

Financial Impact of HB1689

HB 1689 was passed last year and was designed as an early childhood bill allowing unaccredited and provisionally accredited districts to begin to count a preschool students that qualify for free and reduced lunch in the district's average daily attendance in their formula calculation in the upcoming years. The bill also allows all other districts to receive state aid for this same preschool population once the formula becomes fully funded.

During the legislative process in the Senate, there was language added to the bill that went beyond its original scope that could lead to a substantial redistribution of funds between school districts if certain funding levels are not met during the 2015 legislative session. The provision is found in subsection 8 of section 168.031 and reads as follows...

8. Notwithstanding any provision of law to the contrary, in any fiscal year during which the total formula appropriation is insufficient to fully fund the entitlement calculation of this section, the department of elementary and secondary education shall adjust the state adequacy target in order to accommodate the appropriation level for the given fiscal year. In no manner shall any payment modification be rendered for any district qualified to receive payments under subsection 2 of this section based on insufficient appropriations.

The effects of this statute means that...

The proration factor that districts have been accustomed to over the past several years will go away. Instead, a proration factor will be applied to the State Adequacy Target, thus affecting only formula districts.

Hold harmless districts (193 districts) will see no proration factor going forward. Because all districts were seeing approximately a 96.8% proration factor during the current year, this means that most hold harmless districts are guaranteed to receive a 3.2% increase next year.

Additionally, thirty-two districts fall off the formula and become hold harmless meaning they gain between 0 and 3.2% in state aid.

Two hundred ninety-five formula districts will lose money at varying degrees ranging from just less than flat funding all the way up to a loss of nearly a 10% drop in state aid.

Attached is are documents detailing the impact on each district in the state for the upcoming year if No new money is appropriated to the formula next year.

How to fix the problems caused by HB 1689...

It is unlikely that the provision passed in HB1689 can be repealed. This means that fully funding a State Adequacy Target of \$6,131 is extremely important for formula districts. In order to ensure that all districts are funded at equal levels, the General Assembly must appropriate approximately \$125 million more toward the foundation formula than was appropriated for the current fiscal year. This will fully fund a State Adequacy Target of \$6,131.