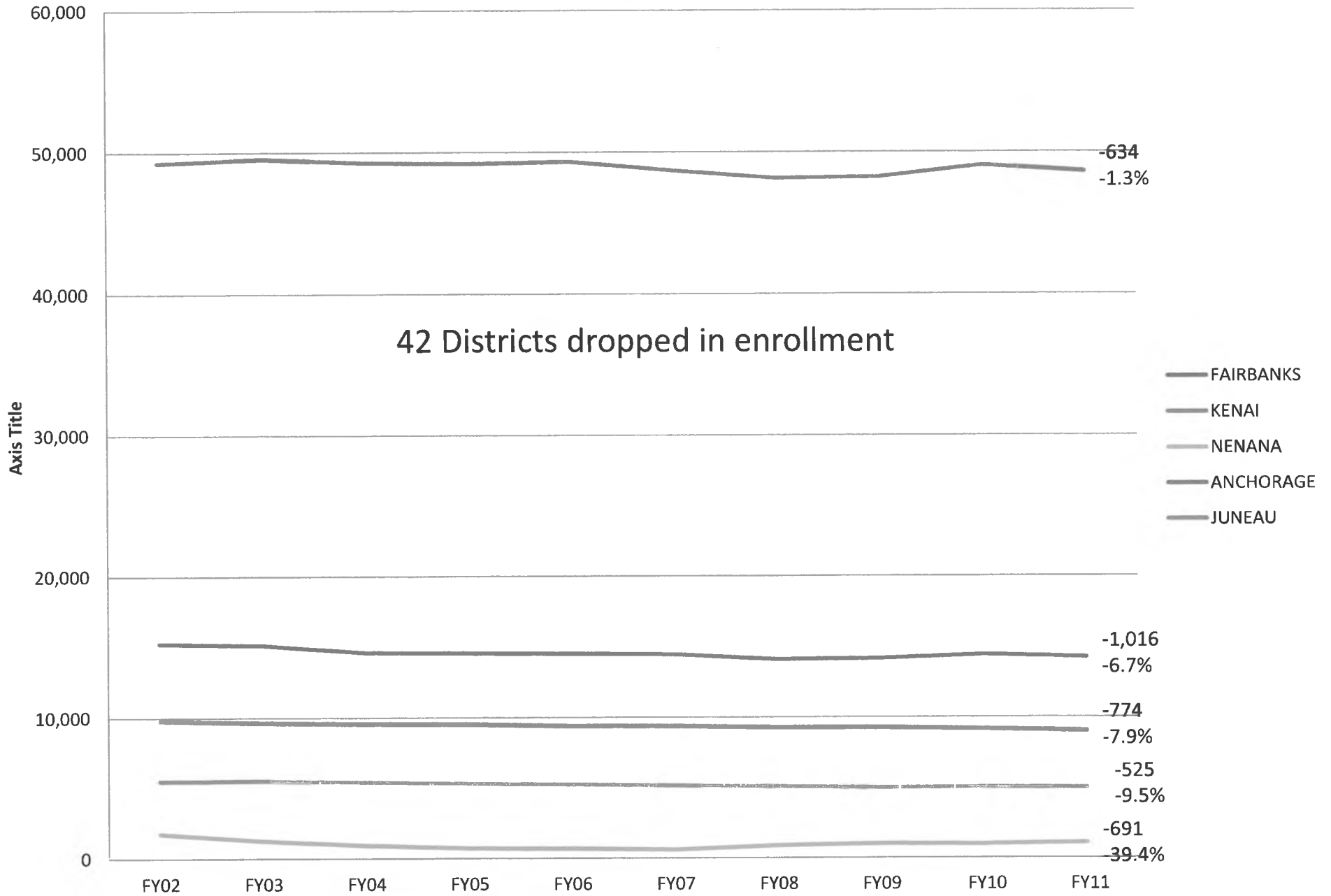
Statewide ADM has been relatively flat for over a decade.

Statewide ADM FY 2002-2011

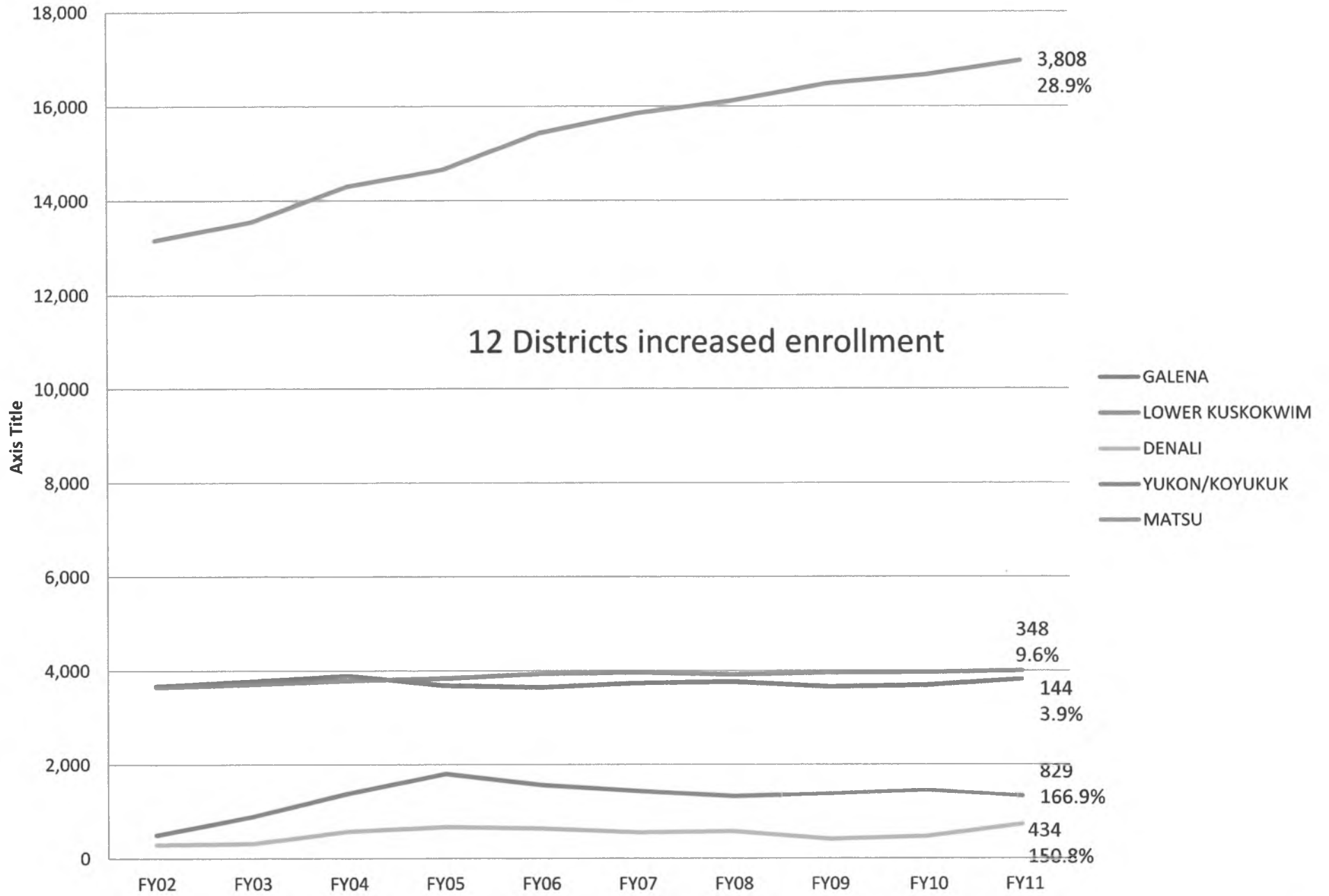


4

The Biggest Losers



The Biggest Gains



Returned Funds

- Fairbanks North Star Borough School District
 - FY 2010 \$2.1 million
 - FY 2011 \$1.2 million
- Mat-Su Borough School District
 - FY 2010 \$1.3 million
 - FY 2011 \$268 thousand



Best Fund Balance: Best Practices

➤ **CURRENT = \$ 1,400,935**

- In 2002 The Government Financial Officers Association (GFOA) published Best Practice: Replenishing Fund Balance in the General Fund (2002). In that document it is recommended that governmental bodies should ***“maintain unreserved fund balance...of no less than five to 15 percent of regular general fund revenues.”***

➤ **5% = \$10,570,799**

➤ **10% = \$21,141,598 – State Law Allowable Maximum is 10%**

➤ **15% = \$31,712,397**

- In 2011 the GFOA , due to the change in the financial climate, revised that recommendation. In Best Practice: Replenishing Fund Balance in the General Fund (2011) it is now recommended that governmental bodies should ***“incorporate in its financial policies that unrestricted fund balance in their general fund be no less than two months of regular general fund operating revenues or regular general fund operating expenditures.”***

Sec. 14.17.500 Student Count Estimate.

(a) A district shall prepare and submit to the department by November 5 of each fiscal year, in the manner and on forms prescribed by the department, an estimate of its ADM and other student count data, including per school student count data, for the succeeding fiscal year upon which computations can be made to estimate the amount of state aid for which the district may be eligible under AS 14.17.400 in the succeeding fiscal year. In making its report, the district shall consider its ADM, other student count data, the pattern of growth or decline of the student population in preceding years, and other pertinent information available to the district.

(b) Part-time students shall be included in the student count data in accordance with regulations adopted by the department.

(c) When reporting a district's ADM, a part-time student who is a correspondence student may not be counted as more than one full-time equivalent student.

Alaska State Legislature

REPRESENTATIVE
ERIC FEIGE
House District 12

House Resources Committee Co-Chair
Education Committee
Transportation Committee
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House of Representatives

Sponsor Statement – HB 313

“An Act relating to student counts, unreserved school operating fund balances, restrictions on school district money, and estimates for public school funding; and providing for an effective date.”

Our school districts need effective tools to plan and budget for the education of our children.

Under HB 313 -- subject to the hold harmless provisions, changes in the Base Student Allocation, or other legislative changes -- districts will be able to complete the budget process and determine staffing levels earlier, eliminate unnecessary layoff notices, and execute employment contracts to improve the stability of the education climate in the state.

The purpose of the bill is to base the funding for each school district in the state on the count under A.S. 14.17.600 for the preceding fiscal year. For example, the count conducted in Fiscal Year 2013 will establish the funding level for the district for the 2014 Fiscal Year.

The new funding formula will not change the "hold harmless" clause currently in existence. If a decrease in enrollment of five percent or more occurs, the district will continue to receive funding based upon the Average Daily Membership plus the 75/50/25 percent addition over the succeeding three years. Other provisions of the foundation formula will remain as well.

If a district has an increase in student count of 200 students or three percent over the previous year, supplemental funding will be provided to the district for the current fiscal year. Helping districts deal with large changes in population.

The new funding method will implement with the FY 2014 year. Thus, the count conducted in the fall of 2012 will provide the funding level for both FY 2013 and FY 2014, subject to the hold harmless provisions.

HB 313 also increases transparency in the governmental budgeting process by prohibiting the current practice that allows municipalities to take funds back from school districts at the end of the fiscal year.



MATANUSKA-SUSITNA BOROUGH SCHOOL DISTRICT
Office of the School Board

Mission: Mat-Su Borough School District prepares students for success

MATANUSKA-SUSITNA BOROUGH SCHOOL DISTRICT
RESOLUTION NO. 12-006

CONSIDER A FUTURE AMENDMENT TO MATANUSKA-SUSITNA BOROUGH ORDINANCE SERIAL NO. 3.04.110, AS AMENDED WITH ORDINANCE SERIAL NO. 09-089, IN REGARDS TO THE MANNER IN WHICH UNEXPENDED SCHOOL DISTRICT FUNDS LAPSE

WHEREAS, the Mat-Su Borough School District (MSBSD) currently operates under Matanuska-Susitna Borough (MSB) Ordinance 3.04.110, Reporting and Lapse of Appropriations, as amended by Ordinance Serial No. 09-089, which allows the MSBSD to carry over from one year to the next, one-half of any increase in the unassigned fund balance up to \$5,000,000 and;

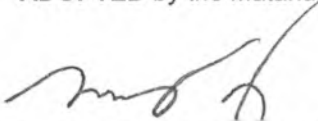
WHEREAS, Alaska Statute Sec. 14.17.505, Fund Balance in School Operating Funds, allows for a school district to accumulate no more than ten percent of expenditures for that fiscal year in the unassigned portion of its year end fund balance of the general operating funds and;

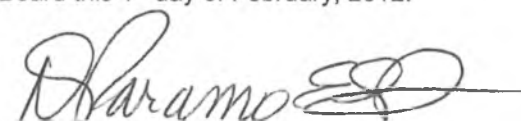
WHEREAS, In 2011 the Governmental Finance Officers Association (GFOA), due to the change in the financial climate, changed the recommendation for levels of Fund Balance. In Best Practice: Replenishing Fund Balance in the General Fund it is now recommended that governmental bodies should "*incorporate in its financial policies that unrestricted fund balance in their general fund be no less than two months of regular general fund operating revenues or regular general fund operating expenditures* and;


WHEREAS, the Mat-Su Borough School District desires to maintain an unassigned fund balance at a level sufficient to provide the required resources to meet operating cost needs, allow for unforeseen needs of an emergency nature and to permit orderly adjustment to changes resulting from fluctuations of revenue sources and unexpected expenditure variances and;

NOW THEREFORE BE IT RESOLVED that the Matanuska-Susitna Borough School District School Board requests the Matanuska-Susitna Borough consider a future amendment or temporary suspension of Ordinance 3.04.110 whereby the Matanuska-Susitna Borough School District is **NOT** required to lapse **ANY** funds to the Matanuska-Susitna Borough as currently required until such time as the unassigned fund balance reaches five million dollars.

ADOPTED by the Matanuska-Susitna Borough School Board this 1st day of February, 2012.


Michael Dunleavy, Board President


Dr. Deena M. Paramo, Superintendent

ATTEST: 
Stacy Escobedo, Board Secretary