

FISCAL NOTE

This bill contains an appropriation of \$31,900,000 from the PUBLIC SCHOOL FOUNDATION PROGRAM ACCOUNT (SFP) to the State Construction Department (SCD).

This bill contains an appropriation of \$11,800,000 from the SFP to the Department of Education - School Finance (WDE).

The tables below depict each agency's estimate in expending the appropriations for the FY 2027-20289 biennium. The tables on the next page identify the non-administrative impact to the SFP in FY 2029.

DETAIL OF APPROPRIATION

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

EXPENDITURE BY SERIES AND YEAR	FY 2026	FY 2027	FY 2028
0600 Grant & Aid Payments	\$0	\$15,900,000	\$16,000,000
Total Expenditure Per Year:	\$0	\$15,900,000	\$16,000,000
Grand Total Expenditure:	\$31,900,000		
Total Appropriated to Agency:	\$31,900,000		
Total Appropriated by Fund:			
PUBLIC SCHOOL FOUNDATION PROGRAM ACCOUNT	\$31,900,000		

DETAIL OF APPROPRIATION

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

EXPENDITURE BY SERIES AND YEAR	FY 2026	FY 2027	FY 2028
0600 Grant & Aid Payments	\$0	\$4,700,000	\$4,700,000
Total Expenditure Per Year:	\$0	\$4,700,000	\$4,700,000
Grand Total Expenditure:	\$9,400,000		
Total Appropriated to Agency:	\$11,800,000		
Total Appropriated by Fund:			
PUBLIC SCHOOL FOUNDATION PROGRAM ACCOUNT	\$11,800,000		

Description of appropriations:

The appropriations will be used to fund the anticipated expenditure increases for school district major maintenance and entitlement payments that will take place in FY 2027 and FY 2028. It is anticipated that the \$31,900,000 appropriation to the SCD is insufficient to meet the total anticipated expenditure increase of \$32,200,000 in the K-12 major maintenance formula for the FY 2027-2028 biennium. The \$11,800,000 appropriation to the WDE accounts for both the anticipated revenue decrease and expenditure increase in the FY 2027-2028 biennium and the above table only accounts for the estimated entitlement expenditures.

	FY 2027	FY 2028	FY 2029
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue (decrease)			
PUBLIC SCHOOL FOUNDATION PROGRAM ACCOUNT	\$0	\$0	(\$1,400,000)

	FY 2027	FY 2028	FY 2029
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure increase			
PUBLIC SCHOOL FOUNDATION PROGRAM ACCOUNT	\$0	\$0	\$21,700,000

Source of revenue decrease and expenditure increase:

This bill modifies the allowable educational GSF calculation in the K-12 education resource block grant model (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 School Facilities Commission's (SFC) allowable educational GSF. Through 2025 Laws, Chapter 145, the Legislature modified SFC allowable GSF to 135 percent for FY 2026 only. For FY 2027 and each year thereafter, educational gross square footage (GSF) will be based on the lesser of the actual educational GSF or 115 percent of the SFC's allowable educational GSF. The educational GSF funded increases approximately 2.1 million GSF in the K-12 funding model and approximately 2.7 million GSF in the K-12 major maintenance formula. The reason for the difference is that the K-12 funding model determines authorized GSF at a school level and the K-12 major maintenance formula determines authorized GSF at the district level.

The estimated absolute impact to the K-12 funding model's foundation program guarantee is \$6,100,000 in FY 2027 and FY 2028, and \$6,200,000 in FY 2029. The 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, \$4,700,000 in FY 2027 and FY 2028, and \$4,800,000 in FY 2029, and a corresponding revenue decrease to the SFP in the form of school district recapture payments, \$1,400,000 in FY 2027 through FY 2029. Entitlement expenditure increases in FY 2027 and FY 2028 are funded by the bill's appropriation.

The estimated impact to the K-12 major maintenance formula is an expenditure increase from the SFP in the form of major maintenance payments to school districts totaling \$15,900,000 in FY 2027, \$16,300,000 in FY 2028, and \$16,900,000 in FY 2029. Major maintenance expenditure increases in FY 2027 and FY 2028 are funded by the appropriation in the bill.

Assumptions:

The above estimates were calculated by the Legislature Service Office using forecast K-12 funding models and forecast K-12 major maintenance formulas based on the most recent available data. The K-12 major maintenance formula utilizes an inflation factor of 3 percent for each year after FY 2027.

Prepared by: Matthew Willmarth, LSO Phone: 777-7881
(Information provided by Trent Carroll and Leslie Zimmerschied, Department of Education - School Finance, 777-7720; Luara Anderson and JJ Revell, State Construction Department, 777-2901)