



State Fiscal Note for Bill Number: 2015-H-5394

Date of State Budget Office Approval:

Date Requested: Tuesday, March 03, 2015

Date Due: Friday, March 13, 2015

Impact on Expenditures

FY 2015	\$0
FY 2016	\$53,985,750
FY 2017	\$26,992,875

Impact on Revenues

FY 2015	\$0
FY 2016	\$0
FY 2017	\$0

Explanation by State Budget Office:

This bill removes the transition plan for local education agencies (LEAs) receiving more education aid as a result of the education aid funding formula enacted in FY 2011 (also referred to as “underfunded districts”). Instead, these LEAs will receive 100.0 percent of education aid due under the funding formula beginning July 1, 2015. The bill also allows for any municipality that receives additional education aid through the accelerated plan, and that spends more than the average per pupil spending, may elect to reduce its local maintenance of effort payments up to the amount of additional funding being received through the acceleration.

Comments on Sources of Funds:

Source of funds for education aid is general revenue.

Summary of Facts and Assumptions:

Current law stipulates that for LEAs receiving education aid pursuant to RIGL 16-7.2-3 that exceeds the amount received on the effective date of the formula, also referred to as “underfunded districts”; funding will be transitioned over a period not to exceed seven years; the LEAs receiving less due to the formula, or “overfunded districts”, will transition the decrease over a ten-year period. Each fiscal year’s formula calculations utilize the previous fiscal year’s financing level and assumptions as the base, and then adjustments are made to allow for data updates. This bill would amend the transition plan so that underfunded districts will receive the fully-transitioned amount of education aid due under the funding formula beginning in FY 2016, three years ahead of schedule. The overfunded districts shall remain on the ten-year transition plan.

The legislation would be effective upon passage and impacts all fiscal years remaining in the transition period for underfunded districts (FY 2016 and FY 2017). Under current law, FY 2018 is the first year where underfunded districts will receive the full amount of the state’s share of education aid as calculated by the funding formula. Senate bill S-0648 is the companion bill.

Summary of Fiscal Impact:

There is no fiscal impact for FY 2015 since this change to the formula will be applied to aid for the period beginning July 1, 2015. The fiscal impact for FY 2016 would be a \$53,985,750 increase in state aid to education, calculated by the additional amount necessary over the FY 2015 enacted level of \$799,230,535, less the \$33,453,529 transition amount already included in the Governor’s recommendation. In FY 2017, the estimated cost of continuing to carry this funding in the base one year earlier than scheduled full transition is \$26,992,875 (the amount needed under current law and based on FY 2015 data). The remaining losses for

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overfunded districts will continue to transition through FY 2021 at an estimated savings of \$4.5 million.

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