

**BILL #** HB 2635

**TITLE:** unified school districts; budgets

**SPONSOR:** Carruthers

**STATUS:** As Amended by House Education

**REQUESTED BY:** House

**PREPARED BY:** Steve Schimpp

## **FISCAL ANALYSIS**

### **Description**

The bill would change the formula for computing the weighted student count of a unified school district where all of the common schools in the district were eligible for a “small school weight” prior to unification. The effect of this change would be to eliminate the loss of “small school weight” funding that small school districts currently experience if they unify.

### **Estimated Impact**

Under current law, unifying districts would lose their small school weight, which would theoretically generate state savings from less Basic State Aid funding. In practice, however, the loss of the small school weight strongly discourages districts from unifying under current law. Therefore, none of these theoretical savings are likely to be achieved. HB 2635 therefore would not directly affect Basic State Aid expenditures, as districts would receive their small school weight and not unify under current law or retain their small school weight under this bill and unify.

We understand that the bill would create an incentive for the formation of a new “Antelope Unified” school district. To the extent that HB 2635 creates an incentive for Antelope Union’s unification, the bill would have the indirect impact of increasing the state’s cost under existing unification statutes by \$598,500 in FY 2006.

The Arizona Department of Education (ADE) does not have a fiscal impact estimate for the bill.

### **Analysis**

A.R.S. § 15-943, paragraph 1 qualifies a school district with fewer than 600 pupils in either Grades K-8 or 9-12 for a “small school weight” that gives it more Basic State Aid funding per pupil than “large” districts receive. The small school weight, however, strongly discourages small districts from unifying because unification would cause them to lose their small school weight funding. Theoretically, the bill would cause Basic State Aid costs to increase because any small district that unified would no longer lose its small school weight. From a practical standpoint, however, we would not expect any small school district to unify in the future under current law and therefore would not expect the bill to have a direct state fiscal impact.

The JLBC Staff cannot determine the total number of elementary school districts that would unify because of the bill, if any, because this would depend on decisions made by local school boards. Staff at the Antelope Union High School District, however, indicate that their district plans to unify with Hyder Elementary, Mohawk Valley Elementary and Wellton Elementary in FY 2006 if the bill becomes law. This would qualify the new district for “unification assistance” that is authorized under existing law pursuant to A.R.S. § 15-912.01. The amount of unification assistance funding equals 10% of a new district’s combined “Revenue Control Limit” (RCL) for in its first year of unification, 7% in “year 2” and 4% in “year 3.”

Based on their RCL funding for FY 2004 and assuming 3% annual growth thereafter, we estimate that unification assistance for “Antelope Unified” would cost about \$598,500 in FY 2006, \$431,500 in FY 2007 and \$254,000 in FY 2008 if the district unified in FY 2006. “Antelope Unified” is entitled to receive unification assistance under current law if it unifies, but is unlikely to unify apart from the bill because it would lose small school weight funding for Grades K-8. Small school weight funding for its high school students would not change under unification because the total number of high school students in the district would be unaffected.

(Continued)

**Analysis (Cont'd)**

To the extent that HB 2635 creates an incentive for Antelope Union's unification, the bill would have the indirect impact of increasing unification assistance costs by \$598,500 in FY 2006, \$431,500 in FY 2007 and \$254,000 in FY 2008. These costs would be paid by the state General Fund because the bill would not change K-12 "local share" tax rates, so K-12 "local share" revenues would not be affected.

**Local Government Impact**

As noted above, we estimate that funding to "Antelope Unified" would increase by \$598,500 in FY 2006, \$431,500 in FY 2007 and \$254,000 in FY 2008 under the bill. Local property tax collections in Antelope Unified and other school districts, however, would not change because K-12 "local share" tax rates would not be affected.

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