



*Colorado Legislative Council Staff Fiscal Note*  
**STATE and LOCAL**  
**REVISED FISCAL IMPACT**  
(replaces fiscal note dated April 10, 2012)

<b>Drafting Number:</b> LLS 12-0909	<b>Date:</b> May 4, 2012
<b>Prime Sponsor(s):</b> Rep. Massey Sen. Bacon	<b>Bill Status:</b> Senate Appropriations
	<b>Fiscal Analyst:</b> Marc Carey (303-866-4102)

**TITLE:** CONCERNING THE FINANCING OF PUBLIC SCHOOLS, AND, IN CONNECTION THEREWITH, MAKING AND REDUCING APPROPRIATIONS.

<b>Fiscal Impact Summary</b>	<b>FY 2012-2013</b>	<b>FY 2013-2014</b>
<b>State Revenue</b>		
<b>State Expenditures</b>		
General Fund	\$57.2 million	
Cash Funds		
State Education Fund	\$2,779,120	
State Education Fund - Early Literacy Assessment	6,100,000	\$7.8 million
State Public School Fund	3,839,627	
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2012-2013:</b> See State Appropriations section.		
<b>Local Government Impact:</b> See School District Impact section.		

**Summary of Legislation**

This bill, *as amended by the Senate Education Committee*, changes the "Public School Finance Act of 1994" by modifying the funding for K-12 public schools in FY 2012-13. The bill increases the statewide base per pupil funding to \$5,843.26 to reflect a 3.7 percent inflation rate.

Under current law, the state's share of total program funding includes a negative factor that reduces total program funding to \$5.230 billion. House Bill 12-1345 increases the total program funding amount in FY 2012-13 by \$57.0 million to hold total per pupil funding constant and account for increases in student enrollment. As a result, the bill sets total program funding for FY 2012-13 at \$5.287 billion. This represents a 16.11 percent reduction from what funding levels would have been without the negative factor.

In addition to changes to total program, the bill modifies the funding for other public school programs as follows:

***Charter School Capital Construction.*** Under current law, \$5 million is annually appropriated from the State Education Fund for charter school capital construction costs for eligible districts and institute charter schools. Beginning in FY 2012-13, this bill increases the appropriation to \$6 million annually.

***Supplemental on-line education services contracts.*** Beginning August 1, 2012, the bill specifies that the Mountain Board of Cooperative Services (BOCES) shall contract once every three years with an entity that sells supplemental on-line education courses for school districts and charter schools. Under current law, the mountain BOCES enters into this type of contract on an annual basis.

***Assistance for Meeting State Educational Priorities.*** Beginning in FY 2012-13, the bill provides \$1.3 million in additional funding for BOCES to assist their school districts in meeting the educational priorities determined by the Commissioner of Education. To receive funding, BOCES are required to submit a plan to the State Board of Education for their districts. If a BOCES does not submit a plan, member districts may submit individual plans for meeting the state's educational priorities.

***Children with Disabilities.*** The bill extends the statutory definition of "children with disabilities" to include persons 3 through 8 years of age who have been determined to experience developmental delays as defined by federal regulations.

***Counselor Corps.*** The bill increases an appropriation in the 2012 Long Bill for the school counselor corps program by \$480,000. This appropriation is from the State Education Fund.

***At-Risk Supplemental Aid.*** The bill provides additional aid for certain school districts and charter schools. This aid is in addition to other funding provided through the school finance act. School districts and charter schools will receive at-risk supplemental aid in the following circumstances:

(a) For charter schools authorized by a district prior to July 1, 2004, in a district with more than 40 percent at-risk students:

- school districts will receive at-risk supplemental aid for charter schools that have a smaller percentage of at-risk students than the district; and
- charter schools will receive at-risk supplemental aid if they have a higher percentage of at-risk students than the authorizing district.

(b) For charter schools authorized by a district either before or after July 1, 2004, in a district with less than 40 percent at-risk students:

- charter schools will receive at-risk supplemental aid if the school's percentage of at-risk students exceeds the district's percentage of at-risk students.

(c) For charter schools authorized by the Charter School Institute (CSI), they will receive at-risk supplemental aid if the percentage of at-risk students in those schools is less than the accounting district's percentage of at-risk students.

**Early Literacy Assessment Tool.** The bill requires the CDE, by October 1, 2012, to issue a request for proposals (RFP) for the purchase of obtaining an early literacy assessment tool to obtain real-time assessments of reading skill levels of students enrolled in kindergarten through third grades in order to generate intervention plans and materials. The bill requires the CDE, by July 1, 2013, to provide each local education provider with an adequate number of mobile devices and software licenses to enable the provider to use the tool in all its kindergarten through third grade classes.

### **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 \$5.23 billion in FY 2012-13, of which \$3.31 billion comes from state sources, mainly the General Fund. Current law requirements are funded through the Long Bill; law changes require a separate appropriation.

**Negative factor.** This bill increases total program expenditures for K-12 education by an estimated \$57.0 million in FY 2012-13 compared to FY2011-12 funding. Based on the current projections of student enrollment and property values, the negative factor is estimated to be 16.11 percent. Thus, in FY 2012-13, each district's total program funding will be reduced by 16.11 percent from the level set by the funding formula before application of the negative factor, provided the district receives at least an amount of state aid that is greater than this percentage reduction.

**Full day kindergarten.** The increase in per pupil funding for school districts will result in a \$74,671 increase in full-day kindergarten hold-harmless funding that some school districts will receive in FY 2012-13.

**Facility school funding.** The FY 2012-13 Long Bill includes an appropriation from the State Education Fund for facility school funding. This appropriation assumes a per-day payment for a certain number of child-days, based on the total program amount under current law. Because House Bill 12-1345 increases total program, the per day payment rate will rise, and the facility school funding line item from the State Education Fund will increase by \$153,000.

**Assistance for Meeting State Educational Priorities.** This bill increases state expenditures by \$1.3 million in FY 2012-13. This money is to be distributed by CDE to BOCES to assist member and/or nonmember (contiguous) school districts in meeting the educational priorities established by the Commissioner of Education. These priorities may include, but are not limited to, educator effectiveness, district accreditation and accountability, and standards and assessments. Of this amount, the bill specifies that up to \$120,000 may be used by CDE to hire a liaison to rural school districts, and up to \$50,000 may be used to support a council advising CDE on the needs and concerns of rural school districts. The remainder of the money is to be distributed as follows:

- 45 percent to participating BOCES;
- 45 percent based on the total number of participating member and nonmember districts; and
- 10 percent based on the total number of students enrolled in the member and nonmember school districts.

**Counselor Corps.** This bill increases state expenditures for the school counselor corps program by \$480,000 in FY 2012-13, relative to current law. This funding is from the State Education Fund.

**At-Risk Supplemental Aid.** This provision of the bill increases state expenditures by \$3,839,627 in FY 2012-13. Of this amount, school districts are estimated to receive \$2.5 million and charter schools \$1.3 million. The bill specifies that this expenditure is to be paid from audit recoveries received in excess of \$3 million in FY 2012-13. If an insufficient amount of audit recoveries are received, the bill proportionally reduces the amount of supplemental aid going to districts and charter schools. This funding is from the State Public School Fund.

**Early Literacy Assessment Tool.** In FY 2012-13 and FY 2013-14, the CDE will incur \$6.1 million and \$7.8 million respectively, in costs associated with providing early literacy assessment tools to local education providers that request them in order to assess reading skill levels of students in kindergarten through third grades. Estimated costs assume 30 percent penetration among providers in FY 2012-13 with an additional 20 percent penetration in FY 2013-14. The assessment tools provided include hardware, software, training and three half-days of in-person coaching support at most schools.

**School District Impact**

Table 1 shows the estimate of school finance act funding under House Bill 12-1345. The table compares FY 2012-13 funding levels with actual funding in the prior year. In FY 2012-13, the bill maintains per pupil funding at \$6,474, the same level as FY 2011-12.

<b>Table 1. School Finance Act Funding under HB 12-1345</b>					
	<b>Pupil Count</b>	<b>Per Pupil Funding</b>	<b>Total Program Funding</b>	<b>State Aid</b>	<b>Local Share</b>
FY 2011-12 Act.	808,195	\$6,474	\$5,232,447,624	\$3,331,922,156	\$1,900,525,468
FY 2012-13 Est.	817,221	\$6,474	\$5,290,884,887	\$3,366,460,618	\$1,924,424,268
Percent change	1.12%	0.00%	1.12%	1.04%	1.26%
Increase	9,026	\$0	\$58,437,263	\$34,538,462	\$23,898,801

Table 2 identifies the eight school districts that receive less than 16.11 percent of their total program from state aid. Because these districts cannot fully enact a 16.11 percent reduction, they lose all existing state aid, plus they must use their total program mill levy to replace state funding for categorical programs up to an amount equal to a 16.11 percent reduction in combined state

funding for total program and categorical program funding. Four districts, West Grand, Estes Park, Plateau, and Park will see a significant (although less than the full 16.11 percent) reduction in state funding for both total program and categorical programs. Four other districts, Clear Creek, Debeque, Meeker, and Pawnee already buyout all or nearly all state funding for categorical programs, so the bill's reduction in state funding is relatively minor. Because the percentage change in state funding for all eight districts is less than 16.11 percent, the funding changes below are invariant to the passage of House Bill 12-1345, *and are presented for informational purposes only.*

**Table 2: Districts with Less Than 16.11 Percent State Aid for Total Program**

County	District	State Aid for Total Program	Total Program Mill Levy Categorical Buydown	State Finding for Categorical Programs	Total State Funding Change	% Change in State Funding
Clear Creek	Clear Creek	(\$29)	\$126	(\$126)	(\$155)	(0.00%)
Grand	West Grand	(\$370,592)	\$179,172	(\$179,172)	(\$549,764)	(13.67%)
Larimer	Estes Park	(\$976,376)	\$351,252	(\$351,252)	(\$1,327,628)	(14.95%)
Mesa	Debeque	(\$97)	\$332	(\$332)	(\$429)	(0.03%)
Mesa	Plateau	(\$451,294)	\$75,262	(\$75,262)	(\$526,556)	(13.68%)
Park	Park	(\$140,307)	\$320,222	(\$320,222)	(\$460,529)	(10.26%)
Rio Blanco	Meeker	(\$563)	\$150	(\$150)	(\$713)	(0.01%)
Weld	Pawnee	(\$58)	\$35	(\$35)	(\$93)	(0.01%)
<b>TOTAL</b>		<b>(\$1,939,316)</b>	<b>\$926,551</b>	<b>(\$926,551)</b>	<b>(\$2,825,867)</b>	<b>(7.79%)</b>

In addition, the bill will provide at-risk supplemental aid of \$2.5 million for an estimated 12 school districts in the state. The following districts are anticipated to receive additional funding: Aurora, Canon City RE-1, Colorado Springs 11, Denver, Greeley 6, Harrison, Keenesburg RE-3, Lamar RE-2, Moffat 2, Montezuma-Cortez RE-1, Pueblo City, and Westminster. The bill also provides at-risk supplemental aid for an estimated 19 district-authorized charter schools and 14 Charter School Institute-authorized charter schools.

**State Appropriations**

For FY 2012-13, the bill contains a \$57,232,000 General Fund appropriation to the Department of Education for the state's share of total program. The bill also contains a \$228,551 cash funds appropriation reduction to the Department of Education from the State Education Fund for the state's share of total program, which is offset by an appropriation increase of \$227,671 from the State Education Fund.

In addition, the bill requires a \$8,879,120 cash funds appropriation to the Department of Education from the State Education Fund. The bill also includes a cash fund appropriation of \$3,839,627 from the State Public School Fund.

**Departments Contacted**

Education

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