

Secs. 13–14. Declining Enrollment; 3.5% Hold Harmless Provision

Under current law, the 3.5 % hold harmless provision is applied to the prior year’s inflated equalized pupils. Sec. 13 removes the “tail” by applying the 3.5% provision to the district’s actual equalized pupils from the prior year, so the difference is never more than 3.5%. For example, assume a district’s equalized pupils declined as follows:

	<u>Actual Count</u>	<u>Current Law</u>	<u>Sec. 13</u>
Amendment			
• Year 1:	100		
• Year 2:	95	96.5	96.5
• Year 3:	90	93.1225	91.675

Under current law, the district would be considered to have 96.5 equalized pupils in Year 2 ($100 \times 0.965 = 96.5$) and 93.1225 in Year 3 (96.5×0.965). In contrast, under the amendment, the district would be considered to have 91.675 equalized pupils in Year 3 (95×0.965).

Effective Date: July 1, 2016 (so it applies beginning in FY17)

Sec. 14 transitions districts that currently have inflated equalized pupils to the new system over a three year period. In FY17, a district’s count would not be considered to be less than 90 percent of the inflated count in FY16. In FY18, a district’s count would not be considered to be less than 80 percent of the inflated count in FY17. The provisions of Sec. 13 would apply in FY19. For example, assume the following:

In FY16 – the district’s *actual* equalized pupil count is 60
but the district is *considered to have* 79.5 equalized pupils (because the district’s enrollment has been declining for several years)

In FY17 – the district’s actual equalized pupil count is 55

In FY18 – the district’s actual equalized pupil count is 51

In FY19 – the district’s actual equalized pupil count is 50

If the 3.5% provision were applied to the actual count in FY16 (60) pursuant to Sec. 13, the district’s count would decline from the inflated FY16 count of 79.5 as follows:

- FY17 – 57.9 (60×0.965)
- FY18 – 53.075 (55×0.965)
- FY19 – 50 (because actual number is within the 3.5%: $51 \times 0.965 = 49.215$)

Sec. 14 allows the transition to be more gradual from the inflated FY16 count of 79.5:

- FY17 – 71.55 (79.5×0.90)
- FY18 – 57.24 (71.55×0.80)
- FY19 – 50 (because actual number is within the 3.5% window – $51 \times 0.965 = 49.215$)