

**BILL #** HB 2154

**TITLE:** school district consolidation; RCL computation

**SPONSOR:** O'Halleran

**STATUS:** As Introduced

**REQUESTED BY:** House

**PREPARED BY:** Steve Schimpp

## FISCAL ANALYSIS

### Description

The bill would allow consolidating school districts to continue to qualify for a small school district funding weight until the aggregate total student count for the consolidating school districts exceeded the aggregate total student count allowed under the small school formula in A.R.S. § 15-943, paragraph 1.

### Estimated Impact

The bill would potentially increase General Fund costs for the K-12 Basic State Aid formula. If districts use the bill's provisions, they would not lose their "small school weight" funding after consolidating and would qualify for additional funding that is provided to newly consolidated districts pursuant to A.R.S. § 15-912.B. The cost of the bill, however, cannot be determined because we cannot predict the total number of school districts that would consolidate because of the bill.

The bill potentially could reduce K-12 administrative costs by lowering the number of separate school districts. This would not have a direct state fiscal impact, however, because the Basic State Aid formula does not provide separate funding for administration.

The Arizona Department of Education does not have a cost estimate for this bill.

### Analysis

The bill would make it more attractive for school districts to "consolidate" (merge together) because it would allow them to keep their "small school district weight" after consolidating, whereas current law (A.R.S. § 15-950) allows them to keep it for only 1 year. "Small school weights" are a component of the K-12 Basic State Aid formula that generate higher levels of "Base Support Level" funding per pupil for school districts that have fewer than 600 pupils in either Grades K-8 or 9-12 (A.R.S. § 15-943, paragraph 1).

The bill would conceptually be expected to increase Basic State Aid costs because more school districts would consolidate, which under current law would qualify them for a 10% increase in their Revenue Control Limit (RCL) in the first year of consolidation, 7% in the second year and 4% in the third (A.R.S. § 15-912.B). (The RCL is part of the Basic State Aid formula, so Basic State Aid funding goes up when a district's RCL increases.) After 3 years, the net amount of funding received by consolidating school districts would be the same as before consolidation.

As a side note, it is possible that some small school districts that do not receive Basic State Aid because of their relatively high property wealth ("non-state aid districts") would consolidate with school districts that do receive state aid because of the bill. This potentially could reduce Basic State Aid costs by giving "state aid" districts access to part of the "unused" tax base of "non-state aid" districts, which would reduce the amount of K-12 formula funding that would have to come from the state. Such a consolidation, however, would require approval by voters in the "non-state aid" district pursuant to A.R.S. § 15-459. We cannot predict whether any "state aid" and "non-state aid" districts would consolidate because of the bill.

### Local Government Impact

The bill potentially could impact K-12 "Qualifying Tax Rate" (QTR) collections in "non-state aid" school districts (if any of them consolidated), since any change in K-12 formula costs or savings in those districts affects local tax rates. The bill, however, would not affect the K-12 "Qualifying Tax Rate" in other school districts, since it is already set at a fixed amount established in A.R.S. § 15-971.