

## **The quality of a student's education should not depend on their zip code.**

Schools for Equity in Education (SEE) believes that school funding has neither been sufficient or consistent. To remedy this issue, SEE believes that greater investment needs to be made in the general education basic formula to correct decades of not meeting the rate of inflation, providing more special education funding to fully meet the needs of students receiving special education services, increasing the Local Option Revenue funding stream, and allowing districts to renew expiring operating referenda by board vote.

Since 1991, the general education basic formula has not kept pace with inflation. For the 2021-22 school year, there was an estimated gap of over \$1,600 per pupil between the basic formula of \$6,728 for the current school year and what the basic formula **should be** if it had been increased each year by the rate of inflation. While the basic formula was increased to \$6,823 per pupil unit for the 2022-23 school year, the CPI over the past year has hovered around 8%, which would widen the gap to nearly \$2,000 per pupil unit. Inflation has ravaged school district budgets leading to higher expenses for a variety of services, most notably transportation, and worker shortages have required school districts to increase hourly salaries to compete with other employers in a tight job market. School districts have received revenue through other funding streams that mitigate that gap to some extent, but those funds are often distributed unevenly throughout the state while the basic formula provides base funding for **all** districts on an even basis. SEE believes a considerable increase in the basic formula is warranted during the 2023 session and that the basic formula should be linked to the rate of inflation as measured by the Implicit Price Deflator thereafter.

Making certain that sufficient funding is delivered through the basic formula is the most effective way to provide adequate resources to school districts. When the basic formula is funded, it puts less pressure on districts to go to the voters to augment general fund dollars with voter-approved levies. This is especially important to low property wealth districts that find it more difficult to generate significant revenue through the operating referendum.

The special education cross-subsidy—the amount that districts take from their general funds to pay for unreimbursed special education costs—is also continuing to grow. Efforts providing one-time money during the 2020-21 school year cut the projected special education cross-subsidy by nearly \$80 million, but in the absence of this support, the cross-subsidy is again expected to grow, perhaps reaching \$750 million in the 2022-23 school year.

There are multiple ways to curb this growth, either through increases in the basic special education formula or zeroing in directly on the cross-subsidy on an on-going basis and SEE believes the Legislature should dedicate considerable resources to this issue to help districts maintain their general funds.

SEE also believes that the Local Option Revenue category that was created in 2013 for some districts and expanded to include all districts in 2014 should be increased. The \$724 per pupil unit amount has not been increased since the revenue stream's inception and, like the general fund basic formula amount, it has lost ground to inflation. Increasing the Local Option Revenue to an amount equal to the state average operating referendum per pupil unit will provide general fund dollars to school districts and, in some cases, provide revenue sufficient to have districts avoid seeking revenue through voter-approved levies. This is especially important for low property wealth school districts that have difficulty passing voter-approved questions.

Likewise, SEE believes that the Long-Term Facilities Maintenance Revenue category should also be adjusted upward to reflect increased building maintenance needs being experienced by school districts. This program was established in 2015 and the amount of revenue available to districts has remained the same at \$380/PU since the 2018-2019 school year. Costs continue to rise and increasing the revenue available through this funding stream not only helps districts meet existing maintenance but can further help districts put long-term building upgrade plans in place and avoid having to go to the voters with large debt service ballot questions.

Finally, SEE believes that school boards should have the authority to approve expiring voter-approved levies by board vote. The passage rate on renewals of existing levies is almost perfect and requiring districts to seek voter approval forces a commitment of time and resources that could be better used for traditional school board and school administration duties.