

**HF1144 - 0 - Compensatory Spending; Evidence-Based Practices**

Chief Author: **Sandra Feist**  
 Committee: **Education Finance**  
 Date Completed: **3/23/2021 3:33:40 PM**  
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024
<b>General Fund</b>	-	8,760	10,668	10,840	10,930
<b>Total</b>	-	<b>8,760</b>	<b>10,668</b>	<b>10,840</b>	<b>10,930</b>
<b>Biennial Total</b>			<b>19,428</b>		<b>21,770</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Alyssa Holterman Rosas      **Date:** 3/23/2021 3:33:40 PM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
General Fund	-	8,760	10,668	10,840	10,930	
<b>Total</b>	<b>-</b>	<b>8,760</b>	<b>10,668</b>	<b>10,840</b>	<b>10,930</b>	
<b>Biennial Total</b>			<b>19,428</b>			<b>21,770</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	8,760	10,668	10,840	10,930	
<b>Total</b>	<b>-</b>	<b>8,760</b>	<b>10,668</b>	<b>10,840</b>	<b>10,930</b>	
<b>Biennial Total</b>			<b>19,428</b>			<b>21,770</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Biennial Total</b>			<b>-</b>			<b>-</b>

**Bill Description**

This bill makes modifications to the compensatory revenue program.

Section 1 amends the compensatory pupil weighting factor for school buildings from the lesser of one or the quotient obtained by dividing the building’s compensatory revenue concentration percentage by 80 to the quotient obtained by dividing the building’s compensatory revenue concentration percentage by 80.0. Effective for FY 2022 and later.

Section 2:

- Requires compensatory revenue be spent on “evidence-based practices”;
- All-day kindergarten is removed as an allowable use of compensatory revenue;
- Changes the allowable percent of compensatory revenue that may be directed by school board plan to 20 percent, from 50 percent;
- Requires districts to report basic skills revenue to the commissioner in the form and manner specified by the commissioner including reporting on compensatory revenue functional accounting guidelines established by the commissioner.

Section 3 appropriates unspecified sums for additional compensatory revenue according to Section 1.

**Assumptions**

Section 1 amends the compensatory pupil weighting factor for school buildings from the lesser of one or the quotient obtained by dividing the building’s compensatory revenue concentration percentage by 80 and removing the lesser of portion of the equation. The compensatory revenue would be based on the quotient obtained by dividing the building’s compensatory revenue concentration percentage by 80.0.

Based on February 2021 forecast projections, an additional \$9.732 million in compensatory aid would be generated for certain districts and charter schools resulting from changes outlined in Section 1 of the bill.

There is no cost associated with developing the functional accounting guidance or reporting standards as that work is already in process.

**Expenditure and/or Revenue Formula**

		FY21	FY22	FY23	FY24	FY25
1	<b>Compensatory Revenue</b>					
2	Entitlement Change		9,732,960	10,770,808	10,846,770	10,938,483
3	90% Current		8,759,664	9,693,727	9,762,093	9,844,635
4	10% Final			973,296	1,077,081	1,084,677
5	<b>Appropriations Basis</b>		<b>8,759,664</b>	<b>10,667,023</b>	<b>10,839,174</b>	<b>10,929,312</b>

**Long-Term Fiscal Considerations**

The compensatory revenue change would be ongoing.

**Local Fiscal Impact**

86 districts or charters would be eligible for additional compensatory revenue as a result of this bill.

Districts will need to adapt to new reporting standards that link compensatory revenue spending to student achievement.

**References/Sources**

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