



**Colorado
Legislative
Council
Staff**

SB17-296

**REVISED
FISCAL NOTE**

(replaces fiscal note dated May 5, 2017)

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

Drafting Number: LLS 17-1051
Prime Sponsor(s): Sen. Hill
Rep. Pettersen

Date: May 8, 2017
Bill Status: House Appropriations
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, *as amended by the House Education Committee*, 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.

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

Mill levy override revenue. This bill includes several requirements concerning the allocation of mill levy override (MLO) revenue by participating school districts. Participating districts are defined in the bill as districts of innovation or districts that have authorized at least one charter school that also collect MLO revenue. For FY 2019-20 and thereafter, the bill requires all participating districts to either implement a plan for distributing MLO revenue to each charter and innovation school in the district or distribute to these schools 95 percent of the districts MLO revenue on a per pupil basis.

If the district chooses to adopt a plan for M.O. sharing, the plan must be adopted by July 1, 2018, and must ensure that M.O. revenue is used to equitably support the education of all district students, regardless of the type of school the student attends. For each program included in the plan, the charter or innovation school may choose to receive the per pupil program share to provide the particular program or service. The local school board must ensure that the equitable distribution of M.O. revenue is fully implemented by FY 2019-20 and thereafter. Districts may, but are not required to distribute M.O. revenue to multi-district online schools. The bill requires each participating district that chooses to adopt a plan to post a copy of the plan on its website.

Beginning in FY 2019-20, participating districts that choose not to adopt a plan are required to distribute at least 95 percent of M.O. per pupil revenue to charter schools and innovation schools, and at the district's discretion, online students. Beginning in FY 2018-19, the bill requires such participating districts to post a statement of intent to share M.O. revenue on its website. The following year, such districts must post the updated total M.O. revenue collected and distributed.

The bill also includes several exemptions for districts in special circumstances. Specifically, districts are not required to share revenue generated from mills a district may levy for bonded debt. In addition, the bill exempts districts from sharing M.O. override revenue if the district already has a written policy directing M.O. revenue be targeted to students enrolled on alternative education campuses, at risk students, or students with individualized education programs. Districts are also not required to include revenue for charter school students that live in other districts.

Mill levy equalization of Charter School Institute. The bill creates the Mill Levy Equalization Fund in the state treasury to consist of any amount that the General Assembly may appropriate or transfer to the fund. Subject to annual appropriation, the Charter School Institute in the CDE must annually distribute all of the money appropriated or transferred to the fund to institute charter schools on an equal per-pupil basis.

Online Posting of Innovative District and Charter School Waivers. Beginning July 1, 2017, the bill requires innovation districts and charter schools to post a list of waivers they have received from the State Board of Education (SBE). For waivers that are not automatic, the district or school must also post a copy of their plan explaining the manner by which they intend to meet the intent of the waived statute. Beginning July 1, 2018, charter schools must post a standardized description and rationale for all automatic waivers it invokes, and contact information for employees who can provide additional information regarding these waivers. The standardized description will be developed by the CDE working with the CSI and a statewide association representing charter schools.

Supplemental Assistance from Contingency Reserve Fund. Beginning in FY 2017-18, the bill permits the state to provide supplemental assistance from the contingency reserve fund to help districts that, because of at least a 20 percent enrollment increase over projected levels, may experience an unusual financial burden to implement or expand a school program. The district is required to reimburse the state for such assistance following the adjustment in the district's distribution that results from the certification of assessed values and student enrollment.

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.

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 negative factor. The bill does not establish a negative factor for FY 2018-19.

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 negative 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 negative 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

Charter School Institute Mill Levy Equalization. Beginning with FY 2017-18, this bill potentially increases state expenditures to provide mill levy equalization payments to institute charter schools on a per-pupil basis. The precise amount of funding for the payments is at the discretion of the General Assembly, and must be determined annually. For FY 2016-17, the funded pupil count for CSI schools was 15,700. As an example, if the General Assembly appropriates or transfers \$1.0 million to the fund, equalization payments to CSI schools would equate to about \$63.69 per student.

If the General Assembly chooses to appropriate funds to equalize CSI schools based on FY 2016-17 data regarding override revenue and the CSI funded pupil count, state expenditures increase by about \$13.9 million. For informational purposes, Table 2 displays the per-pupil amount of equalization payments at different levels of funding.

Appropriation	CSI Students	Per-Pupil Funding
\$1.0 million	15,700	\$63.69
\$5.0 million	15,700	\$318.47
\$10.0 million	15,700	\$636.94
\$15.0 million	15,700	\$955.41

Contingency Reserve Fund. This bill allows districts whose enrollment increases by more than 20 percent over projected levels to access money for loans from the Contingency reserve fund. Currently that fund has a balance of \$1.0 million.

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.

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).

Mill levy override revenue. Beginning in FY 2019-20, school districts that have either authorized at least one charter school or have been designated a district of innovation will be required to either allocate 95 percent of mill levy override revenue to charter and innovation schools based on a per pupil override calculation or do so according to a distribution plan they have developed. Currently, 47 school districts either have charter schools or have been designated a district of innovation. Of these, 37 receive revenue from mill levy overrides. The total amount of local revenue distributed to charter schools in FY 2019-20 and beyond has not been estimated.

Effective Date

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

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.

State and Local Government Contacts

Education Legislative Council Staff Joint Budget Committee Staff