

# Report to the USBE Finance Committee

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R277-419 and LEA Funding Taskforce

10/7/2014

# Original Recommended Actions & Timeline

- March 7 – Discuss issues and receive direction from the Board
- April through August – Convene discussion groups of constituents to talk through issues and make recommendations
  - Charter School and District Representatives
  - On-line LEAs and Providers
  - Competency Based Education LEAs and Providers
  - Legislative Fiscal Analyst and Governors Office of Management and Budget
- September 5<sup>th</sup> – Report to the State Board Finance Committee
- October 3<sup>rd</sup> – Amended Board Rules and Recommended Statutory changes to the full State Board of Education
- November – Report to Education Interim Committee or Public Education Appropriations Subcommittee
- December through January – Identify Legislative Sponsors and begin drafting legislation

# Update on the R277-419 and LEA Funding Taskforce

- The taskforce has met twelve times for two hours each
  - Issues discussed by the group include:
    - Charter School and District WPU Funding
    - Online Education Funding
    - Competency Based Funding
  - Recommendations to the State Board of Education will be approved by the Taskforce at a meeting scheduled for November 5<sup>th</sup>
  - The State Board will review the recommendations and determine whether to forward them to the Legislature

# Options Reviewed by the Committee

- Option 1 - Allow the sunset under 53A-17a-513(3)(b) at the end of the 2014-15 school year to take effect and fund all LEAs on ADM plus growth - (\$3.4 million reduction to Charter School Funding)
- Option 2 – Allow sunset provision - Use the amount of reduced funds to increase the Charter School Administrative Cost amount per student
- Option 3 – Allow sunset provision - Use the amount of reduced funds to create a consistent declining scale administrative cost formula for Districts and Charters based on student count
- Option 4 - Move the current funding model permanently into code

# Options Reviewed by the Committee

- Option 5 - Move all LEAs to the greater of prior year ADM plus growth or October 1 headcount (Cost \$64 million of additional ongoing revenue)
- Option 6 - Option 5 and Eliminate Flexible Allocation and Class Size Reduction funding to cover the additional cost
- Option 7 – Option 5 and adjust Local Replacement Funding to offset the cost of moving all LEAs to higher of prior year ADM plus growth or October 1 headcount
- Option 8 – Option 5 and hold the Basic Minimum Tax Rate constant to fund a portion of the Local Replacement Funding Formula
- Option 9 – Option 5 and Local Replacement paid by Districts at 100% of actual per student amount - Student Transportation funds included in the WPU allocation
- Option 10 – Option 5 and WPU Flex eliminated - Class Size Reduction eliminated

# Options Reviewed by the Committee

- Option 11 - Greater of prior year ADM plus growth or October 1 and March 1 headcount for all LEAs in the K-12 Program
  - Local Replacement paid by Districts at 100% of actual per student amount
  - Student Transportation funds included in the WPU allocation with a differentiation formula
- Option 12 - The higher of Prior Year ADM plus growth or the average of October 1 headcount and February 1 headcount.
  - Districts contribute 100% of actual tax generation into the Local Replacement Fund
  - Charter Schools have access to Special Transportation funding
- Option 13 - Combination of all programs containing State Funding excluding Special Education and School Land Trust and distributing funds on a per pupil basis

# Options Reviewed by the Committee

- Option 14 - Combination of all programs containing State Funding excluding Special Education and School Land Trust and distributing funds on a per pupil basis
- Option 15 - Funding all LEAs in the K-12 Program based on the higher of Prior Year ADM plus growth or the average of October 1 headcount and use a three year phase in to mitigate the cost rather than full implementation in year 1.
- Option 16 - Delay the sunset on current funding model and take the time to develop a new finance formula to replace the current Minimum School programs

# Additional Items Discussed by the Committee

- Discussion of a state-wide tax rate that would fund the Local Replacement Funding program
- Back Pack Funding
- Discussion of funding for Online and Blended Learning programs
- Implementation of a new State Board property tax levy to fund LRF and provide funding to Districts which generate taxes lower than the State Average under the LRF computation.



# Draft Recommendations from the Taskforce

- Increase the Basic Rate or provide authority for the State Board of Education to implement a tax levy to fund the Charter School Local Replacement program and amounts needed to provide equalization efforts for some districts
  - Districts would be required to offset current rates by the amount that they are currently contributing to the Local Replacement program
  - Provide funding to increase all districts generating less than the LRF average up to the current \$1,081 or the LRF funding amount established for future years net of capital and debt service.
- Effective for the 2015-16 fiscal year, all LEAs will be funded in the K-12 program at the higher of prior year ADM plus growth or October 1 headcount.
  - The additional cost (\$64 million) would be funded through an increase in the Basic Rate and/or
  - The additional revenues currently appropriated by the Legislature from the Education Fund for the Local Replacement program if the new State Board tax levy described in item #1 above is implemented to fully fund the Local Replacement program.
- If item #2 is not approved, extend the sunset allowing Charter Schools to be funded based on the greater of prior year ADM plus growth or October 1 headcount. Regardless of whether the above noted items are approved, the current Task Force members will continue to meet to discuss:
  - Minimum School Funding Formulas
  - LEA funding for online learning
  - LEA funding for competency based education

# Final Recommendations from the Taskforce

- The final recommendations from the Taskforce will be determined during the meeting on November 5, 2014
- These recommendations will be reported to the Finance Committee on November 7, 2014