

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2019 REGULAR SESSION**

MEASURE

2019 BR NUMBER 1356

HOUSE BILL NUMBER 500

TITLE AN ACT relating to the Commonwealth's Educational Laboratory School and making an appropriation therefor.

SPONSOR Representative John "Bam" Carney

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: Eastern Kentucky University, SEEK

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

| FISCAL ESTIMATES | 2018-2019 | 2019-2020 | ANNUAL IMPACT AT FULL IMPLEMENTATION |
|-------------------------|------------------|------------------|---|
| REVENUES | | | |
| EXPENDITURES | | \$7,620,000 | \$3,600,000 |
| NET EFFECT | | (\$7,620,000) | (\$3,600,000) |

() indicates a decrease/negative

PURPOSE OF MEASURE: HB 500 clarifies the mission of Eastern Kentucky University's (EKU) Model Laboratory School and codifies a funding formula for the school.

FISCAL EXPLANATION: EKU's Model Laboratory School currently receives its funding through tuition payments as well as through a contract with Madison County Schools. Model students are counted as part of Madison County's average daily attendance in calculating the state's SEEK base funding formula payments. Madison County then forwards a portion of those funds to EKU for Model's operations, while retaining the capital outlay funding, administrative fees, and a percentage of funds generated by the SEEK formula. HB 500 would shift Model's funding to a simple appropriation to EKU outside the SEEK formula, creating Model as its own local education agency and creating a formula to calculate its funding.

Using a total enrollment of 700 and a per-pupil amount of \$4,000, Model would receive \$2.8 million in guaranteed base funding, including capital outlay funding. (HB 500 uses Model's enrollment, rather than the SEEK formula input of average daily attendance.) Model would also receive \$3.06 million based on the state's FY 2020 average projected ad valorem tax rate on a per-pupil basis of \$4,368. Add-ons for at-risk and exceptional children, assuming the number of exceptional students at Model is proportional to the state as a whole and that there are five at-risk students, would total \$500,000. This would result in a grand total of \$6.36 million appropriated to EKU to operate Model Laboratory School.

In addition to the direct appropriation, HB 500 also requires the state to pay the same costs on Model's behalf that it pays on behalf of local school districts, including health insurance, life insurance, and employer pension matches. Currently, ECU pays the employer portion for the pension match and insurance premiums, while the state pays the pension match on local school districts' behalf for Teachers' Retirement System members and the employer insurance premium for all employees.

HB 500 does not address whether these employees would be required to switch insurance providers from ECU's provider to the Kentucky Employees' Health Plan. Furthermore, KRS 161.220 specifies that employees of ECU with four-year degrees are TRS "University members" with different contributions and benefits than employees of local school districts. These university employees are also eligible for Social Security, the employer match for which is currently paid by ECU. It is unclear whether the state would be required to pay this employer match under HB 500. Because of the complexity of calculating this amount, a figure of \$1.26 million supplied by ECU is used. These funds would not be appropriated to ECU, but would be paid on its behalf to KEHP, TRS, and potentially Social Security.

In all, these increased payments would total \$7.62 million.

In future fiscal years, there would be a corresponding reduction in state SEEK funding to Madison County Schools due to the decrease in average daily attendance. This would reduce funding in the SEEK base as well as in Tier I and facility nickel equalization categories. Due to current budget language, any funds not distributed to Madison County Schools would be added to the SEEK surplus that is in turn re-distributed to local districts based on the SEEK transportation formula in FY 2020. However, without that language in future budget bills, there would be a SEEK reduction of \$4 million, which will fluctuate somewhat depending on actual student demographics and property assessments. This reduction in the SEEK appropriation would be approximately \$3.6 million less than the increase to ECU's appropriation, leading to an overall net General Fund cost.

DATA SOURCE(S): Eastern Kentucky University, LRC Staff

PREPARER: Chuck Truesdell NOTE NUMBER: 109 REVIEW: _____ DATE: 2/27/2019