

**FISCAL NOTE**

This bill contains an appropriation of \$38,100,000 from the PUBLIC SCHOOL FOUNDATION PROGRAM ACCOUNT (SFP) to the State Construction Department. This bill contains an appropriation of \$5,500,000 from the SFP to the Department of Education - School Finance.

DETAIL OF APPROPRIATION

Agency #: 027 Agency Name: State Construction Department  
 Unit: 1501 (Major Maintenance)

<b>EXPENDITURE BY SERIES AND YEAR</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
0600 Grant & Aid Payments	\$0	\$38,100,000	\$0
Total Expenditure Per Year:	\$0	\$38,100,000	\$0
Grand Total Expenditure:	\$38,100,000		
Total Appropriated to Agency:	\$38,100,000		
Total Appropriated by Fund:			
SCHOOL FOUNDATION PROGRAM ACCOUNT	\$38,100,000		

DETAIL OF APPROPRIATION

Agency #: 205 Agency Name: Department of Education - School Finance  
 Unit: 4101 (Foundation Basic)

<b>EXPENDITURE BY SERIES AND YEAR</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
0600 Grant & Aid Payments	\$0	\$5,500,000	\$0
Total Expenditure Per Year:	\$0	\$5,500,000	\$0
Grand Total Expenditure:	\$5,500,000		
Total Appropriated to Agency:	\$5,500,000		
Total Appropriated by Fund:			
SCHOOL FOUNDATION PROGRAM ACCOUNT	\$5,500,000		

Description of appropriations:

The appropriations will be used to fund the anticipated expenditure increases for major maintenance payments and entitlement expenditure increases and corresponding recapture revenue decreases that will take place in FY 2026.

	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>NON-ADMINISTRATIVE IMPACT</b>			
Anticipated Revenue (decrease)			
SCHOOL FOUNDATION PROGRAM ACCOUNT	\$0	(\$1,400,000)	(\$1,300,000)
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>NON-ADMINISTRATIVE IMPACT</b>			
Anticipated Expenditure increase			
SCHOOL FOUNDATION PROGRAM ACCOUNT	\$0	\$44,100,000	\$45,300,000

Source of revenue decrease and expenditure increase:

Under current law, K-12 education resource block grant model (K-12 funding model) and the K-12 major maintenance formula allocate educational gross square footage (GSF) based on the lesser of the actual educational GSF or 115 percent of the School Facilities Commission's (SFC) allowable educational GSF. The K-12 funding model determines this amount at the school level and the K-12 major maintenance formula determines this at the district level. The K-12 major maintenance formula, under current law, allocates funding at a rate of 2 percent factor of the total cost replacement value.

This bill modifies the allowable educational GSF calculation in the K-12 funding model and the K-12 major maintenance formula by providing the lesser of the actual educational GSF or 135 percent of the SFC's allowable educational GSF. This bill also increases the K-12 major maintenance formula's cost replacement value factor from 2 percent to 2.5 percent.

The estimated absolute impact to the K-12 funding model's foundation program guarantee is \$5,500,000 in FY 2026, \$5,600,000 in FY 2027, and \$5,600,000 in FY 2028, as a result of the educational GSF funded increases approximately 2 million GSF. An increase to the K-12 funding model's foundation program guarantee amount will have a corresponding expenditure increase from the SFP in the form of school district entitlement payments and a corresponding revenue decrease to the SFP in the form of school district recapture payments. The entitlement expenditure increase and recapture revenue decrease anticipated in FY 2026 will be funded by the appropriation in the bill.

The estimated impact to the K-12 major maintenance formula with both modifications is an expenditure increase from the SFP in the form of major maintenance payments to school districts totaling \$38,700,000 in FY 2026, \$39,900,000 in FY 2027, and \$41,000,000 in FY 2028. The allowable educational GSF change increases the K-12 major maintenance formula's educational GSF by approximately 2.7 million GSF, resulting in a corresponding increase in major maintenance payments of \$15,500,000 in FY 2026, \$16,000,000 in FY 2027, and \$16,400,000 in FY 2028. The estimated impact to the K-12 major maintenance formula from the cost replacement value factor increasing to 2.5 percent results in a corresponding increase in major maintenance payments of \$23,200,000 in FY 2026, \$23,900,000 in FY 2027, and \$24,600,000 in FY 2028.

Assumptions:

The above estimates were determined through the use of forecast K-12 funding models and forecast K-12 major maintenance formulas utilized by the Legislative Service Office and are based on the most recent available data. The K-12 major maintenance formula utilize an inflation factor of 3 percent after FY 2026 based on historical increases over a five-year period.

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