

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. **Bill Number:** SB128

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** VanValkenburg

3. **Committee:** Finance and Appropriations

4. **Title:** Public school funding; certain calculations.

5. **Summary:** Places several parameters on Standards of Quality funding calculations performed by the Department of Education, including (i) requiring the Department, when calculating the cost of salaries under the Standards of Quality funding formula, to include facilities staff and transportation staff salaries in the calculation of any cost of competing adjustment to salaries for instructional and support positions that is provided as part of the state share of basic aid pursuant to the general appropriation act; (ii) requiring the Department, when estimating the cost of any compensation supplement for instructional and support positions under the Standards of Quality funding formula, to include and estimate the cost of such a compensation supplement for facilities staff; (iii) prohibiting the Department from applying any cap on inflation rate adjustments to non-personal cost categories during the biennial process of rebenchmarking the direct aid to public education budget; (iv) requiring the Department to utilize a three-year average of the most recently available data to calculate the composite index of local ability-to-pay for each school division; and (v) requiring the Department to include central office clerical positions in the definition of support service positions.

6. **Budget Amendment Necessary:** Yes, Item 125.

7. **Fiscal Impact Estimates:** Preliminary, see Item 8.

8. **Fiscal Implications:** This bill makes several changes to the calculation of Standards of Quality (SOQ) funding for local school divisions calculated by the Department of Education (DOE) and funded through Direct Aid to Public Education. Many of these calculations are completed once biennially during the rebenchmarking process. If passed in the 2024 session, this bill would have an effective date of July 1, 2024, and requirements related to rebenchmarking calculations would be implemented in 2025 for the 2026-2028 biennium unless otherwise directed. At this time any costs to implement rebenchmarking calculations for the 2026-2028 biennium and future years are indeterminate.

This bill requires facilities and transportation staff to be included in the calculation of any cost of competing adjustments (COCA) to salaries. Currently transportation is recognized as

a non-personal support cost and calculated based on prevailing cost, and the current SOQ funding model does not calculate full time equivalent positions for pupil transportation funding or for facilities staff funding. In order to be recognized in the COCA calculation, the funding model would need to be updated and reprogrammed to calculate funded positions for these categories. These positions would be considered support positions and would be subjected to the support position funding standard in the introduced budget, HB/SB30, of 24 positions per 1,000 students in ADM. At this time, it is not possible to determine how many additional positions may be funded as a result of the inclusion of these positions, and any actual fiscal impact to include these staff in COCA calculations is indeterminate.

The bill requires that facilities staff are included in the calculation of the cost of any compensation supplement. Compensation supplements are not a rebenchmarking calculation. DOE estimated the cost of this provision based on the percentage of total facilities cost in the base year that is attributable to salaries, the same methodology that is used to include transportation staff in this calculation. Using HB/SB30 as a base, DOE estimates an additional state cost of \$10,000 general fund in FY 2025 and \$10,000 general fund in FY 2026 for every one percent compensation supplement provided. The reason for the insignificant fiscal impact is that facilities costs are funded as non-personal support at \$1.35 per pupil (prior to inflation), based on the cost data submitted by school divisions in the Annual School Report. This implies that, based on 1.2 million students, total facilities costs in Basic Aid are less than \$2.0 million per year. DOE indicates that most school divisions do not report costs in the facilities function on the Annual School Report. Any additional cost in future years is indeterminate.

The bill prohibits DOE from applying any cap on inflation rate adjustments to non-personal cost categories during the biennial rebenchmarking process. If implemented for the 2024-2026 biennium, there would be an additional state cost of \$27.5 million general fund in FY 2025 and \$27.5 million general fund in FY 2026 to remove the cap on inflation rate adjustments to non-personal cost categories. Any additional cost in future years is indeterminate.

The bill requires DOE to utilize a three-year average of the most recently available data to calculate the composite index of local ability-to-pay (LCI), which is calculated once biennially during rebenchmarking. Since LCI is typically only calculated every other year using base data from a single year, DOE does not currently have access to the three most recent years of the base data for the LCI calculation. DOE is working to get the base data to develop a three-year average, however, at this time DOE is unable to estimate the impact of using a three-year average to calculate LCI for the 2024-2026 biennium. If a three-year average had been used in the calculations of LCI for the 2022-224 biennium, there would have been a state savings of \$1.5 million general fund each fiscal year.

The bill requires that central office clerical positions are included as support service positions. These positions would be subjected to the support position funding standard in HB/SB30 of 24 positions per 1,000 students in ADM. At this time, it is not possible to determine how many additional positions may be funded as a result of the inclusion of these

positions or what funded salary would be used for these positions. Current calculations already capture central office and clerical positions reported by school divisions, and it is unknown what additional positions and salaries are not already captured and would be reported by school divisions. Any actual state impact is indeterminate.

Budget language amendments would be needed in Item 125 to direct DOE to complete the calculations as described in this bill for the current biennium or for future biennia, and to remove any conflicts that are currently in budget language. The calculation of LCI and the cap on non-personal inflation are currently prescribed in budget language.

Local school divisions would be required to meet the required local effort for any additional state funds received based on local composite index. The actual fiscal impact to local school divisions is indeterminate at this time.

9. Specific Agency or Political Subdivisions Affected: Department of Education, local school divisions

10. Technical Amendment Necessary: No

11. Other Comments: This bill is similar to SB227 and HB624.