

**Senate Select Committee on K-12 Funding
December 15, 2010**

At the request of the chairman of the Senate Select Committee on K-12 Funding, the Education Oversight Committee (EOC) presented on November 16 a methodology for reallocating existing state revenues for public schools that:

1. Recognized the basic operational and fixed costs incurred by each school district by allocating a base amount of \$1.0 million to every school district;
2. Recognized the individual academic needs and characteristics of students in each district by allocating resources using the EOC model weights which include weights for students in poverty, students with limited English proficiency, students identified as artistically and academically gifted and talented, and students not meeting state standards; and
3. Assumed revenue neutrality using actual Fiscal Year 2008-09 revenues to districts.

This methodology did not include the current Education Finance Act (EFA) Index of Taxpaying Ability or any other factor addressing variations in the ability of school districts to generate local revenues for public education. The chairman of the Committee asked the EOC staff to build upon the November allocation formula and include a revised Index of Taxpaying Ability based upon the value of a mill in each district. The new index, hereafter referred to as the Index of Fiscal Capacity, was calculated for each district using the following formula:

$$\text{District Fiscal Capacity Index} = \text{District Value of a Mill} / \text{State Value of a Mill}$$

Data were gathered from the Department of Revenue's website and from Senate Finance Committee staff for Tax Year 2008 which were used in calculating the 2010 Index of Taxpaying Ability. The value of a mill was calculated by adding the total assessed value in each district and then dividing by 1,000. Total assessed value includes the following property categories which comprised the 2010 index of taxpaying ability.

- Owner Occupied
- Agricultural (Private)
- Agricultural (Corporate)
- Motor Vehicles
- Other Personal Property
- Fee-in-Lieu and Joint Industrial Park Assessed
- Manufacturing Property
- Utility Property
- Business Personal Property
- Motor Carrier

