



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 22-0405
Prime Sponsors:

Date: January 24, 2022
Bill Status: Bill Draft
Fiscal Analyst: Marc Carey | 303-866-4102
marc.carey@state.co.us

Bill Topic: STATE MATCH FOR MILL LEVY OVERRIDE REVENUE

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- School District
- Statutory Public Entity

The bill distributes state funds to eligible school districts to match local money raised through mill levy overrides according to a statutory formula. The bill increases state expenditures and local revenue on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$81.3 million to the Colorado Department of Education.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Legislative Interim Committee on School Finance.

Table 1
State Fiscal Impacts Under Bill 3

Table with 4 columns: Category, Sub-category, Budget Year FY 2022-23, and Out Year FY 2023-24. Rows include Revenue, Expenditures (Cash Fund, General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

Beginning in FY 2022-23, the bill directs the Colorado Department of Education (CDE) to distribute to each eligible school district an amount of state matching money for local money raised through mill levy overrides (MLOs). To determine the state match, the CDE must calculate following:

- a district's MLO maximum, equal to the number of mills required to generate:
 - 25 percent of the district's total program for urban and rural districts;
 - 30 percent of the district's total program for small rural districts; and
- a district's MLO capacity, defined as the number of mills the district may be expected to levy toward the district's MLO maximum, based on the district's median household income.

If a district's MLO capacity is less than its MLO maximum, the district is eligible to receive a state match. The CDE must calculate the state match for each eligible district as specified in the bill and distribute the state match from the Mill Levy Override Match Fund.

Background

Under current law and with voter approval, school districts may levy additional mills above the total program mills specified in the school finance formula. These mills are known as mill levy overrides, and have been levied by some districts since FY 1996-97. Districts designated as urban or rural by the CDE are authorized to levy MLOs sufficient to generate 25 percent of their total program before the budget stabilization factor. Districts designated as small rural may levy MLOs sufficient to generate 30 percent. In FY 2020-21, 124 of 178 districts levied MLOs, generating an estimates \$1.4 billion, equivalent to 46 percent of the school finance local share. Eighteen districts levied their MLO maximum amount. These figures will be updated with FY 2021-22 information when it becomes available.

Assumptions

Colorado Association of School Executives (CASE) Model. This fiscal note assumes that the state match and district eligibility will be determined using a spreadsheet model developed by CASE. The model depends on the following key structural assumptions:

- matching funds will not be provided for multidistrict online students in excess of 10 percent of the district's funded pupil count;
- district MLO maximum is defined as either 25 percent or 30 percent of the district's total program before the budget stabilization factor, depending on the category of district;
- district MLO capacity is defined as the district's relative ranking of median household income, normalized on the range of 15 to 35 mills;
- eligible districts are those whose MLO capacity is less than their MLO maximum;
- state support mills are the difference between MLO maximum and MLO capacity;
- district return on investment (ROI) equals support mills divided by MLO capacity; and
- district state match equals MLO revenue scaled proportional to district ROI.

State Expenditures

In FY 2022-23 and thereafter, the bill increases state expenditures in the Colorado Department of Education by an estimated \$81.3 million. Expenditures are detailed below.

**Table 2
Expenditures Under Bill 3**

	FY 2022-23	FY 2023-24
Department of Education		
Personal Services	\$34,363	-
Operating Expenses	\$675	-
Capital Outlay Costs	\$6,200	-
State MLO Match	\$81,211,843	\$81,211,843
Centrally Appropriated Costs ¹	\$8,091	-
FTE – Personal Services	0.5 FTE	-
Total Cost	\$81,261,172	\$81,211,843
Total FTE	0.5 FTE	-

¹ Centrally appropriated costs are not included in the bill's appropriation.

MLO state match. Using FY 2020-21 data and under the assumptions outlined above, the CASE model estimates that 29 districts with existing MLOs would be eligible for \$81.2 million in state matching funds, assuming the General Assembly chooses to fully fund the MLO state match program. If the General Assembly appropriates less, district MLO matching amounts will be pro-rated proportionately. The appropriation will be from the not yet created Mill Levy Override Match Fund. This fiscal note will be updated when the source for state matching money is determined.

If all districts enacted MLOs to the maximum allowable level, the model estimates that 76 districts would receive \$182.2 million in state matching funds. Estimates state matching amounts will be updated as MLO data for 2021-22 becomes available.

Department of Education. CDE personnel will maintain and update the CASE model. District-level data to be maintained include funded pupil count, online pupil count, total program before the budget stabilization factor, online funding, assessed value, MLOs levied, and MLO revenue. CDE must also annually update district-level median household income information, available online. In FY 2022-23 only, 0.5 FTE is required to adapt the CASE model to a format accessible to school districts. The ongoing workload associated with maintaining the model can be accomplished within current appropriations, as the model is populated primarily with information that CDE already calculates in its normal course of business.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$6,186 in FY 2022-23, which will decrease the amount of General Fund available for other purposes.

School District

Under current law, this bill is estimated to provide a state match to 29 districts with existing MLOs totaling \$81.2 million, beginning in FY 2022-23, assuming that amount is appropriated by the General Assembly. If all eligible districts passed MLOs up to their maximum, the bill would provide a state match to 76 districts totaling an estimated \$182.2 million.

As discussed above, eligibility will be determined through use of the CASE model, and depends on district funded pupil count, online count, online funding, total program before the budget stabilization factor, assessed value, a five-year average of district median household income, and district MLO effort. District eligibility and the amount of state match will be determined by formula and depend on a comparison each district's MLO maximum effort and MLO capacity, as specified in the bill. Match estimates are based on FY 2020-21 data, the latest available. Estimates will be updated as MLO information is available for FY 2021-22, and district level estimates will be provided in an appendix of the updated fiscal note.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2022-23, the bill requires the following appropriations to the Colorado Department of Education:

- \$81,211,843 from the Mill Levy Override Match Fund;
- \$41,238 from the General Fund, and an allocation of 0.5 FTE.

State and Local Government Contacts

Education
Joint Budget Committee Staff

Legislative Council Staff
School Districts