BILL # SB 1443 **TITLE:** SDRC; small school district adjustment

SPONSOR: Gray, L. **STATUS:** As Amended by Senate K-12 Education

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FISCAL ANALYSIS

Description

As amended, the bill would allow a school district that unified pursuant to a School District Redistricting Commission (SDRC) unification plan to continue to budget for the small school district budget adjustment authorized in A.R.S. § 15-949 during its first 4 years of unification. It also would delay by 1 year the effective date of unifications proposed by the SDRC.

Estimated Impact

The bill would postpone for 1 year changes in state costs that may result from unifications proposed by the SDRC. The actual state cost or savings from those unifications is unknown, as it would depend on the number and characteristics of school districts that received voter approval to unify under SDRC plans during the November 2008 General Election. If all unifications proposed by the SDRC were approved by voters, however, state costs for Career Ladder programs could increase by up to $27.0 million and state costs for the "small school weight" (which differs from the "small district budget adjustment") would decrease by an estimated $(347,700) in FY 2011 under JLBC Staff estimates. In addition, state costs for new school construction would change by an unknown amount (depending on changes in statewide space deficiencies) and the state could incur new, unknown costs for changing school signs, letterhead and related items pursuant to A.R.S. § 15-912.01(B2). All of these potential state fiscal impacts would be postponed for 1 year under the bill, as the proposed unifications now would take effect in FY 2011 rather than FY 2010.

SB 1443 also would affect local budgets and property taxes by 1) postponing for 1 year a potential increase of up to $13.0 million in Career Ladder property taxes that could occur under proposed SDRC unifications and 2) spreading out over 4 years the elimination of up to $6.6 million in "small school district adjustment" funding for school districts that currently receive that funding, but that would become ineligible for it under SDRC unification plans. Neither of these changes would have a separate General Fund impact, as the estimated state fiscal impact for Career Ladder that is cited above already factors in associated state costs for the "Homeowner's Rebate" (a state subsidy of local property taxes) and the small district adjustment is funded with local monies only.

The Arizona Department of Education (ADE) does not have a cost estimate for this proposal.

Analysis

Laws 2005, Chapter 191, which established the SDRC, requires voter approval of SDRC unification plans in order for them to take effect. Those plans would combine 92 elementary school districts with existing unified or high school districts in order to create 39 new or reconfigured unified districts. (Unified districts serve all grades K-12). As noted above, state costs for Career Ladder would increase by up to $27.0 million and state costs for the small school weights authorized in A.R.S. § 15-943 would decrease by $(347,700) under JLBC Staff estimates in FY 2011 if all proposed SDRC unification plans received voter approval. The $27.0 million Career Ladder estimate assumes that all districts that would become newly-eligible for that program under proposed SDRC unifications would apply for and receive State Board of Education approval to enter that program at its highest funding level in FY 2011. If so, state costs for Career Ladder would increase by an estimated $27.0 million and local costs (funded with local property taxes) would increase by an estimated $13.0 million under existing law that year.

The bill also would affect funding for the "small school district adjustment" authorized by A.R.S. § 15-949. That law currently exempts school districts with fewer than 125 K-8 pupils or fewer than 100 high school pupils from the General Budget Limit (GBL) prescribed in A.R.S. § 15-947. This allows affected districts to generate and spend additional local

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primary property tax monies without voter approval. Proposed SDRC unification plans include 13 school districts that currently receive $6.6 million in additional property tax funding from the small school district adjustment. The bill would postpone elimination of that funding for 4 years using a phase-out approach. That postponement would not affect state costs because A.R.S. § 15-949(G) stipulates that primary property taxes generated for the program do not qualify for the Homeowner's Rebate. The Homeowner's Rebate typically subsides homeowners' primary property taxes with state monies pursuant to A.R.S. § 15-972.

Local Government Impact

See discussion above.

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