

**JBC STAFF FISCAL ANALYSIS  
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING THE FINANCING OF PUBLIC SCHOOLS, AND MAKING AN APPROPRIATION THEREFOR.

Prime Sponsors: Representative Pommer  
Senator Windels

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**Summary of Amendments Made to the Bill After the 04/03/06 Legislative Council Staff Revised Fiscal Note was Prepared**

None.

**JBC Staff Concurrence with Legislative Council Staff Fiscal Note**

**Concurs\***       **Does Not Concur**       **Updated Analysis**

\* Please note that the Legislative Council Staff Revised Fiscal Note dated April 3, 2006, does not reflect a reduction of \$83,000 in duplicative spending authority from the National Credential Fund in FY 2006-07 Long Bill no longer required pursuant to Section 16 of the reengrossed bill. This reduction appears on page 72 of the reengrossed bill, lines 20 through 24.

In addition, the summary on page one of the Legislative Council Staff Revised Fiscal Note dated April 3, 2006, does not include \$1,253,488 General Fund that is appropriated through H.B. 06-1375; this increase is a requirement of current law. This amount is part of the total General Fund increase proposed for Special Education - Children with Disabilities. The Joint Budget Committee voted to include the total approved increase in this bill, rather than the FY 2006-07 Long Bill, in order to allow the total funding increase for Special Education - Children with Disabilities to accompany statutory changes related to the allocation of state funding for such program.

**Amendments/Appropriation Status**

The bill currently includes provisions appropriating a total of \$23,720,000 General Fund to the Department of Education for *FY 2005-06*, and a total of \$32,475,796 (including \$31,887,429 General Fund) for FY 2006-07. Staff has prepared an amendment (**J.004**) to adjust this appropriation clause to make it consistent with the reengrossed bill, as amended by the Senate Education Committee. Table 1 summarizes the appropriations that result if J.004 is adopted, which are consistent with the Legislative Council Staff Revised Fiscal Note dated April 3, 2006.

<b>TABLE 1</b>		
<b>Appropriations Currently Required for H.B. 06-1375 (requires adoption of J.004)</b>		
<b>Purpose</b>	<b>Amount</b>	<b>Fund Source</b>
<b>FY 2005-06 (Section 46 of reengrossed bill):</b>		
Special Education - Children with Disabilities	<b>\$23,720,000</b>	<b>General Fund</b>
<b>FY 2006-07 (Section 47 of reengrossed bill):</b>		
General Department and Program Administration (1.0 FTE for expanded Preschool Program)	\$65,804 1.0	General Fund FTE
General Department and Program Administration (Special education fiscal advisory committee and administration of High-Cost Grant Program)	37,582 0.5	General Fund FTE
Special Education High-Cost Grant Program	2,000,000	*General Fund
Aid to Declining Enrollment School Districts with Charter Schools	1,000,000	General Fund
Facility Summer School Grant Program	500,000	CFE - State Education Fund
National Credential Fee Assistance (increases FY 2006-07 Long Bill appropriation from \$83,000 to \$100,000)	17,000	CFE - State Education Fund
National Credential Fee Assistance (duplicative spending authority in FY 2006-07 Long Bill no longer required pursuant to Section 16 of the reengrossed bill)	(83,000)	CFE - National Credential Fund
General Department and Program Administration (10.0 FTE school finance unit)	845,633 10.0 (845,633)  (10.0)	General Fund FTE (supported by GF) CFE - Transfer from State Share of Districts' Total Program Funding line item FTE (supported by CFE)
State Share of Districts' Total Program Funding (expansion of Preschool Program, elimination of full-day kindergarten program, and increase in assessed value of districts with urban renewal areas)	3,068,269	General Fund
Special Education - Children with Disabilities (continuation of FY 05-06 increase)	23,720,000	General Fund

<b>TABLE 1</b>		
<b>Appropriations Currently Required for H.B. 06-1375 (requires adoption of J.004)</b>		
<b>Purpose</b>	<b>Amount</b>	<b>Fund Source</b>
<b>Total: FY 2006-07</b>	<b><u>\$30,325,655</u></b>	<b>Total Funds</b>
	<b>30,737,288</b>	<b>*General Fund</b>
	<b>517,000</b>	<b>CFE - State Education Fund</b>
	<b>(928,633)</b>	<b>CFE - transfers and duplicative cash fund spending authority**</b>
	<b>1.5</b>	<b>FTE</b>

\* As noted on page 4 of the Legislative Council Staff Revised Fiscal Note, dated April 3, 2006, these amounts include \$1,253,488 in categorical funding that is required under current law to comply with the "inflation plus one percent" constitutional requirement related to categorical programs. This amount is included in the \$25,708,807 increase in state funding approved by the Joint Budget Committee for Special Education - Children with Disabilities for FY 2006-07 (continuation of the \$23,720,000 added for FY 2005-06 plus \$1,988,807 for FY 2006-07). The Joint Budget Committee voted to include the full increase in this bill, rather than the FY 2006-07 Long Bill, in order to allow the funding increase to accompany statutory changes related to the allocation of state funding among administrative units.

\*\* This amount includes a reduction of \$83,000 in duplicative spending authority from the National Credential Fund in FY 2006-07 Long Bill no longer required pursuant to Section 16 of the reengrossed bill.

**Sponsor Amendments**

The sponsor has included two amendments for the Committee's consideration:

- Sponsor amendment **L.078** would *decrease* the General Fund appropriation for Aid to Declining Enrollment School Districts with Charter Schools for FY 2006-07 by \$712,807, from \$1,000,000 to \$287,193. This amendment includes statutory language directing the Department of Education to allocate up to \$700,000 of any "excess" transportation-related school district audit recoveries collected in FY 2005-06 for Aid to Declining Enrollment School Districts with Charter Schools for FY 2006-07. [These amounts are currently deposited into the State Public School Fund and are thus available for appropriation by the General Assembly in subsequent fiscal years.] This amendment also includes statutory language directing the Department of Education to allocate up to \$700,000 of any "excess" federal mineral lease revenues received in FY 2006-07 and in subsequent fiscal years for Aid to Declining Enrollment School Districts with Charter Schools for FY 2006-07 and for subsequent fiscal years. [These amounts are currently deposited into the State Public School Fund and are thus available for appropriation by the General Assembly in subsequent fiscal years.] As L.078 essentially requires the Department to spend up to \$1,400,000 in revenues off-budget, no additional appropriation is required related to these amounts.

This amendment increases the amount of General Fund that has been set aside in the JBC budget package for school finance for FY 2006-07 that is not currently required by H.B. 06-1375 from \$1,150,141 (this amount is identified in Table 2, below) to \$1,862,948. **If L.078 is adopted, J.004 should also be adopted.**

- Sponsor amendment **J.005**, an alternative to L.078, would *increase* the General Fund appropriation for Aid to Declining Enrollment School Districts with Charter Schools for FY 2006-07 by \$500,000, from \$1,000,000 to \$1,500,000. This amendment thus appropriates \$500,000 of the \$1,150,141 General Fund (this amount is identified in Table 2, below) that has been set aside in the JBC budget package for school finance for FY 2006-07 that is not currently required by H.B. 06-1375. **If J.005 is adopted, neither J.004 or L.078 should be adopted.**

### **Points to Consider**

1. The Joint Budget Committee (JBC) has introduced a balanced budget package for FY 2005-06 and FY 2006-07 based on the March 2005, Legislative Council Staff forecast<sup>1</sup>. The JBC package includes the \$23,720,000 General Fund increase for Special Education - Children with Disabilities that is appropriated through H.B. 06-1375.
2. The Joint Budget Committee (JBC) has introduced a budget package for FY 2006-07 based on the March 2006, Legislative Council Staff revenue forecast. The budget package appropriates the maximum amount of General Fund allowed pursuant to the statutory six percent limit on General Fund appropriations, less \$10,000,000<sup>1</sup>. The following Table 2 provides a comparison of General Fund appropriations required by this bill (implemented through J.004) and amounts included as part of the Joint Budget Committee's budget package for FY 2006-07.

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<sup>1</sup> Please note that on March 31, 2006, the Governor vetoed H.B. 06-1374, which appropriates \$20.0 million General Fund for FY 2005-06 for the *Giardino* lawsuit settlement. The FY 2006-07 Long Bill appropriates \$20.0 million General Fund for the *Giardino* lawsuit settlement for FY 2006-07; this appropriation is predicated on the passage of H.B. 06-1374. The Committee has not yet discussed any adjustments to the budget package in response to this veto.

<b>TABLE 2</b>			
<b>Comparison of General Fund Required by H.B. 06-1375 and JBC Budget Package</b>			
<b>Description</b>	<b>H.B. 06-1375, as amended by Senate Education Committee</b>	<b>JBC Budget Package - Amount Set Aside for H.B. 06-1375</b>	<b>Difference</b>
Total General Fund allocated for Special Education - Children with Disabilities	\$25,720,000	\$25,708,807	(\$11,193)
General Fund increase approved for other various purposes	<u>5,017,288</u>	<u>6,178,622</u>	<u>1,161,334</u>
<b>Total General Fund</b>	<b>30,737,288</b>	<b>31,887,429</b>	<b>1,150,141</b>

As indicated in Table 2, above, this bill currently requires \$1,150,141 *less* General Fund than the amount set aside for school finance in the JBC budget package for FY 2006-07.

3. The bill currently requires annual appropriations from the State Education Fund totaling \$517,000, beginning in FY 2006-07. The model that is used to assess the solvency of the State Education Fund indicates that the General Fund appropriation for public school finance will need to increase by an average of 6.2 percent annually for FY 2007-08 through at least FY 2014-15<sup>2</sup>, to maintain the solvency of the Fund and comply with constitutional funding requirements for education in future years. To the extent that this bill increases spending from the State Education Fund, the General Fund increase required for public school finance for FY 2007-08 and future fiscal years will be commensurately greater than 6.2 percent.
4. The bill currently includes two provisions that will require an estimated \$10.6 million additional General Fund in future fiscal years. First, section 24 of the reengrossed bill, as amended by the Senate Education Committee, statutorily increases the number of funded "slots" in the Colorado Preschool and Kindergarten Program by 2,000 in FY 2007-08 and by 2,000 in FY 2008-09. These increases are estimated to cost \$5.1 million General Fund in FY 2007-08 and a total of \$10.1 million General Fund in FY 2008-09.

Second, section 12 of the reengrossed bill requires that state funds for public school transportation that is recovered through a school district audit remain available for reimbursing districts' transportation costs, rather than becoming available to fund a portion of the State Share of Districts' Total Program Funding in subsequent fiscal years. This provision is

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<sup>2</sup> This projection is based on the FY 2006-07 Long Bill, as amended by the House of Representatives.

estimated to require an additional \$500,000 General Fund for the State Share of Districts' Total Program funding annually, beginning in FY 2007-08.

5. Sponsor amendment L.078 would require the Department to spend certain "excess" moneys, should they become available, beginning in FY 2006-07. These "excess" moneys would otherwise be available to finance a portion of the State's school finance obligations in future fiscal years. Thus, this amendment could increase the amount of General Fund required in FY 2006-07 by up to \$1.4 million, and the amount of General Fund required in subsequent fiscal years by up to \$700,000.

In addition, amendment L.078 requires the Department to spend moneys off-budget, thereby making it difficult for the General Assembly to monitor and track these expenditures.