

## SUBSTITUTE FOR HOUSE BILL 2739

### AS RECOMMENDED BY THE HOUSE EDUCATION BUDGET COMMITTEE

On Thursday, March 18, 2010, the House Appropriations Committee recommended reducing general state aid and supplemental general state aid to school districts by \$171.8 million in Substitute for House Bill 2739. This bill contains parts of six bills, the majority which have not been approved to date.

Substitute for House Bill 2739 has not been approved by the full House or Senate at this time. The bill will likely be debated next week on the House floor.

Substitute for House Bill 2739 contains the following provisions.

- Ten percentage points of the supplemental general fund (local option budget) will become a part of the school district's general fund. The general fund will be broken into two parts—the regular general fund budget, as it has been known in the past, and the “local foundation budget.” For example, if your school district had a 30 percent LOB, ten percent or one-third would become a part of the general fund with the remaining 20 percent staying in the LOB. If a district has a 21 percent LOB, ten percent would go to the general fund with the remaining 11 percent remaining in the LOB.

All school districts will be required to go ten percent in the general fund. School districts would be given authority to levy a tax to fund this portion of the general fund and is equalized to 81.2 percent.

Therefore, the “local foundation budget” will make up ten percent and the regular formula will make up 90 percent of the general fund.

- The local option budget (LOB) will have a cap of 17 percent or 18 percent if you have an election with a provision that all school districts are grandfathered the amount in 2009-10 less ten percentage points that is now the “local foundation budget.”

The base state aid per pupil (BSAPP) of the district will be reduced to \$4,005 after considering the following reductions in weightings.

- Eliminates high enrollment weighting
- Reduces low enrollment weighting approximately 3.5 percentage points
- Reduces vocational weighting from .5 to .4825
- Reduces bilingual weighting from .395 to .3812
- Reduces medium at-risk weighting from .06 to .0579
- Reduces high-density at-risk weighting from .10 to .0965
- Reduces at-risk weighting from .456 to .44

This provision will result in a reduction of \$85.9 million in general state aid or the equivalent of \$131 in BSAPP under current law. As a result of the reduction in the weightings, the BSAPP will be \$4,005. By taking ten percentage points from the LOB and adding to the

“local foundation budget,” which is part of the general fund, it appears that the BSAPP is \$4,450. The results in a general state aid decrease of \$85.9 million which equates to \$131 on the current base.

Supplemental general state aid is now prorated at 47.97 percent. This also results in reducing supplemental general state aid by \$85.9 million.

The reduction in general state aid of \$85.9 million and the reduction in supplemental general state aid of \$85.9 million results in a total reduction of \$171.8 million.

- Any school district which has a general and supplemental general amount per pupil less than the state average is authorized to have an election to raise the mill levy to bring the school district up to the preceding year’s average. For example, if the state average of general and supplemental general fund per pupil is \$8,687 and the average for your district was \$7,887 per pupil, the difference of \$800 is multiplied times the FTE enrollment (1,000 FTE for example) which equates to \$800,000 that you could levy on the local taxpayers provided it is approved via an election after the first year. A new fund is created for this purpose—“budget equity fund.” An election is not required the first year (2010-11 school year). There is a cap of seven percent using the same definition as the local option budget.
- The bill authorizes the establishment of a “local activities budget” not to exceed an amount equal to five percent of the FTE enrollment times the base state aid per pupil. This provision would require a school district to adopt a LOB equal to the state prescribed percentage. If a district qualifies under this provision, then an election is held in an amount not to exceed five percent of the FTE enrollment times the BSAPP times five percent (five percent would be the maximum). The “local activities budget” is for the purpose of paying for activities and cannot be used for instructional expenditures. An election is not required for the first year (2010-11 school year). An election is required in future years.
- The bill allows school districts to transfer money to the contingency reserve fund that was transferred from the general fund to the capital outlay fund in the 2008-09 school year.