Overview of the State Education Fund and K-12 Public School Funding
Overview of K-12 Public School Funding

Sources of Funding for K-12 School Finance
($5.5 billion in FY 2013-14; assuming supplemental school finance bill is approved)

State Sources: $3.6 billion (65%)
- General Fund: $3.0 billion (83%)
- State Education Fund: $524 million (15%)
- State Public School Fund: $75 million (2%)

Local Sources: $1.9 billion (35%)
- Property Taxes: $1.8 billion (93%)
- Spec. Ownership Taxes: $131 million (7%)
Overview of K-12 School Finance

K-12 Funding Trends and the Negative Factor

- Negative factor is currently 15.4% of total program, totaling $1.004 billion in FY 2013-14
- Per pupil funding peaked at 7,077 in FY 2009-10; stands at $6,652 now, assuming supplemental school finance bill is approved
- Funding in FY 2013-14 will increase by $229 million (over FY 2012-13), if supplemental is approved
- Governor’s proposal for FY 2014-15 is to increase per pupil funding by $223 to $6,876, and lower the negative factor to $1.002 billion.
Overview of the State Education Fund

• Created with passage of Amendment 23 in 2000

• Receives about 7.2% of state income tax revenue, amounting to $494 million in FY 2013-14, and other transfers from the General Fund

• Money must be used for education-related purposes, as specified in the constitution; amounting to $738 million in FY 2013-14

• A fund balance of about $1.1 billion is estimated at the end of FY 2013-14
Overview of the State Education Fund

Estimated State Education Fund Balance based on Current Law (millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>FY 2013-14</th>
<th>FY 2014-15</th>
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<tbody>
<tr>
<td>Beginning Balance</td>
<td>$170.4</td>
<td>$1,061.5</td>
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<tr>
<td>SEF Deposits*</td>
<td>$1,629.4</td>
<td>$943.4</td>
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<tr>
<td>Total Available Revenue</td>
<td>$1,799.9</td>
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<td>SEF Expenditures</td>
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<td>School Finance</td>
<td>$738.4</td>
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<td>Categorical Programs</td>
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<td>Other SEF Expenditures</td>
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<td>Charter school capital construction</td>
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<td>CSAP</td>
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<tr>
<td>Subtotal</td>
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<tr>
<td>Ending Balance</td>
<td>$1,061.5</td>
<td>$1,158.5</td>
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</tbody>
</table>

*Includes one-time transfers of $1.1 billion in FY 2013-14 and $386 million in FY 2014-15

• FY 2013-14 revenue includes projected income tax revenue and a $1.1 billion transfer of FY 2012-13 revenues from the General Fund

• FY 2014-15 expenditures are subject to approval by the General Assembly; the Long Bill typically funds current law requirements for school finance, categorical programs, and other programs, while the school finance bill may change those amounts.
Assuming the State Education Fund balance at the end of FY 2017-18 is $400 million, the legislature could choose any number of school finance funding options in FY 2014-15, ranging from:

1. **Current law:** Increase statewide average per pupil funding by inflation (to $6,845), with 3.7% General Fund growth each year (negative factor = $1.048 billion)

2. **Maintain flat negative factor at $1.004 billion**, with 5% General Fund growth each year, raising per pupil funding to $6,897

3. **Reduce negative factor by $50 million annually** ($954 million in FY 2014-15), with 6.5% General Fund growth each year, raising per pupil funding to $6,956

4. **Reduce negative factor by $100 million annually** ($904 million in FY 2014-15), with 8.0% General Fund growth each year, raising per pupil funding to $7,015

5. **Eliminate the negative factor in FY 2014-15 and thereafter**, raising per pupil funding to $8,089
Scenario 1 – Current Law, Per Pupil Funding increases by inflation in FY 2014-15 ($6,845) and each subsequent year, with 3.7% General Fund growth each year to result in $400 million ending balance for the State Education Fund.
Scenario 2 – Maintain flat negative factor at $1.004 billion each subsequent year, with 5.0% General Fund growth each year resulting in $400 million ending balance for the State Education Fund.
Scenario 3 – Reduce negative factor by $50 million annually ($954 million in FY 2014-15), with 6.5% General Fund growth each year resulting in $400 million ending balance for the State Education Fund.
Scenario 4 – Reduce negative factor by $100 million annually ($904 million in FY 2014-15), with 8.0% General Fund growth each year resulting in $400 million ending balance for the State Education Fund.

General Fund Contribution to School Finance

- Eliminate negative factor; General Fund increase of 23%, 15%, 11%, and 3% in FY 2014-15 through FY 2017-18, respectively
- $100 million annual reduction in Negative Factor; 8.0% GF increase per year
- $50 million annual reduction in Negative Factor; 6.5% GF increase per year
- Flat Negative Factor; 5.0% GF increase per year
- Current Law inflation increase in per pupil funding; 3.7% GF increase per year
Possible School Finance Funding Options in FY 2014-15 (with planning through FY 2017-18)

FY 2014-15 General Fund Increase for School Finance under Possible Scenarios

Scenarios:
- Scenario 1: $110
- Scenario 2: $149
- Scenario 3: $194
- Scenario 4: $238
- Scenario 5: $700

Millions of dollars