

**TESTIMONY ON (HB 1388)**  
**HOUSE EDUCATION COMMITTEE**  
**2/3/2021**

**By: Adam Tescher, School Finance Officer**  
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Chairman and Members of the Committee:

My name is Adam Tescher and I am the School Finance Officer with the Department of Public Instruction. I am here to provide a summary of HB 1388 and the changes to the Integrated Formula Payments.

Section 1 of HB 1388 establishes a new scale for the small school weighting factors. The changes effect school districts that have average daily membership (ADM) less than 245. The new weighting factors are shown on pages 4 and 5. These new weighting factors will be increased proportionally over the next seven year which aligns with the reduction of the transition minimum adjustments. This section also imputes an average daily membership for elementary districts by dividing their ADM by .60. This will put the elementary districts on the same scale as the high school districts. The weighting factor for elementary districts will then be reduced to 92 percent. This is to consider that elementary students on average cost less to educate than high school students.

Section 2 of this bill increases the per pupil payment rate one percent each year of the biennium. The new per pupil amounts are \$10,136 for 2021-22 and 10,237 for

the 2022-23 school year. The transition maximum rate is increased from 110% to 115% in 2021-22 and 120% in 2022-23. The difference of the transition maximum calculation and the per pupil formula calculation will be reduced 15% each year until all schools are, “On the Formula.” This mirrors the timeframe for the transition minimum adjustments that were passed during the 2019 legislative session.

During the 2019 Legislature, SB 2265 was passed that included several delayed changes to the funding formula. The transition minimum adjustments are to be phased out beginning in the 2021-22 school year at 15% each year. On the seventh year, all school districts will be “On the Formula.” The on time weighting factor will increase to .6 for 2021-22 and .7 for 2022-23. The current school year uses a .5 weighting factor for on time weighted student units. There is also an acceleration of the deduction of property taxes in the funding formula greater than 12% if a district is deducted at less than 60 mills. The first increase occurred during the 2020-21 payment year and will continue to increase until it is gone over the next five years.

On page 13 lines 20 and 21, the bill references the 2018 tax year. This is regarding school districts that have a sinking and interest levy. The deduction of in lieu of property taxes is reduced by a percentage of sinking and interest mills to total mills levied before the 75% deduction from the funding formula. I believe the intent of this bill was to update to the 2020 tax year to adjust for school districts that have passed a bond referendum since 2018 as well as for districts who have paid off their

bonded debt and no longer levy sinking and interest mills. This change would also need to be implemented on page 20 lines 20 and 21.

Chairman and Members of the Committee that concludes my prepared testimony and I will stand for any questions that you may have.