



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 6** HLS 24RS 127
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 20, 2024 5:59 PM	Author: CHENEVERT
Dept./Agy.: EDUCATION	
Subject: Funding for legislatively created school systems	Analyst: Julie Silva

SCHOOLS OR SEE FISC NOTE GF EX Page 1 of 2
 (Constitutional Amendment) Grants any legislatively created public school system the same treatment and authority granted to parishes for purposes of minimum foundation program funding and local taxing authority
 The proposed constitutional amendment to Article VIII, Section 13 of the Constitution of Louisiana would allow for the inclusion of all legislatively created public school systems in the Minimum Foundation Program (MFP) formula for purposes of funding. Additionally, it would allow legislatively created public school systems the same taxing authority afforded to parishes. To be submitted to the electors at the statewide election to be held on November 5, 2024.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW					
Local Funds	SEE BELOW					
Annual Total						
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW					
Local Funds	SEE BELOW					
Annual Total						

EXPENDITURE EXPLANATION

In the event this amendment is passed by a majority of the electors voting, and legislation is enacted creating a new school system or systems, then state, federal, and local expenditures will be impacted. A summary of these potential impacts can be found on page 2 of this fiscal note.

The Secretary of State may incur minimal ballot processing costs associated with this measure. As a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments and statewide propositions for the fall statewide elections. To the extent the ballot includes more than 10 constitutional amendments and statewide propositions, the Secretary of State may require additional SGF for the 11/05/24, statewide election. Any expenditure impact due to this would be realized in FY 25.

NOTE: Act 295 of the 2013 RS created the Southeast Baton Rouge Community School System, with enactment of R.S. 17:58.2(I), 67, and 67.1 through 67.4, contingent upon language that states "if and when a proposed amendment to Article VIII, Section 13(D) of the Constitution of Louisiana is adopted at a statewide election and which amendment authorizes the Southeast Baton Rouge Community School System, as created in this Act or **authorizes the creation of school districts by legislative act, as a system to be regarded and treated as a parish and have the authority granted to a parish school system as provided in Article VIII, Section 13 of the Constitution of Louisiana.**"

The LFO is unable to make a determination whether this legislation would trigger enactment of the provisions in Act 295. Assuming this legislation meets the criteria and is adopted, based on data from the most recent simulation performed in 2019, impacts to the MFP funding formula, specifically to allocations for the East Baton Rouge Parish School System and the new Southeast Baton Rouge Community School System, would be significant. Other school systems may also be impacted.

CONTINUED ON PAGE 2

REVENUE EXPLANATION

In the event this amendment is approved by a majority of the electors voting, and legislation is enacted creating a new school system or systems, such systems would see an increase in federal and local revenues. Analogously, existing school systems may see a corresponding reduction in federal and local revenues. The constitutional amendment affords legislatively created school systems the authority to levy ad valorem taxes, for a specific purpose, when approved by a majority of the electors voting. Depending on the extent to which ad valorem taxes are proposed and approved, local revenues would increase.

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|---|--|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |


Patrice Thomas
 Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

Impacts to expenditures resulting from the addition of new school systems to the MFP formula are dependent on, but not exclusive to, the following: (1) the extent to which the legislature opts to create new public school systems; (2) the weighted count of students anticipated to move into any newly created systems as well as the weighted count of students remaining in existing school systems; (3) the changes in local and state funding responsibilities, as calculated in the Minimum Foundation Program (MFP) formula, due to demographic shifts in the tax base effectuated as a result of school system reorganization; (5) the extent to which new school systems seek additional federal funding; and (6) the extent to which any legislatively created school system proposes, and the electorate approves, the levying of ad valorem taxes.

Impacts to the MFP

Each school district receives a unique allocation, shared between state and local governments, through the MFP formula. This allocation is made available for expenditure each year, with the majority of funding provided through Level 1.

Level 1 is calculated by taking the approved per pupil base allocation, currently \$4,015, and multiplying it by the total statewide weighted membership count. The local responsibility for each system is then assessed based on a wealth measurement calculation. This measurement calculates the potential of each system to generate local revenue for education expenses. After local responsibility is determined, it is subtracted from the total for each district. The remaining balance is then funded by the state. Level 1 of the MFP formula is developed each year to ensure statewide equity, with a total state contribution of 65% and a total local contribution of 35%; however, this equity is not assured at the school system level as different systems are more or less able to support education costs due to their specific potential revenue generation calculation.

Level 2 provides an incentive for local school systems who tax above the minimum, and is also a shared local and state responsibility based upon the same local share percentages calculated in Level 1.

Level 3 allocations are funded per pupil, and include the following: (1) Continuation Pay Raises (raises effective prior to 2020); (2) Historical Formula Allocation; and (3) Mandated Costs (health insurance, retirement, and fuel). Level 3 is funded entirely by the state.

Level 4 is also entirely funded by the state; however, these funds are appropriated to support specific programs and are allocated based on factors other than the direct "per pupil" basis used in Levels 1-3. Programs included in Level 4 are: (1) International Teacher Allocation; (2) Career Development Fund Allocation; (3) Supplemental Course Allocation; (4) High Cost Services Allocation; (5) Teacher Mentor Stipend Allocations; and (6) Continuation of Certificated and Support Worker Pay Raises (2019-2020, 2021-2022, and 2022-2023).

Based on the structure of the MFP formula as summarized above, any changes to student population demographics and local tax bases resulting from inclusion of a new school system or systems will impact both state and local expenditures. These will be most significant to directly affected systems, but impacts may be felt by all systems included in the MFP.

Other Impacts

Federal funds, appropriated outside of the MFP formula but tied to student counts, would also transfer to any new legislatively created system. It is also possible that additional federal funds could be sought by such a system, on its own accord, which would lead to an increase in federal fund expenditures at the local level.

Proposed legislation permits legislatively created systems to levy ad valorem taxes. To the extent such a school system does so, an increase in local fund expenditures is anticipated. While the proposed legislation does not call for a local election, Louisiana Constitution Art. 8 Sec. 13(C) permits any parish, school district, or subschool district, or any municipality or city school board which supports a separate city system of public schools, to give additional support to public elementary and secondary schools, by levying an ad valorem tax for a specific purpose, when authorized by a majority of the electors voting in the parish, municipality, district, or subdistrict in an election held for that purpose. The amount, duration, and purpose of the tax shall be in accord with any limitation imposed by the legislature. For informational purposes, the Secretary of State provided that the average cost per precinct for local elections is estimated to be \$1,782. If the local election is held at the same time as a statewide Congressional, Gubernatorial, or Presidential election date, the local governments would share in the cost of the election with the state, thus decreasing the average cost noted above.

Senate Dual Referral Rules
13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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