

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
REVISED FISCAL IMPACT**

(replaces fiscal note dated March 22, 2010)

Drafting Number: LLS 10-0975	Date: March 25, 2010
Prime Sponsor(s): Rep. Scanlan; Pommer Sen. Bacon	Bill Status: Senate Education
	Fiscal Analyst: Marc Carey (303-866-4102)

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

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
State Expenditures		
General Fund	(\$365,312,540)	
State Education Fund	(1,608,887)	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: See State Appropriations section.		
Local Government Impact: See School District Impact section.		

Summary of Legislation

This reengrossed bill amends the "Public School Finance Act of 1994" to modify the funding for K-12 public schools in FY 2010-11. The bill increases the statewide base per pupil funding to \$5,529.71 to reflect a -0.6 percent inflation rate plus 1 percent as required under Amendment 23.

For FY 2010-11 and FY 2011-12, the bill decreases the state's share of total program funding for school districts and institute charter schools by an amount determined by the Colorado Department of Education (CDE) and Legislative Council Staff. The bill specifies that the maximum reduction cannot exceed an amount that would reduce total program funding below \$5,438,295,823 in FY 2010-11 and FY 2011-12. This would be \$260 million below the original appropriation for total program funding in FY 2009-10. This translates to a reduction of \$365.4 million, or 6.35 percent of total program, compared to the requirements of current law. The reduction for FY 2011-12 is not specified.

These reductions will be accomplished through the creation of district level budget stabilization factors. The bill directs the CDE to determine the size of these budget stabilization factors and to apportion this reduction across school districts. Specifically, the CDE is directed to:

- calculate a budget stabilization factor for the applicable budget year by dividing the total reduction by the sum of total program funding for all districts;

- calculate the reduction for each district by multiplying the district's total program funding under current law by the district's budget stabilization factor; and
- reduce each district's state share of total program funding by the calculated reduction or the district's state share, whichever is less.

Districts that do not receive enough state aid to implement a 6.35 percent funding reduction will be required to achieve that reduction through a combination of the state aid they do receive, plus a temporary reduction in their override mill levy revenue. In districts that have enacted a mill levy override, the override revenue will be calculated based on the district's total program funding before the calculated budget stabilization reduction has been applied.

State Expenditures

School finance in Colorado is governed both by the constitution (Amendment 23 - Article IX, Section 17) and statutes (the Public School Finance Act of 1994 - Title 22, Article 54, C.R.S.). Under current law, the program is estimated to cost \$5.80 billion in FY 2010-11, of which \$3.76 billion comes from state sources, mainly the state General Fund. Current law requirements are funded through the Long Bill; law changes require a separate appropriation.

Budget Stabilization. This bill decreases state expenditures for K-12 education by an estimated \$365.3 million in FY 2010-11 compared to the requirements of current law. Based on current projections of student enrollment and property values, the budget stabilization factor is estimated to be approximately 6.35 percent. Thus, in FY 2010-11, each district's total program funding will be reduced by 6.35 percent from current law levels, provided the district receives at least an amount of state aid that is greater than this percentage reduction.

Low State Aid Districts. Seven school districts do not receive enough state aid to fully implement a 6.35 percent reduction in total program funding. As a result, the total program cuts for those districts will be proportionally smaller -- equal to the amount of state aid that the district currently receives. However, as described in the School District Impact section, the reduction in state aid for these districts will be supplemented by a temporary decrease in their mill levy override revenue. The total reduction, loss of state aid combined with a decrease in mill levy override revenue, must equal the required 6.35 percent of total program.

Full Day Kindergarten. In addition, the reduction in per pupil funding for school districts will result in a \$487,964 reduction in full-day kindergarten hold-harmless funding that some school districts would have received in FY 2010-11.

Facility School Funding. The FY 2010-11 Long Bill will include an appropriation of \$17,900,000 from the State Education Fund for facility school funding. This appropriation assumes a payment of \$41.20 per day for 434,466 child-days, based on the total program amount under current law. Because HB 10-1369 reduces total program, the per day payment rate will fall to \$38.62, and the facility school funding line item will decrease by \$1,120,923 from the State Education Fund.

Colorado School for the Deaf and Blind (CSDB). The FY 2010-11 Long Bill will include an appropriation of \$1,362,690 reappropriated funds for the operation of the CSDB. This amount represents a transfer from the Facility Schools Funding line item. Because HB 10-1369 decreases this line item, the transfer to the CSDB will also decrease by \$85,334 (33,075 child days * (\$41.20-\$38.62) = \$85,334). The General Fund appropriation for school operations will need to increase by this amount, as the General Fund supports any costs not supported by this transfer.

Department of Human Services, Mental Health Institutes (MHIs). The FY 2010-11 Long Bill will include an appropriation of \$214,611 reappropriated funds for the educational programs at the MHIs. This amount represents a transfer from the Facility Schools Funding line item. Because HB 10-1369 decreases this line item, the transfer to the MHIs will also decrease by \$13,439 (5,209 child days * (\$41.20-\$38.62) = \$13,439). The General Fund appropriation for these educational programs will need to increase by this amount, as the General Fund supports any costs not supported by this transfer.

State Public School Fund. For FY 2010-11 and thereafter, the bill requires that the first \$11 million of interest earned on investment of moneys in the Public School Fund be transferred to the State Public School Fund. The bill also eliminates a similar requirement for money received from timber sales and rental payments on public school lands. While the net amount of money transferred between the funds is unchanged, this bill swaps \$11 million in timber sales and rental payments for \$11 million in interest earnings.

School District Impact

Table 1 shows the estimate of school finance act funding under HB 10-1369. The table compares FY 2010-11 funding levels with actual funding in the prior year, taking into consideration the \$130 million recision that was enacted by the General Assembly through SB10-065. It also assumes that HB 10-1318, enacted by the General Assembly, is signed by the Governor and becomes law.

Table 1. School Finance Act Funding under HB 10-1369					
	Pupil Count	Per Pupil Funding	Total Program Funding	State Aid	Local Share
FY 2009-10 Act.	789,511	\$7,077	\$5,587,572,021	\$3,518,892,780	\$2,068,679,241
FY 2010-11 Est.	797,439	\$6,820	\$5,438,295,823	\$3,399,806,762	\$2,038,489,062
Percent change	1.00%	-3.64%	-2.67%	-3.38%	-1.46%
Increase	7,927	(\$258)	(\$149,276,198)	(\$119,086,018)	(\$30,190,179)

In addition, seven school districts that do not receive enough state aid to enact a 6.35 percent reduction in total program, will see a loss of their existing state aid, plus a temporary reduction in their mill levy override revenue in an amount sufficient to achieve the required 6.35 percent reduction. Estimated reductions for these districts are presented in Table 2.

County	District	State Aid Reduction	Override Mill Levy Reduction	Total Reduction	% Change in State and Local Funding
Clear Creek	Clear Creek	\$102	\$442,989	\$443,091	6.35%
Grand	West Grand	\$137	\$249,558	\$249,695	6.35%
Gunnison	Gunnison	\$578,934	\$191,890	\$770,824	6.35%
Larimer	Estes Park	\$499,474	\$61,108	\$560,582	6.35%
Park	Park	\$81	\$279,076	\$279,157	6.35%
Pitkin	Aspen	\$149,884	\$832,656	\$982,540	6.35%
Summit	Summit	\$371,294	\$1,027,951	\$1,399,245	6.35%
TOTAL		\$1,599,906	\$3,085,228	\$4,685,134	

In FY 2010-11, 58 districts will see a reduction in full-day kindergarten hold-harmless funding, totaling \$487,964. Information on which districts are affected is available from Legislative Council Staff.

Finally, in FY 2010-11, the Facility School Funding line item will decrease by \$1,120,923. This reduction will be spread across 51 facility schools statewide.

State Appropriations

For FY 2010-11, the bill contains the following appropriation reduction for the Department of Education:

- (\$365,312,540) from the General Fund; and
- (\$1,608,887) from the State Education Fund.

Departments Contacted

Education Legislative Council Staff