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**OFFICE OF GOVERNOR RONNIE MUSGROVE**  
**INTEROFFICE MEMORANDUM**

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**TO:** GOVERNOR  
**FROM:** RILEY  
**SUBJECT:** SB 2969  
**DATE:** 4/4/02  
**CC:** FILE

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## **SB 2969**

SB 2969 prescribes the FY 03 state cost for MAEP. SB 2969 is effective July 1, 2002.

In total, school districts will receive more funding next year than they received this year to cover the teacher pay raise, the insurance adjustment and to recapture the textbook money that was taken last year. However, since MAEP has been underfunded by \$60 million for FY 03, distributing the available funds under the original MAEP formula would have penalized the more affluent districts. So, SB 2969 takes 21% of the funds from those property poor districts that fared well under the original MAEP formula at partial funding and gives that money back to the more affluent districts. SB 2969 implements MAEP based on available FY 03 dollars in the following manner (line 214):

1. Runs the formula based on full funding
2. Reduces each district by 3.77% to match available funds
3. Reduces the amount districts are receiving above the projected amount under the current programs by 21% (\$6.8 million)
4. Redistributes the 21% (\$6.8 million) to districts that are below the projected amount under the current programs
5. Under this redistribution none of the districts receiving these funds will reach full funding
6. This method produces 102 districts that will receive sufficient funds to maintain FY 02 services, provide the pay raise and enhance their instructional activities further, while 50 districts (see attached spreadsheet) will not receive sufficient funds to do such and must either: 1) raise local resources to offset the shortfall, 2) reduce their costs, or 3) review their FY 02 budget to identify non-recurring expenditures so that those funds could be utilized towards the shortfall. (NOTE: According to MDE, these numbers would have been the same under the 3.77% reduction, the districts just would have experienced greater losses.)

Judy Rhodes says that, as you know, MAEP was intended to raise the level of funding for all school districts and to enhance further the funding for property-poor districts. It was

never intended to negatively affect the funding of any district, but that the budget situation forced this situation. In an effort to lessen the burden on those districts that would receive insufficient funds, but to ensure that funding continued to be enhanced for property-poor districts, the formula was adjusted for FY 03 to redistribute approximately \$6.8 million of the \$1.5 billion MAEP.

SB 2969 also:

- clarifies that use of funds are not restricted after July 1, 2002 (line 284)
- clarifies that bus driver training continues (line 142)
- clarifies that school employee insurance is to be included in the Base Student Cost for MAEP (line 465)
- allows State Board of Education to make adjustments to school district average daily attendance in case of major changes in the number of transported children due to changes in district boundaries or changes in contracts between districts, as well as epidemics, natural disasters, etc. (line 516)
- clarifies that the State Department of Education may continue its current practice of buying books with Education Enhancement Funds and loaning such books to non-public schools. (NOTE: This is currently allowed, but it was necessary to include this language in the MAEP statute to maintain the authority for this practice since textbooks will now be in MAEP. Ralph at MDE anticipates MDE spending approximately \$382,318 to buy books for mainly parochial schools.)
- includes Senator Bryan's amendment that clarifies that ad valorem reduction funds are included in the "base" for purposes of the 4% and 7% budget increase (line 1147) (NOTE: According to Judy Rhodes, this will be a big advantage for districts, especially those growth districts. She said that Madison County schools were losing approximately \$900,000 under the original MAEP formula and this amendment will allow them to exempt approximately \$1.6 million.)

Senator Bryan argued against SB 2969, saying that we should stick to the original MAEP funding formula to help those districts that have long struggled with weak property tax bases. Supporters of SB 2969 argued that poorer school districts are still doing better under the altered MAEP than they were under the old Minimum Program and that SB 2969 spreads the \$60 million shortfall among all of the districts. Senators Harden, Chaney and Gordon, along with representatives Warren, Brown and Scott, were the conferees on SB 2969. Brown and Warren really worked on the alternative funding formula once the bill made it to the House.

You and Senator Bryan are much more knowledgeable of the MAEP funding formula than I and I am deferring to your expertise on this matter. However, I think that SB 2969 attempts to minimize the negative impact of the \$60 million shortfall in funding while continuing to enhance property-poor districts. SB 2969's formula will basically distribute available funds to implement our MAEP budget recommendation (maintain the FY 02 level of services, fund the teacher pay raise, and restore the textbook money). SB 2969 is applicable to FY 03 only. So, I recommend that you sign SB 2969.