

HB 771 -- School Funding

Sponsor: Baker (123)

This bill comprehensively revises the state education funding formula to be phased in over four years beginning July 1, 2006. The current formula is levy-driven with an equalizing factor, the guaranteed tax base, to achieve the goal of providing the same amount of money per student, per penny of the tax rate. The formula in the bill is based on student needs with the chief feature of the new formula being a minimum amount of money that is needed to educate each child, known as the state adequacy target (SAT).

To establish the SAT, every two years the Department of Elementary and Secondary Education will identify schools that have made perfect scores on their annual performance reports. These districts are known as performance districts, and their characteristics form the basis for several calculations in the formula. The expenditures in those districts, through a process specified in the bill, become the basis for the SAT, which does not decrease when it is recalculated.

The new formula uses weighted average daily attendance (WADA) to direct additional money to students who qualify for free and reduced-price lunches, those in special education, and those with limited English proficiency. The threshold for WADA is set at the aggregate percentage of the performance districts' students in those three categories. The additional average daily attendance resulting from the weights in excess of the threshold is added to the average daily attendance. The SAT multiplied by the WADA becomes the basis for the first calculation in the state aid formula when it is multiplied by the dollar value modifier (DVM), an index of the relative buying power of a dollar, keyed to the county wage-per-job data.

The district's local effort is subtracted from the SAT multiplied by the WADA multiplied by the DVM figure. If the result is a positive number, it is the state aid payment. If the number is below zero, the district is held harmless and will receive no less revenue on a per-WADA basis than it did in the previous year. The initial hold-harmless year is 2005-2006. The DVM is applied to the hold-harmless payment.

The local effort that is deducted from the first line includes the actual amount of local revenue in Fiscal Year 2005 (the amount used in calculating Fiscal Year 2007), except if the district's levy is lower than the performance levy, defined as the median levy of the performance districts. A district levying less than the performance levy will have its local effort

calculated with the performance levy. Every subsequent year, local effort will be calculated as before, except that a district that has less local revenue because its assessed valuation has fallen from the Fiscal Year 2005 level will have its local effort calculated based on its current assessed valuation and the operating levy used in the Fiscal Year 2007 calculation. No growth in local revenue will offset state aid. This provision anticipates, but does not create, local option sales or income taxes.

The current formula has several categorical aid streams: transportation continues unchanged, as do career ladder, vocational education, and the educational and screening program. The line 14 "at-risk," gifted, special education, and remedial reading categoricals are folded back into the district's base, along with the fair share (cigarette tax) and free textbook (foreign insurance) moneys. Revenues from gaming, which will be deposited into the Classroom Trust Fund, also established by the bill, will be distributed on an average-daily-attendance basis.

The bill creates option districts, which may elect to forgo state aid in return for regulatory relief and requires a certificate of value, a closed record which contains the actual amount of consideration or reasonable estimate of the true current market value of property and must be filed with the assessor before the recorder of deeds can accept the filing of instruments conveying property. Many of the sections of the bill revise existing law to the new terminology and delete obsolete provisions.