



**Colorado
Legislative
Council
Staff**

SB16-072

**REVISED
FISCAL NOTE**

(replaces fiscal note dated January 26, 2016)

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

Drafting Number: LLS 16-0746

Date: February 2, 2016

Prime Sponsor(s): Sen. Kerr

Bill Status: Senate Finance

Fiscal Analyst: Marc Carey (303-866-4102)

BILL TOPIC: INCREASE ANNUAL BEST LEASE-PURCHASE PAYMENT CAP

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
State Expenditures		
Public School Capital Construction Assistance Fund	up to \$5 million	up to \$10 million
Appropriation Required: Up to \$5 million - Assistance Fund (FY 2016-17).		
Future Year Impacts: Ongoing expenditure impacts.		

Summary of Legislation

Currently under the Building Excellent Schools Today Act (BEST), the state may enter into lease-purchase agreements for public school facility capital construction projects, subject to the limitation that the maximum total annual amount of lease payments payable under these agreements does not exceed \$80 million in a fiscal year. This bill, **as amended by the Senate Education Committee**, establishes the following incremental caps on lease payments:

- \$80 million in FY 2015-16;
- \$90 million in FY 2016-17;
- \$100 million in FY 2017-18;
- \$110 million in FY 2018-19; and
- \$120 million in FY 2019-20 and thereafter.

In addition, the amended bill eases certain eligibility requirements for charter schools to apply for grants from the BEST program. Specifically, the amended bill eliminates a five-year waiting period before a charter school may apply for BEST grants. The bill also removes a requirement that a charter school complies with certain construction guidelines and allows such a school to apply for grants directly rather than through its authorizing school district or the Charter School Institute.

Background

BEST Program. The BEST program was established in 2008 to provide grants to public schools to rebuild, repair, or replace the state's aging K-12 educational facilities. Grant awards for BEST-qualified projects may come in the form of either long-term financing through lease-purchase agreements called certificates of participation or cash awards. The source of state funds for the program is the Public Schools Capital Construction Assistance Fund (assistance fund).

The BEST program is supported primarily by rent and royalty income earned on state trust lands administered by the State Land Board and marijuana excise tax revenue, but receives some additional funding from lottery proceeds and interest earnings. Current law credits the following revenue to the assistance fund:

- 50 percent of gross revenue from state school trust lands, with a minimum guarantee of \$40 million annually;
- the first \$40 million in annual recreational marijuana excise tax revenue;
- net proceeds from the sale of certificate's of participation (COP's);
- lottery proceeds; and interest earnings.

Table 1 provides information on actual and estimated state revenue supporting the BEST program for FY 2014-15 through FY 2017-18.

Table 1. State Revenue for the BEST Program				
Revenue Source	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
State Land Board*	\$92,505,485	\$65,779,772	\$40,000,000	\$40,000,000
Marijuana Excise Tax**	\$23,982,518	\$30,149,983	\$33,400,280	\$35,753,870
Proposition BB Funds	\$0	\$40,000,000	\$0	\$0
Lottery Proceeds	\$1,997,456	\$1,000,000	\$1,000,000	\$1,000,000
Interest Income	\$2,032,658	\$2,000,000	\$2,000,000	\$2,000,000
Total Revenue	120,518,117	138,929,755	76,400,280	78,753,870

* FY 2015-16 through FY 2017-18 are estimated by the State Land Board.

** FY 2015-16 through FY 2017-18 are from the Legislative Council Staff December Revenue Forecast.

State Expenditures

Department of Education. This bill increases the statutory cap on annual COP payments incrementally by \$10 million in each of the next four fiscal years. Because lease payments have a local match and the state share is capped at 50 percent, this bill would authorize the increase of state expenditures from the assistance fund for lease payments for BEST projects by up to \$5 million in FY 2016-17 and \$10 million in FY 2017-18. While raising the statutory cap would increase the number of COP's to administer, the increased workload is anticipated to be minimal.

School District Impact

Assuming additional COPs are executed as a result of this bill's provisions, school districts could see increased BEST program grants for capital construction projects in FY 2016-17 and beyond.

Any additional COP agreement that is executed would also involve a local match from school districts. Historically, the average local match has covered 31 percent of overall project costs, and has ranged from 10 to 90 percent, depending on district resources.

Under current law, school districts and Boards of Cooperative Educational Services (BOCES) may submit a separate estimate of fiscal impacts within seven days of a bill's introduction. Estimates submitted by districts or BOCES for this bill can be found on the Legislative Council website at this address: <http://www.colorado.gov/lcs>.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except that section 1 of the bill takes effect July 1, 2016.

State Appropriations

For FY 2016-17, this bill requires a cash funds appropriation of \$5,000,000 from the Public School Capital Construction Assistance Fund to the Colorado Department of Education.

State and Local Government Contacts

Education

Natural Resources

Treasury

Research Note Available

An LCS Research Note for Senate Bill 16-072 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.