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FISCAL IMPACT REPORT

SPONSOR Gonzales DATE TYPED 1/26/05 HB 120

SHORT TITLE Small School District Operational Expenses SB _____

ANALYST Chabot

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
\$2,200.0				Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates an appropriation in the General Appropriation Act
Relates to SB 125, SB 274

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 120 appropriates \$2.2 million from the general fund to PED in fiscal years 2005 and 2006 for the purpose of assisting school districts with membership of two hundred or less to cover operational expenses if appropriated program costs are insufficient. Fifteen school districts would be eligible under this appropriation.

Significant Issues

The Public School Finance Act provides for additional units to be earned by small districts and small schools to compensate for insufficient distributions earned based upon enrollment and mandated requirements. Categorical distributions outside the funding formula provide a temporary relief to budget shortfalls in the current year, but similar deficiencies will recur in subsequent years because the distribution from the funding formula will not provide the additional revenue received as a result of the supplemental appropriation.

PERFORMANCE IMPLICATIONS

The appropriation may allow the district to achieve better results on criterion referenced tests through the use of additional services to students.

FISCAL IMPLICATIONS

The appropriation of \$2.2 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2006 shall revert to the general fund.

NOTE: The appropriation in this bill is considered non-recurring contingent on SB125, FUNDING FORMULA STUDY, or similar legislation being enacted. It is assumed that a study of the funding formula will provide a funds distribution remedy to the dilemma of small school districts.

ADMINISTRATIVE IMPLICATIONS

This bill implies the school funding formula is deficient in distributing appropriations to meet school district budget needs. Temporary fixes do not result in modifications to the funding formula which will be used for subsequent year distributions.

OTHER SUBSTANTIVE ISSUES

PED suggests the sponsor may want to consider adding an emergency clause and including charter schools with membership of 200 or less in the bill.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

The school districts would have to live within the budget resulting from the distribution from the state equalization guarantee. Additional funds may be available from the emergency supplemental fund for shortfalls caused by emergency situations.

POSSIBLE QUESTIONS

1. What evidence exists that distributions to small school districts are insufficient?
2. If this bill is not enacted, will small school districts meet mandated statutory minimum salary and other requirements?
3. Can this bill be deferred pending a study of the public school funding formula as recommended by LFC, LESC, and the Executive?

GAC/yr