

Fiscal Note

BILL # SB 1388

TITLE: transportation funding; pilot program; appropriation

SPONSOR: Bennett

STATUS: As Amended by Senate ED and APPROPS

PREPARED BY: Patrick Moran

Description

The bill would establish a transportation funding pilot program within the Arizona Department of Education (ADE) to provide transportation funding on a per pupil basis to participating districts and charter schools. The Senate Education and Appropriations Committees have adopted the same amendment to the bill.

Estimated Impact

The bill appropriates \$50.0 million from the General Fund to ADE in FY 2024 to implement the program. The net cost of the program would be lower, however, as participating school districts would be required to forego funding available under the K-12 equalization formula via the Transportation Support Level (TSL) as well as primary property tax levies authorized under the Transportation Revenue Control Limit (TRCL). We cannot determine the magnitude of the offsetting state savings in advance, as the bill would provide ADE the discretion to determine award amounts and to choose the recipients of funding from the pilot program.

ADE has not yet provided an estimate of the bill's impact.

Analysis

The bill as amended requires ADE to establish a transportation funding pilot program for districts and charter schools that would provide transportation funding on a per pupil basis. The bill stipulates that ADE shall develop support level weights for transportation costs that exceed the basic per pupil rates that would be established by the department under the program. For example, ADE could choose to use the weights to pay a higher per pupil rate for special education pupils or pupils in rural schools. There are no specific limitations or prescriptions in the bill relating to the amount of the grants per district or the categories or amounts of support level weights.

To participate, districts would be required to forego TSL and TRCL funding. Under the Baseline, we assume that in FY 2024 TSL formula funding reaches \$212.7 million while TRCL funding would reach \$347.8 million, meaning districts could levy additional primary property taxes of up to \$135.1 million in aggregate to cover the difference between TSL and TRCL. Including the portion of TSL funding attributable to non-state aid districts, we estimate that local property tax levies will cover approximately \$149.1 million, or 42.9% of district transportation expenditures authorized under TRCL, while the remaining \$198.7 million would be covered by the General Fund share of the TSL portion of the K-12 equalization formula. As a result, if the foregone funding by districts participating in the program were proportionate to the statewide average, we estimate that approximately 57.1% of the foregone expenditures would represent a General Fund savings while the remaining 42.9% would represent a local property tax savings.

We cannot, however, determine the precise magnitude of potential offsetting state savings for the following reasons:

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- The bill as amended allows both districts and charters to receive grants from the program. Charter schools would not, however, be required to forego any formula funding to participate, so grants to charters would not be associated with offsetting formula savings. As a result, the amount of offsetting savings would depend on the relative mix of districts and charters participating in the program. The bill provides ADE with the discretion to select program participants and we cannot predict ADE's grant award decisions in advance.
- The bill also gives ADE discretion to determine the overall amount of per pupil transportation grant awards, including establishment of weights above the basic per pupil level determined by the department. In general, we anticipate that ADE would have to establish a per pupil funding level that would exceed what districts receive under TSL and TRCL to induce participation. As grant award amounts per pupil increase, the overall number of districts and charters able to participate in the program at the \$50 million funding level would decrease, thereby reducing potential offsetting district formula savings.

Local Government Impact

The bill may lower school district property tax collections, as the bill would require districts participating in the program to forego TSL and TRCL funding. The exact magnitude of such impacts cannot be determined in advance, as it would depend on the districts that apply for the program and that are selected to participate by ADE.

2/16/23