

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.003	Staff-prepared appropriation amendment
L.045	Bill Sponsor amendment - does not change fiscal impact

Current Appropriations Clause in Bill

The bill includes an appropriation clause that appropriates a total of \$92,369,939 for FY 2023-24, including (1) \$207,717 General Fund to the Department of Local Affairs (all of which is then reappropriated to the Office of Information Technology in the Office of the Governor) and (2) \$92,162,222 cash funds from the State Education Fund to the Department of Education. However, the existing clause includes a technical error (typo): the appropriation from the State Education Fund should be \$94,162,222, an increase of \$2,000,000, to align with the Revised Fiscal Note.

All of the appropriations are contingent upon the voters' approval of Proposition HH in the November 2023 elections.

As noted in the Legislative Council Staff Revised Fiscal Note, appropriations for the State Share of Districts' Total Program Funding line item may be from the General Fund, the State Education Fund, or the State Public School Fund. The bill currently makes the entire FY 2023-24 appropriation required by this bill for that purpose (which should be \$94,162,222) from the State Education Fund. However, the Committee may also choose to make a portion of that appropriation from the General Fund or the State Public School Fund.

Description of Amendments in This Packet

J.003 Staff has prepared amendment **J.003** (attached) to change the existing appropriation clause to: (1) appropriate an additional \$2.0 million from the State Education Fund to correct the error discussed above; and (2) reduce the General Fund appropriation to the Department of Local Affairs for FY 2023-24 from \$207,717 to \$62,426 to align with updated information in the Revised Fiscal Note. The amendment also makes a corresponding reduction to the appropriation of reappropriated funds to the Office of Information Technology in the Governor's Office.

L.045 Bill Sponsor amendment **L.045** (attached) makes a number of technical changes and corrections to the bill. Legislative Council Staff and JBC Staff agree that the amendment does not change the fiscal impact of the bill.

Points to Consider

General Fund Impact

The Joint Budget Committee has proposed a budget package for FY 2023-24 based on the March 2023 Office of State Planning and Budgeting (OSPB) revenue forecast. The budget package includes

SB23-303**JBC Staff Analysis**

two set-asides for legislation outside of the package: (1) \$30.0 million General Fund for bills that create ongoing obligations; and (2) \$469.0 million for bills that create one-time obligations for FY 2023-24 (see table below).

General Fund Appropriation Placeholders for Other 2023 Legislation	
Description	FY 2023-24
Legislation with Ongoing Fiscal Impacts	\$30,000,000
Legislation with One-time Fiscal Impacts	
Workforce-related legislation, including free credentials, math scholarships, adult education, and concurrent enrollment	103,000,000
Housing-related legislation, including property tax relief, land use, and public-private partnerships	221,000,000
Legislation related to topics other than workforce and housing, including rural opportunity, line of duty loss, and Proposition 122 implementation	145,000,000
Subtotal	\$469,000,000
TOTAL Placeholders for Other 2023 Legislation	\$499,000,000

The budget package accounts for the 15.0 percent reserve associated with the above placeholders (a total of \$74.9 million).

Contingent on voter approval of Proposition HH, this bill creates an ongoing obligation and requires a General Fund *appropriation* of \$62,426 for FY 2023-24, reducing the \$30.0 million set aside by the same amount.

In addition, the bill makes the following *transfers* of General Fund in FY 2023-24: (1) \$128.0 million to the Local Government Backfill Cash Fund; and (2) \$72.0 million to the State Public School Fund. Since those amounts are made available through transfers rather than appropriations, \$30.0 million of the reserve associated with the set aside for one-time purposes is not needed.

The bill currently makes the entire FY 2023-24 appropriation related to school finance from the State Education Fund. However, the General Assembly could also choose to make a portion of that appropriation from the General Fund or the State Public School Fund. This (JBC Staff) analysis assumes that the appropriation will remain from the State Education Fund for FY 2023-24 and that the \$72.0 million transferred to the State Public School Fund in FY 2023-24 will be available for appropriation at mid-year in FY 2023-24 or for FY 2024-25.

Future Fiscal Impact/School Finance

As discussed in the Revised Fiscal Note, the bill requires the State to backfill decreases in local school finance revenues as a result of the assessment rate changes in the bill. Beginning in FY 2024-25, the bill is also expected to require transfers to the State Education Fund from the additional state

SB23-303**JBC Staff Analysis**

revenues retained as a result of the bill. As shown in the following table, the Fiscal Note assumes that the bill will increase State appropriations for school finance by a total of \$702.8 million for FY 2023-24 through FY 2025-26. These appropriations are anticipated to be partially offset by transfers to the State Education Fund and State Public School Fund totaling \$186.0 million over that period. As a result, necessary appropriations exceed the additional revenues by \$516.8 million over that three year period. The Fiscal Note anticipates that the transfers to the State Education Fund may exceed the additional required appropriations prior to FY 2032-33.

School Finance Impacts for Initial Three Fiscal Years (\$ in millions)				
Description	FY 2023-24	FY 2024-25	FY 2025-26	Total
Additional State School Finance <i>Appropriations</i>	\$94.2	\$278.2	\$330.4	\$702.8
Less: Transfers to the State Public School Fund (FY 2023-24) and State Education Fund (subsequent years)	(72.0)	(10.4)	(103.6)	(186.0)
Net Change in School Finance Expenditures	\$22.2	\$267.8	\$226.8	\$516.8