



**Colorado
Legislative
Council
Staff**

SB17-173

**FINAL
FISCAL NOTE**

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

Drafting Number: LLS 17-0919
Prime Sponsor(s): Sen. Lambert
Rep. Hamner

Date: May 15, 2017
Bill Status: Signed into Law
Fiscal Analyst: Marc Carey (303-866-4102)

BILL TOPIC: SCHOOL FINANCE MID-YEAR ADJUSTMENTS

Fiscal Impact Summary	FY 2016-2017 (current year)	FY 2017-2018	FY 2018-2019
State Revenue			
State Expenditures			
General Fund		\$2,421,919	
State Education Fund	\$3,950		
Appropriation Required: \$3,950 - Department of Education (FY 2016-17). See State Appropriations section.			
Future Year Impacts: None.			

Summary of Legislation

This bill, *recommended by the Joint Budget Committee and updated to clarify the needed appropriations*, makes mid-year adjustments to the 2016 School Finance Act necessary to maintain the total amount of state and local funding anticipated for public schools, based on the October 2016 student count and the 2016 certified property values. The reduction in both students and at-risk students reduces total program funding before application of the negative factor by \$25.5 million, while local revenue available to support school finance is \$23.1 million lower than anticipated. Because the reduction in total program exceeds the reduction in local revenue, maintaining the existing state share appropriation at a constant level allows for the reduction of the negative factor by \$2.4 million in FY 2016-17 and FY 2017-18. These adjustments decrease the statewide average per pupil funding after application of the negative factor from \$7,425 anticipated in the original appropriation to \$7,421 in FY 2016-17.

Background

At the time that the Long Bill appropriation for school finance is established, many data are unknown. The initial appropriation is based on forecasts of the funded pupil counts, the number of at-risk students, and property tax revenue. Subsequently, school districts conduct a student count in October, county assessors and the State Board of Equalization certify the total valuation for assessment of all taxable property, and school district boards certify the district's mill levy for

school finance. By early January within the fiscal year, these data are finalized by school districts and compiled by the Colorado Department of Education (CDE). CDE annually submits a supplemental request to make mid-year appropriation adjustments based on actual data.

For FY 2016-17, the funded pupil count decreased by 2,646 compared with the forecasted enrollment. In addition, the at-risk student count was 4,029 lower than projected. These two impacts decreased overall school finance funding by \$25.5 million. In addition, actual local property tax revenue in 2016 was \$31.3 million lower than the estimates that were used for the initial appropriation last spring, and actual specific ownership tax revenue came in \$8.2 million higher than forecast. Thus, the overall local share for total program decreased by \$23.1 million. Table 1 details these adjustments.

Table 1. Changes in Pupil Count and Local Tax Revenue			
	FY 2016-17 (initial)	FY 2016-17 (actual)	Mid-Year Change
Funded Pupil Count	861,441	858,796	(2,646)
At-Risk Pupil Count	311,413	307,384	(4,029)
Local Share of Total Program	\$2,280.7	\$2,257.7	(\$23.1)
Property Tax	2,121.3	2,090.0	(31.3)
Specific Ownership Tax	159.5	167.7	8.2

State Expenditures

School Finance. This bill makes mid-year adjustments to school finance-related appropriations for FY 2016-17. The cost of total program funding prior to the application of the negative factor declined \$25.5 million due to lower than anticipated student and at-risk student counts. Because local tax revenue for school finance came in lower than was projected last spring, money available for the local share is \$23.1 million less than anticipated. As a result, maintaining the original appropriation for the state share of total program funding reduces the negative factor by \$2.4 million. Table 2 details mid-year adjustments to the FY 2016-17 appropriations for school finance.

Table 2. Adjustments to FY 2016-17 Appropriations for School Finance			
Fund Source	Initial Appropriation	Mid-Year Adjustment	Adjusted Appropriation
Total Program Funding	\$7,226,612,607	(\$25,499,673)	\$7,201,112,934
Local Share of Total Program Funding	2,280,782,709	(23,077,754)	2,257,704,955
State Share of Total Program	4,115,127,505	0	4,115,127,505
Negative Factor	<u>\$830,702,393</u>	<u>(\$2,421,919)</u>	<u>\$828,280,474</u>
Adjusted Total Program Funding	6,395,910,214	(23,077,754)	6,372,832,460

It should be noted that the statutory total program funding floor is not the same as the actual total program funding that appears in Table 2 above. The statutory total program funding floor (\$6,372,284,194 in FY 2016-17 under the bill) serves as a starting point for calculating the negative factor. The actual total program funding after application of the negative factor will be \$6,372,832,460, which is \$548,267 higher than the funding floor. The difference is the amount of the negative factor reduction attributable to the four school districts that are fully locally funded, and are thus not impacted by the negative factor in FY 2016-17.

Negative Factor. The bill reduces the negative factor from 11.54 percent to 11.51 percent, or a total of \$2.4 million across all school districts in both FY 2016-17 and FY 2017-18. This reduction is possible due to the lower-than-expected student counts and at-risk student counts.

Hold-Harmless Funding. The bill increases hold-harmless funding by \$3,950 in FY 2016-17 to align with the change in the funded pupil count and the reduction in the negative factor.

School District Impact

Under this bill, school districts will receive the same amount in state funding for school finance in FY 2016-17 as was originally appropriated. The \$25.5 million reduction in the overall cost or total program is mostly offset by a \$23.1 million decrease in the local share, allowing a \$2.4 million reduction in the negative factor.

Effective Date

The bill was signed into law by the Governor and took effect on March 1, 2017.

State Appropriations

For FY 2016-17, this bill contains an appropriation increase of \$3,950 for hold-harmless full-day kindergarten from the State Education Fund.

For FY 2017-18, this bill increases the state share of total program funding by \$2,421,919. The appropriation will be contained in the 2017 Long Bill.

State and Local Government Contacts

Education

Joint Budget Committee