

*Colorado Legislative Council Staff*  
**STATE and LOCAL**  
**REVISED FISCAL IMPACT**  
 (Replaces fiscal impact dated March 19, 2001)

<b>Drafting Number:</b> LLS 01-0737	<b>Date:</b> March 20, 2001
<b>Prime Sponsor(s):</b> Sen. Thiebaut Rep. Dean	<b>Bill Status:</b> House 2 <sup>nd</sup> Reading
	<b>Fiscal Analyst:</b> Chris Ward (303-866-5834)

**TITLE:** CONCERNING THE FINANCING OF PUBLIC SCHOOLS.

Fiscal Impact Summary	FY 2001/2002	FY 2002/2003
<b>State Revenues</b> General Fund		
<b>State Expenditures</b> General Fund	\$26,551,098	\$27,479,997
Cash Fund Exempt - State Education Fund	\$20,386,085	\$23,062,558
<b>FTE Position Change</b>	0.0 FTE	0.0 FTE
<b>Other State Impact:</b> None		
<b>Effective Date:</b> Upon signature of the Governor		
<b>Appropriation Summary for FY 2001/2002:</b> Department of Education - \$26,551,098 - General Fund Department of Education - \$20,386,085 - State Education Fund		
<b>Local Government Impact:</b> Increased funding for public school districts and charter schools		

**Summary of Legislation**

As amended in the House Education Committee, the bill amends the school finance act and other statutes to provide the following:

- a 6.0 percent increase in the General Fund appropriation for school finance;
- a 5.0 percent increase in the statewide base per pupil funding amount (equal to inflation plus one percentage point);
- funding for school textbooks (from HB 01-1272);
- teacher pay incentives (from HB 01-1324);
- capital construction funding for charter schools (from HB 01-1277);
- school improvement grants (from HB 01-1303);
- a full-day kindergarten pilot program (from SB 01-091);
- funding for transportation tokens;
- two different increases in the number of students for which at-risk funding is provided;
- additional funding for reconsolidated school districts in Yuma County; and
- an increase in the at-risk factor for large districts with more than the statewide average percentage of at-risk pupils.

The bill clarifies that school districts may only retain from the moneys paid to charter schools an amount that reflects the charter school's share of the central administrative overhead costs for services provided to the charter schools. Charter schools that do not receive financial support from a school district for transportation would be eligible for state transportation reimbursement.

Any unspent moneys appropriated to the Contingency Reserve for school district emergencies would remain in the fund at the end of any fiscal year, and would not revert to the General Fund as required under current law. In addition, any repaid loans made from the Contingency Reserve to school districts would be credited to the reserve.

The bill requires the Department of Education to modify the state data reporting system to allow for expanded analysis of CSAP scores. The modifications must be completed by June 1, 2002, and should include data from the 2001-02 school year.

School districts would be required to spend 90 percent of the amount they receive as at-risk funding for direct instruction or staff development for the education of at-risk students in the district. Large districts that would receive additional at-risk moneys under the bill must spend a portion of these moneys on English language proficiency programs.

The bill reauthorizes the state's full-day kindergarten program as a component of the state's preschool program.

The reimbursement for out-of-district facilities that serve special education students is changed to eliminate any offset for funds received through grants from the calculation of costs.

The bill allows districts to instruct the state to transfer school finance moneys directly to the Division of Vocational Rehabilitation to pay for a district's cost of participating in school-to-work alliance programs.

### **State Expenditures**

Article IX, Section 17, of the Colorado Constitution (adopted as Amendment 23 at the November, 2000, general election) requires the General Assembly to increase the statewide base per pupil funding amount for school finance purposes by at least the rate of inflation plus one percentage point. This bill would increase the statewide base by 5.0 percent to meet this requirement, resulting in a base amount of \$4,202 for FY 2001-02. This change, along with other requirements of current law, will increase FY 2001-02 state expenditures for school finance by an estimated \$162.8 million over the FY 2000-01 level. Since this increase is required under current law, the impact is not attributed to this bill.

Article IX, Section 17, of the Colorado Constitution also requires the General Assembly to increase state General Fund appropriations for school finance by at least five percent annually between FY 2001-02 and FY 2010-11. This bill requires a General Fund appropriation of \$2,101,597,194 in FY 2001-02 to reflect a six percent increase. The difference between the 5.0

percent increase required current law and the six percent increase required by SB 01-129 would cost \$19,826,389 in General Funds for FY 2001-02.

It is assumed that the state's share of the increased school finance act funding required by Amendment 23 will be provided primarily through a combination of moneys from the General Fund and the State Education Fund. Under this assumption, any increase in the General Fund appropriation for school finance beyond the five percent required by Amendment 23 will reduce cash fund exempt expenditures from the State Education Fund. Thus, the General Fund increase required by the bill will reduce the need for expenditures from the State Education Fund by \$19,826,389 in FY 2001-02 and \$20,817,708 in FY 2002-03.

Table 1 summarizes the increased state expenditures resulting from SB 01-129.

<b>Table 1. Estimated SB 01-129 Increase in State Expenditures over Current Law</b>		
	<b>FY 2001-02</b>	<b>FY 2002-03</b>
Additional One Percent General Fund Increase	\$19,826,389	\$20,817,708
Offsetting State Education Fund Savings from GF Increase *	(\$19,826,389)	(\$20,817,708)
School Textbooks (HB 01-1272) *	\$14,095,340	\$15,027,264
Teacher Pay Incentives (HB 01-1324) *	\$12,630,000	\$13,260,000
Charter School Capital Construction Funding (HB 01-1277) *	\$5,247,670	\$7,011,001
Add Non-English Speaking Students to At-Risk Count	\$3,834,302	\$3,834,302
School Improvement Grants (HB 01-1303) *	\$2,900,000	\$3,050,000
Full-Day Kindergarten (SB 01-91) *	\$2,839,464	\$3,032,001
Funding for Transportation Tokens *	\$2,500,000	\$2,500,000
At-Risk Count Averaging	\$1,512,038	\$1,512,038
Increase At-Risk Concentration Factor for Large Districts	\$802,140	\$836,819
Averaging for Deconsolidated Yuma County School Districts	\$509,129	\$429,130
Add 5 new BOCES	\$50,000	\$50,000
Modify CSAP Database to Allow for Longitudinal Study	\$17,100	\$0
<b>Total Cost of SB 01-129 over Current Law Requirements</b>	<b>\$46,937,183</b>	<b>\$50,542,555</b>
<b>Subtotal of General Fund Expenditures</b>	<b>\$26,551,098</b>	<b>\$27,479,997</b>
<b>Subtotal of State Education Fund Expenditures</b>	<b>\$20,386,085</b>	<b>\$23,062,558</b>

\* These provisions are paid for through State Education Funds. All other programs are assumed to be funded from the General Fund.

### **School District Impact**

Under the bill and the provisions of current law, school finance act funding for public school districts is estimated to increase by the amounts shown in Table 2.

<b>Table 2. Estimated Impact of SB 01-129 on School Finance Act Funding</b>				
	<b>Total Program</b>	<b>Per Pupil Funding</b>	<b>State Aid</b>	<b>Local Share</b>
FY 2000-01	\$3,584,774,839	\$5,168	\$2,046,136,797	\$1,538,816,992
FY 2001-02	\$3,840,245,601	\$5,450	\$2,215,553,381	\$1,624,834,382
Percent change	7.13%	5.46%	8.28%	5.59%
Increase	\$255,470,762	\$282	\$169,416,584	\$86,017,390

The estimated impact of the school finance act portions of the bill on each of the state's 178 school districts is available from the Legislative Council staff offices and via the Internet at:

[http://www.state.co.us/gov\\_dir/leg\\_dir/lcsstaff/schfn/sfprint.htm](http://www.state.co.us/gov_dir/leg_dir/lcsstaff/schfn/sfprint.htm)

Under current law, school districts may retain from the portion paid to charter schools up to five percent of the district's per pupil revenues for each child enrolled in a charter school. The bill clarifies that school districts may retain an amount that reflects the charter school's share of the central administrative overhead costs for services provided to the charter schools, not to exceed five percent of the district's per pupil revenues. Charter schools that do not receive financial support from a school district for transportation would be eligible for state transportation reimbursement. The bill also requires school districts to report to charter schools on the amount of overhead administrative expenses attributable to the charter as well as the cost of any direct services provided to the charter school by the district.

The bill also provides an estimated \$40 million in funding outside the school finance act for school textbooks, teacher pay incentives, school improvement grants, charter school capital construction, full-day kindergarten, and transportation tokens.

The bill allows four school districts in Yuma County that were created through a deconsolidation election in 2000 to take advantage of additional funding provided for other declining enrollment districts.

An additional five Boards of Cooperative Educational Services (BOCES) would be eligible for state funding under the bill. Each BOCES authorized under law receives \$10,000 in state aid.

School districts would be required to spend 90 percent of the amount they receive as at-risk funding for direct instruction or staff development for the education of at-risk students in the district.

### **State Appropriations**

The Department of Education would require the following appropriations for FY 2001-02:

- \$26,551,098 General Fund; and
- \$20,386,085 State Education Fund.

### **Departments Contacted**

Education      Legislative Council Staff