Department of Planning and Budget 2025 General Assembly Session State Fiscal Impact Statement

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Bill Number: SB1236 Patron: Aird

Bill Title: Public schools; Standards of Quality; certain calculations; support services.

Bill Summary: Requires the Department of Education, (i) in calculating the deduction of federal funds in the Standards of Quality funding formula, to examine actual school division spending on support costs as a percentage of actual school division spending on all public education costs, with certain exceptions such as food service, and (ii) in calculating the costs in the Standards of Quality funding formula beginning with fiscal year 2029, to include all employee benefit costs incurred by a majority of school divisions, including costs related to retirement, health care, life insurance, and payout of earned but unused leave. The bill also requires support services positions to be funded based on a calculation of prevailing costs and prohibits such positions from being subject to any method of funding calculation that caps the number of funded support services positions based on a ratio of such positions to students enrolled in the school division, with the exception of certain support services positions enumerated in the bill.

Budget Amendment Necessary: Yes **Items Impacted:** 125

Explanation: This bill makes several changes to the calculations of funding provided to local school

divisions through Direct Aid to Public Education, which would require additional funding beginning in FY26 and likely additional increased funding in future biennia. Any impact to local school divisions is indeterminate. Additionally, a language amendment is necessary in

HB1600/SB800 since the support cap currently is in budget language.

Fiscal Summary: The Department of Education (DOE) estimates an additional state cost of \$222.9 million general fund in FY26 to remove the support cap. DOE also estimates that there would be additional costs in future biennia for all of the changes required in this bill that are indeterminate at this time.

General Fund Expenditure Impact:

<u>Agency</u>	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
197 (Direct Aid)	\$0	\$222,900,000	indeterminate	indeterminate	indeterminate	indeterminate
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TOTAL	\$0	\$222,900,000	indeterminate	indeterminate	indeterminate	indeterminate

Fiscal Analysis: 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.

The bill requires support services positions to be funded based on prevailing costs and not subject to the cap on the number of funded support positions. In order to implement this change, a budget language

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amendment would be required in Item 125 to remove the current cap, which is a ratio of 24 positions per 1,000 students in average daily membership to funded SOQ instructional positions. DOE estimates that implementing this change in FY 2026 would require additional state funding of \$222.9 million general fund. Any additional state cost in outgoing years is indeterminate and would be based on the Direct Aid to Public Education Budget as rebenchmarked for future biennia.

The bill also makes changes to calculations that are completed once biennially during the rebenchmarking process, as explained in more detail below. If passed in the 2025 session, this bill would have an effective date of July 1, 2025, and the earliest that any requirements related to rebenchmarking calculations could be implemented is during the 2025 rebenchmarking process for the 2026-2028 biennium. At this time any costs to implement rebenchmarking calculations for the 2026-2028 biennium and future biennia are indeterminate. Because the bill is not specific about some of the funding calculation changes, budget language amendments would be needed in Item 125 of HB1600/SB800, 2025 Session, to provide additional direction for DOE to complete the calculations as described in this bill for future biennia.

The bill directs DOE to examine actual school division spending on support costs as a percentage of actual school division spending on all public education costs and to remove certain costs from the base in its calculations of the federal deduct in Basic Aid; however, the bill does not specify the certain exceptions other than food service. The calculation of the federal deduct already removes non-recognized costs from the base, such as food services and capital expenditures. At this time any actual state fiscal impact for future years is indeterminate. DOE anticipates that additional state funding may be required if the federal fund deduct calculation is changed for future biennia.

The bill also directs that beginning in fiscal year 2029, DOE shall include all employee benefit costs incurred by a majority of school divisions in the calculation of funding and that DOE shall begin collecting any data relevant to this calculation in FY 2026. At this time, it is not possible to calculate any potential impact for the 2028-2030 biennium and any actual state fiscal impact is indeterminate.

Local school divisions would have to provide the local share required to match any additional state funds received based on each division's local composite index. The actual fiscal impact to local school divisions is indeterminate at this time.

Other: This bill is identical to HB1831 as introduced.