

During public hearings, the Commission heard testimony regarding the method of providing additional financial resources for school districts.

Increasing revenue limits through a per pupil adjustment and providing per pupil aid are two of the main methods of providing additional resources for school districts. Traditionally, additional financial resources were provided to districts under revenue limits through the per pupil adjustment under the revenue limit calculation. School boards would have the ability to levy for any additional revenue limit authority, with the state providing support either through general school aids or the school levy tax credit to fund school district operations and reduce the local levy. This method allows for some combination of state and local contribution to K-12 funding. Since 2014-15, no per pupil adjustment has been provided under revenue limits. Instead, per pupil aid has been used to provide increases in K-12 resources.

A sum sufficient per pupil aid appropriation from the general fund was established in the 2013-15 biennial budget act. Each school district receives a statutorily-specified, flat per pupil aid payment, outside of revenue limits, from this appropriation. A district's current three-year rolling average pupil count under revenue limits is used to calculate the aid payment. The per pupil payment increased from \$250 in 2016-17 to \$450 in 2017-18 and \$654 in 2018-19. In 2018-19, \$549.1 million GPR is provided for per pupil aid.

Per pupil aid is a relatively new approach in providing state support to school districts. Per pupil aid could be viewed as a form of minimum aid, under which each district receives an equal, fully state-supported payment per pupil, regardless of the level of property wealth in the district. This could be viewed as a way to ensure that all pupils in the state receive some amount of state support for their education and that all taxpayers in the state receive some level of benefit from the state to support the operations of their school districts. Because a major objective of the general aid formula is tax base equalization, districts with lower per pupil property values receive a larger share of their costs through the formula than districts with higher per pupil property values, and some higher value districts do not receive any general aid at all.

As an alternative to using per pupil aid for future increases in resources for school aids, the per pupil adjustment under revenue limits could be used. As an example, rather than using \$168 million GPR to fund a \$200 increase in per pupil aid, the per pupil adjustment under revenue limits could be increased by \$260, and the resulting statewide increase in property taxes could be offset by providing \$168 million GPR for general school aids (because of an interaction with the base revenue adjustment and low revenue adjustment under revenue limits, a \$260 revenue limit per pupil adjustment is estimated to provide the same amount of resources statewide as a \$200 increase in per pupil aid).

ALTERNATIVES

1. Recommend that future increases in resources for school districts be provided through increases in the per pupil adjustment under revenue limits, with an offsetting increase in general school aids to mitigate the potential increase in school property taxes.
2. Recommend that future increases in resources for school districts continue to be provided through per pupil aid.