



Legislative Fiscal Bureau

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June 9, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 232: Federal Funding for June, 2009, General School Aids Payment

Senate Bill 232 was introduced on June 5, 2009, and referred to the Joint Committee on Finance. SB 232 would increase the amount of federal funding from the American Reinvestment and Recovery Act (ARRA) used for the June, 2009, general school aids payment.

CURRENT LAW

Equalization aid is distributed to districts according to the following payment schedule: 15% on the third Monday in September; 25% on the first Monday in December; 25% on the fourth Monday in March; and 35% on the third Monday in June. The state pays \$75 million of equalization aid on a delayed basis on the fourth Monday in July of the following school year. DPI estimates that \$1,585,000,000 in equalization aid entitlements will be paid in June, 2009

Under 2009 Act 11, \$291,000,000 FED was appropriated in 2008-09 for the June, 2009, equalization aid payments. The federal funding was provided in a newly-created continuing appropriation for all federal monies received, as authorized by the Governor, from allocations from the state fiscal stabilization fund under the ARRA that are distributed to school districts as equalization aid. The act requires DPI to lapse \$291,000,000 GPR in 2008-09 from the general school aids appropriation to the general fund.

SUMMARY OF BILL

SB 232 would increase the amount of federal ARRA funding used for the June, 2009, general school aids payment by \$261,278,000, to a total of \$552,278,000. The amount of funding DPI would be required to lapse from the GPR general school aids appropriation would be increased by an equal amount.

FISCAL EFFECT

The following table shows the amounts appropriated for general school aids from the general fund and federal aid under the Joint Finance substitute amendment to Assembly Bill 75 (the 2009-11 biennial budget bill).

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$4,508,501,900	\$4,375,500,000	\$4,431,500,000
Federal Aid	<u>291,000,000</u>	<u>277,000,000</u>	<u>221,000,000</u>
Total	\$4,799,501,900	\$4,652,500,000	\$4,652,500,000

Under SB 232, an additional \$261,278,000 FED would be used for 2008-09 general school aids. This would reduce the amount of federal funding available for general school aids in the 2009-11 biennium. If the Legislature wishes to maintain the same level of funding for general school aids in the 2009-11 biennium as under the Joint Finance Committee version of the budget, the Legislature would need to increase GPR funding by \$261,278,000 in the 2009-11 biennium.

Based on current estimates, the general fund would end fiscal year 2008-09 with a deficit of -\$190.9 million. Under SB 232, the projected ending balance for 2008-09 would be improved by \$261.3 million, so that the state would have an estimated gross balance of \$70.4 million on June 30, 2009. Assuming that the Joint Finance Committee version of the budget would be modified to maintain the same overall funding for general school aids, then SB 232 would not affect the ending balance for the 2009-11 biennium.

Prepared by: Russ Kava