

Colorado Legislative Council Staff
STATE and LOCAL
REVISED FISCAL IMPACT
(replaces fiscal impact dated March 26, 2006)

Drafting Number: LLS 06-0332
Prime Sponsor(s): Rep. Pommer
 Sen. Windels

Date: April 3, 2006
Bill Status: Senate Appropriations
Fiscal Analyst: Chris Ward (303-866-5834)

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

Fiscal Impact Summary	FY 2005/06	FY 2006/07	FY 2007/08
State Revenues			
State Expenditures			
General Fund	\$23,720,000	\$29,483,800	\$36,291,500
Cash Funds Exempt - Transfer		(845,633)	(845,633)
Cash Funds Exempt - State Education Fund		517,000	500,000
FTE Position Change	0.0 FTE	1.5 FTE	1.5 FTE
Effective Date: Upon signature of the Governor			
Appropriation Summary for FY 2006/07: See State Appropriations section of this fiscal note, page 6			
Local Government Impact: Increased funding for public school districts			

Summary of Legislation

The reengrossed bill as amended by the Senate Education Committee modifies several laws affecting public schools, including the Public School Finance Act of 1994. Specifically, the bill:

- increases the statewide "base" per pupil amount by 3.1 percent (inflation plus 1%) as required by the state constitution;
- increases funding and modifies the funding formula for special education beginning in the current year, FY 2005-06;
- adds 2,000 preschool slots each in FYs 2006-07, 2007-08, and 2008-09, bringing the total in FY 2008-09 to 18,360;
- provides \$2 million for a new grant program for high-cost special education students;
- eliminates the off-the-top appropriation of school finance moneys to pay for costs of the Colorado Department of Education (CDE) in administering the act;
- provides \$500,000 for an existing summer school grant program in certain facilities;
- provides \$1 million to assist declining enrollment districts that have charter schools;
- requires CDE to attempt to negotiate reciprocal agreements with adjacent states regarding the funding status of each state's students;

- requires that one-half of the increase in the assessed value in an urban renewal area be included in a school district's assessed value for purposes of calculating its property taxes; and
- requires state transportation money later recovered through audit findings to remain available for transportation, instead of reverting to the State Public School Fund.

Special Education. The bill provides an additional \$23.72 million in FY 2005-06 for special education programs for children with disabilities. The bill also changes the special education funding formula to the following:

- \$500,000 per administrative unit to pay for special education programs for orphans in eligible facilities, as provided in current law;
- \$1,250 per child receiving special education services; and
- \$6,000 per child for high-cost special education students, prorated by CDE to reflect a percentage of students so as to use all remaining moneys.

The bill establishes a 13-member committee to make grants to reimburse administrative units for high costs incurred in providing special education services to certain children with disabilities. In FY 2006-07, \$2 million is appropriated for this purpose. Grant requests will be prioritized based on the percentage of a district's special education budget spent on high costs in the prior year, but an administrative unit may only receive funding for costs in excess of \$40,000 per child. The committee must analyze data gathered by CDE and issue a report by January 1, 2008. It must also report to the legislature each January on grants awarded in the prior year. The committee is repealed July 1, 2016. Committee members serve without pay but are eligible for reimbursement of expenses.

The bill also changes provisions relating to the payment of tuition for excess costs by a district of residence to a charter school, including an on-line charter school, and an on-line program that is not provided by a charter school. A school district would only be required to pay tuition for a child with disabilities who receives special education services for more than a percentage of time specified by rule of the State Board of Education. Under current rules, tuition would only be required when a child is receiving special education services for more than 60 percent of their educational time.

Preschool/Kindergarten. The bill adds 2,000 preschool slots in FY 2006-07, making the program available to 14,360 children statewide in the 2006-07 school year. The bill adds an additional 2,000 slots in both FY 2007-08 and 2008-09, bringing the total in FY 2008-09 to 18,360. Up to 15 percent of all slots (2,154 in FY 2006-07) would be available for full-day kindergarten programs and up to 5 percent (718 in FY 2006-07) would be available for full-day preschool programs. CDE must report to the legislature by January 15 each year on the effectiveness of the program. The bill repeals the authority of districts to establish full-day kindergarten educational programs to serve students attending a school receiving an "unsatisfactory" academic performance rating.

Summer School Grant Program. The bill modifies an existing summer school grant program for schools operated by residential treatment centers or residential child care facilities and appropriates \$500,000 for the program in FY 2006-07 from the State Education Fund.

Aid for Declining Enrollment Districts with Charter Schools. The bill appropriates \$1 million from the General Fund to provide assistance to declining enrollment districts that also have charter schools. The money is distributed to qualifying school districts based on each qualifying district's proportion of non-on-line charter school pupils to the total number of such pupils in declining enrollment districts statewide.

Other Provisions. The bill allows a school district that spends more for instructional supplies and materials than required by law to count the excess toward the amount required to be budgeted in the next year. A district that provides teachers, books, and equipment to a juvenile detention facility may only seek reimbursement for expenses beyond the amount received by the district for juveniles in the facility. The bill allows districts to spend capital reserve money to purchase computers costing more than \$500 and expands the excess transportation costs that districts may pay for through property taxes, with voter approval, to include any expenses not reimbursed by the state. It also clarifies the prohibition on converting a private school into a charter school, and creates a working group to further study the issue and to submit recommendations to the House and Senate Education committees. The bill increases the assessed value of some school districts by requiring that one-half the increase in value of an urban renewal area be added to a district's assessed value. It also requires the costs of students in detention facilities to be shared by charter schools. Finally, the bill increases the State Education Fund appropriation for national credential fee assistance from \$83,000 to \$100,000 in FY 2006-07.

State Expenditures

Background. School finance in Colorado is governed in part by the constitution (Amendment 23 - Article IX, Section 17) and in part by statute (the Public School Finance Act of 1994 - Title 22, Article 54, C.R.S.). The current requirements of the school finance act are estimated to cost \$4.8 billion. Of this amount, \$3.0 billion is provided in the FY 2006-07 Long Bill, mainly from the General Fund, while the remainder is provided through local property taxes and specific ownership taxes.

HB 06-1375. This bill increases state expenditures for K-12 education by an estimated \$30.0 million in FY 2006-07 over the requirements of current law, as shown in Table 1. It also provides \$23.72 million in special education funding in the current year, FY 2005-06.

Table 1. Estimated Impact of HB 06-1375 on State Expenditures		
	FY 2006/07	FY 2007/08
Continue Increase in Special Education Funding	\$23,720,000	\$23,720,000
Other Categorical Increase from Increase in Special Education Funding	735,320	1,640,167
Add 2,000 Preschool Slots Per Year in FYs 2006-07 and 2007-08	5,058,721	10,117,442
Special Education High-Cost Fund Grants for Administrative Units *	2,000,000	2,000,000
Aid to Declining Enrollment School Districts with Charter Schools	1,000,000	1,000,000
Increase Assessed Value of School Districts With Urban Renewal Areas	(1,862,948)	(1,862,948)
Fund CDE School Finance Unit Separate from School Finance (10.0 FTE)	845,633	845,633
Facility Summer School Grant Program **	500,000	500,000
Gen'l Fund Backfill for Audit Recovery of Transportation Funds	0	500,000
Eliminate Full-Day Kindergarten Program for "Unsatisfactory" Schools	(127,504)	(127,504)
CDE Staff to Oversee and Monitor the Expanded Preschool Program (1.0 FTE)	65,804	62,799
Special Education High-Cost Grant Program - Staff and Board Expenses (0.5 FTE)	37,582	36,079
Increase Funding for National Board Certified Teachers **	17,000	0
Total Expenses	\$30,000,801	\$36,791,501
Subtotal - General Fund	\$29,483,801	\$36,291,501
Subtotal - State Education Fund	\$517,000	\$500,000

* Includes \$1,253,487 in categorical funding required by current law, and \$735,320 in other categorical funding required by HB 06-1375 but shown elsewhere in the table. These amounts are excluded from the total.

** These costs are paid from the State Education Fund. All other costs are General Fund.

The FY 2006-07 Long Bill appropriates the amount required under current law for **categorical programs**, except for \$1,253,487. This amount is assumed to provide the bulk of funding for the \$2 million Special Education High-Cost Grant Program. Funding for the grant program is also assumed to include \$735,320 in other categorical increases required by HB 06-1375 and \$11,193 in new funding.

Three provisions in Table 1, totaling \$3,068,269 in FY 2006-07, relate directly to the **school finance act**. These provisions include the increase in preschool students (\$5,058,721), the increase in assessed value of school districts with urban renewal areas (\$1,862,948 reduction), and the elimination of certain full-day kindergarten programs (\$127,504 reduction). A fourth provision provides \$1 million to about 15 school districts that have charter schools and are experiencing declining enrollments. A fifth provision, requiring that transportation moneys recovered through audits remain in the transportation fund and requiring a \$500,000 General Fund backfill, would not affect appropriations until FY 2007-08.

Overall, the bill will increase **administrative costs at CDE** by \$103,385 and 1.5 FTE per year beginning in FY 2006-07. This increase includes the following:

- \$65,804 and 1.0 FTE to oversee and monitor the expanded preschool program; and
- \$37,582 and 0.5 FTE to administer the Special Education High-Cost Grant Program.

In addition, the bill shifts funding for existing staff in CDE's school finance unit from an off-the-top transfer from the total school finance appropriation to a separate appropriation. The school finance unit's budget for FY 2006-07 is \$845,633 and 10.0 FTE.

School District Impact

Table 2 shows the estimate of school finance act funding under HB 06-1375, excluding the increase in preschool slots.

Table 2. Estimated FY 2006-07 School Finance Act Funding					
	Pupil Count	Total Program Funding	Per Pupil Funding	State Aid	Local Share
FY 2005-06 Act.	741,403	\$4,572,554,427	\$6,167	\$2,870,089,245	\$1,702,465,182
FY 2006-07 Est.	749,307	\$4,777,620,271	\$6,376	\$3,032,241,060	\$1,745,379,211
Percent change	1.07%	4.48%	3.38%	5.65%	2.52%
Increase	7,904	\$205,065,844	\$209	\$162,151,815	\$42,914,029

In addition to the school finance act funding changes shown in Table 2, the bill adds 2,000 preschool slots beginning in FY 2006-07, increasing total funding for preschool by over \$6 million. Of this amount, \$5 million will come from state sources and \$1 million will come from local property tax collections for schools, which will increase because property tax limits are based on pupil enrollment. The bill also eliminates the existing ability of school districts to establish a full-day kindergarten program in schools rated as unsatisfactory, although up to 15 percent of the preschool slots statewide are available for full-day kindergarten and another 5 percent are available for full-day preschool. School finance act property tax collections will also increase by an estimated \$1,862,948 in school districts with urban renewal areas.

The bill provides \$23.72 million in additional special education funding beginning in FY 2005-06, which will affect most school districts. This increase will also increase the amount required to be spent by the state on all categorical programs in future years under the requirements of Amendment 23. In FY 2006-07, the bill appropriates \$2 million to a special education high-cost grant program.

A total of \$500,000 is provided for a summer school grant program for schools in certain facilities. The bill requires that public school transportation money appropriated by the state that is later recovered through an audit must remain available for transportation, instead of reverting to the State Public School Fund to be used for general school finance purposes. The bill expands the uses for which capital reserve funds may be used to include the purchase of computers costing more than \$500. Certain districts will be affected by the provisions regarding excess amounts spent on instructional supplies and materials, transportation costs in excess of the amount reimbursed by the state, and reimbursement for the cost of providing services to students in juvenile detention facilities, which will be shared by charter schools.

State Appropriations

For **FY 2005-06**, the Department of Education is appropriated \$23.72 million General Fund for special education. For **FY 2006-07**, the following is or should be appropriated to the Department of Education:

- \$23,720,000 General Fund — special education;
- \$3,068,269 General Fund — school finance act (total program)*
- \$2,000,000 General Fund — special education high-cost grant program;
- \$1,000,000 General Fund — declining enrollment districts with charter schools;
- \$845,633 cash funds exempt transfer and 10.0 FTE *reduction* — school finance act administration;
- \$911,437 General Fund and 11.0 FTE — school finance act administration, including additional funding and an FTE for the preschool program;
- \$37,582 General Fund and 0.5 FTE — administer special education grant program;
- \$500,000 State Education Fund — Facility Summer School Grant Program; and
- \$17,000 State Education Fund — increase national credential fee assistance.

* Note: the bill contains a clause appropriating \$5,218,410 for this purpose, including \$500,000 attributable to audit recoveries for transportation, which is not required in FY 2006-07, and a reduction of \$212,807 for eliminating out-of-state students from the pupil count, which is no longer in the bill. The appropriation in the bill also does not account for a \$1,862,948 reduction in state aid needed for school districts with urban renewal areas. The Senate Education Committee report contains a second appropriation for the school finance act (total program) of \$212,807, which appears unnecessary because the counting of the out-of-state pupils is included in the Long Bill appropriation.

Departments Contacted

Education

Legislative Council Staff