FINAL
FISCAL NOTE

FISCAL IMPACT: ⊠ State ⊠ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 17-1051	**Date:**	July 21, 2017
Prime Sponsor(s):	Sen. Hill	**Bill Status:**	Signed into Law
	Rep. Pettersen	**Fiscal Analyst:**	Marc Carey (303-866-4102)

BILL TOPIC: FINANCING PUBLIC SCHOOLS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures	$553,120	$555,274
Cash Funds - State Education Fund	547,499	548,375
Centrally Appropriated Costs	5,621	6,899
FTE Position Change	0.4 FTE	0.5 FTE
Appropriation Required: See State Appropriations section.		
Future Year Impacts: Ongoing expenditure and workload increase.		

Summary of Legislation

This bill changes the "Public School Finance Act of 1994" by modifying the funding for K-12 public schools in FY 2017-18.

Total Program Funding. The bill increases base per pupil funding to $6,546.20, to reflect a 2.8 percent inflation rate. The bill also makes the following changes in the calculation of total program:

- for FY 2017-18, holds the negative factor at the FY 2016-17 level of $828.3 million; and
- specifies that for FY 2018-19, the negative factor cannot exceed the FY 2017-18 level.

Rename Negative Factor. The bill replaces the term "negative factor" from within the statutory language of the school finance formula with the term "budget stabilization factor."

Computer Science Grant Program. The bill creates a grant program in the Colorado Department of Education (CDE) for eligible teachers who wish to pursue additional postsecondary education and training in order to then provide computer science education to K-12 students. The SBE must adopt rules for the grant program and the CDE must administer the program, accept and review grant applications, and make recommendations to the SBE for awarding the grants. The bill establishes minimum priority criteria for the SBE to consider when making grant awards. The CDE must report grant activity to the education committees of the General Assembly no later than January 1, 2018, and annually thereafter.

Pledge to Uphold Constitution. Under current law, public school teachers and persons hired to teach at Colorado institutions of higher education are required to take a verbal oath or affirmation swearing or affirming that they will uphold the United States and Colorado constitutions. The bill amends the law to permit teachers to instead sign a written pledge.

Interim Committee on School Finance. The bill expands the charge for the interim committee on school finance in House Bill 17-1340 to include the study of strategies for ensuring that authorization for mill levy overrides complies with the constitutional requirement of maintaining a thorough and uniform statewide education system.

State Expenditures

Total Program Funding. Senate Bill 17-296 sets total program funding for FY 2017-18 at $6.635 billion. The $828.3 million negative factor represents a 11.10 percent reduction from what funding levels would have been without the budget stabilization factor. The bill specifies that for FY 2018-19, the budget stabilization factor cannot exceed the FY 2017-18 level.

The $6.635 billion in total program funding represents an estimated increase of $261.8 million in FY 2017-18 compared with actual funding levels for FY 2016-17, and no change for FY 2017-18 relative to current law. State expenditures for school finance and local funding will increase by $109.5 million and $152.2 million, respectively, compared with FY 2016-17. Both are unchanged relative to current law. Since the budget stabilization factor is set at 11.10 percent, each district's total program funding will be reduced by 11.10 percent from the level set by the funding formula before application of the budget stabilization factor, provided the district receives at least an amount of state aid that is greater than this percentage reduction. Table 1 shows the estimate of school finance act funding under Senate Bill 17-296, relative to FY 2016-17.

Table 1. School Finance Act Funding under Senate Bill 17-296					
	Pupil Count	**Per Pupil Funding**	**Total Program Funding**	**State Aid**	**Local Share**
FY 2016-17 Act.	858,796	$7,421	$6,372,832,460	$4,115,127,505	$2,257,704,955
FY 2017-18 Est.	865,885	$7,662	$6,634,600,182	$4,224,656,124	$2,409,944,058
Percent change	0.83%	3.26%	4.11%	2.66%	6.74%
Increase	7,089	$242	$261,767,722	$109,528,619	$152,239,103

Computer science education grant program. This bill increases state expenditures by $553,120 and 0.4 FTE in FY 2017-18 and $555,274 and 0.5 FTE in FY 2018-19. Increased expenditures are for CDE to implement and fund a new computer science education grant program. The size and number of grant awards must be determined by the Board and the CDE via rule, and will be based on available appropriations.

Assuming the program supports at least one teacher from each school district and provides a full semester at community college rates, grants from the program are estimated at $514,420 annually (178 * $2,890 = $514,420 in grant awards). This estimate serves as a proxy for the type of grant awards the CDE may make; however, the criteria for awards and the amount available for each grant must be determined by the SBE.

Grant programs require administrative staff to create application procedures, review applications, make award recommendations, disburse grant awards, and prepare necessary reports. Assuming a grant program that awards over $500,000 via multiple grants across the state, personal services for administration is estimated at about $28,000 and 0.5 FTE. These expenses are outlined in Table 3.

Table 3. Computer Science Grant Program Expenditures Under SB 17-296		
Cost Components	**FY 2017-18**	**FY 2018-19**
Personal Services	$27,901	$33,480
FTE	0.4 FTE	0.5 FTE
Operating Expenses and Capital Outlay Costs	5,178	475
Technology Education Training Grants	514,420	514,420
Centrally Appropriated Costs*	5,621	6,899
TOTAL	**$553,120**	**$555,274**

* *Centrally appropriated costs are not included in the bill's appropriation. Personal Services costs for FY 2017-18 have been prorated for the General Fund pay date shift.*

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 4.

Table 4. Centrally Appropriated Costs Under Senate Bill 17-296		
Cost Components	**FY 2017-18**	**FY 2018-19**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$3,121	$3,899
Supplemental Employee Retirement Payments	2,500	3,000
TOTAL	**$5,621**	**$6,899**

School District Impact

Total Program Funding. By holding the negative factor at its current level of $828.3 million, the bill maintains the current level of statewide funding for total program for school districts in FY 2017-18 that was contained in Senate Bill 17-254 (the 2017 Long Bill).

Computer science education grant program. Districts that apply for and receive grants through the newly created computer science grant program will receive funding for eligible teachers to pursue additional postsecondary education and training to assist in providing computer science education to students within the district.

Effective Date

The bill was signed into law by the Governor and took effect on June 2, 2017.

State Appropriations

For FY 2017-18, this bill contains a cash funds appropriation of $500,000 from the State Education Fund and an allocation of 0.4 FTE to the Colorado Department of Education for implementation of the Computer Science Education Grant Program. Because the appropriation is less than the anticipated costs, less money will be available for grant awards.

State and Local Government Contacts

Education   Legislative Council Staff   Joint Budget Committee Staff