



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

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| Drafting Number: | LLS 21-0852 | Date: | June 2, 2021 |
| Prime Sponsors: | Rep. McCluskie; Herod Sen. Zenzinger; Rankin | Bill Status: | House Education |
| | | Fiscal Analyst: | Marc Carey 303-866-4102 marc.carey@state.co.us |

Bill Topic: FUNDING PUBLIC SCHOOLS FORMULA

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|----------------------------------|---|---|
| Summary of Fiscal Impact: | <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| | <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| | <input type="checkbox"/> State Transfer | <input type="checkbox"/> School District |

This bill establishes an interim committee on school finance in the 2021 and 2022 legislative interims, and requires that that the committee design and recommend a state mill levy override matching program, and contract for a study on methods of measuring student economic disadvantage. The bill increases state expenditures in FY 2021-22 and FY 2022-23.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of \$100,153 to the Legislative Department. See State Appropriations Section.

Fiscal Note Status: This fiscal note is provided pursuant to Joint Rule 22 (b) (2) and reflects strike-below Amendment L.001.

Table 1
State Fiscal Impacts Under HB 21-1325

| | | Budget Year FY 2021-22 | Out Year FY 2022-23 |
|---------------------|---------------------------|---------------------------|------------------------|
| Revenue | | - | - |
| Expenditures | General Fund | \$100,153 | \$42,948 |
| | Centrally Appropriated | \$7,905 | \$8,158 |
| | Total Expenditures | \$108,058 | \$51,106 |
| | Total FTE | 0.5 FTE | 0.5 FTE |
| Transfers | | - | - |
| TABOR Refund | | - | - |

Summary of Legislation

This bill establishes an interim committee on school finance for the 2021 and 2022 legislative interims.

Interim committee. The bill creates the Legislative Interim Committee on School Finance to meet during the 2021 and 2022 legislative interims. The committee is made up of four Senators and four Representatives, with equal party representation, and may convene subcommittees that include people with technical expertise in school finance. The committee must consider the following topics:

- how to modernize the formula to make it more transparent, equitable, and student-centered;
- whether the current method for identifying at-risk pupils is an appropriate, accurate method, which may be informed by the poverty study required by the bill;
- whether to redesign funding allocation based on district cost-of-living and personnel costs to only significantly high cost districts;
- the appropriate method to address small, remote, and rural school district funding;
- funding equity related to total program mill levy and mill levy overrides;
- alternative educator support for districts teaching kindergarten through second grade students; and
- benefits and challenges of incorporating special education services into the formula.

The bill specifies that the interim committee shall use \$90 million from the State Education Fund for the implementation of school finance changes. The committee may meet up to five times each interim, and may meet during the legislative session to approve legislation. It may introduce up to five bills in the 2022 and 2023 legislative sessions. Committee bills are not required to be reported to Legislative Council.

State match for mill levy override (MLO) effort. The bill directs the interim committee to design and recommend a program, beginning in FY 2022-23, to support students by incentivizing voter approval for MLOs in low property wealth districts by providing a state match for MLO revenue. In designing the program, the committee must consider:

- how to address out-of-district student enrollment and multi-district online programs that may increase a district's pupil count but not its property tax base;
- how the mix of residential and non-residential properties affects assessed values and property tax revenue collected by the district because of the difference in assessment rates;
- the threshold at which districts would become eligible for state money to match mill levy override revenue;
- the appropriate number of total program mills a district must levy to be eligible;
- the treatment of institute charter schools located in participating districts; and
- any other relevant considerations.

The interim committee may introduce legislation to implement a program providing state matching money for local MLO revenue.

Poverty study. By September 1, 2021, the bill requires the interim committee to contract with a third-party vendor to analyze various methods of measuring student economic disadvantage and the necessary data and systems alignment needed to incorporate those measures into the school finance

formula. The bill specifies what must be included in the study and analysis. The vendor must be selected by the chair of the committee, with consultation from the committee and the CDE. The completed study must be provided to the interim committee, the education committees, and the Joint Budget Committee by January 1, 2022.

State Expenditures

The bill increases state expenditures by \$108,058 in FY 2021-22 and \$51,106 in FY 2022-23. The components of the expenditure changes are listed in Table 2 below.

Table 2
Legislative Department Expenditures

| | FY 2021-22 | FY 2022-23 |
|--|------------------|-----------------|
| Legislative Department | | |
| Personal Services | \$30,742 | \$33,537 |
| Legislator Per Diem and Travel | \$9,411 | \$9,411 |
| Contracting – Poverty Study | \$60,000 | - |
| Centrally Appropriated Costs ¹ | \$7,905 | \$8,158 |
| FTE – Legislative Council Staff | 0.3 FTE | 0.3 FTE |
| FTE – Office of Legislative Legal Services | 0.2 FTE | 0.2 FTE |
| Total Cost | \$108,058 | \$51,106 |
| Total FTE | 0.5 FTE | 0.5 FTE |

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

Interim committee. In FY 2021-22 and FY 2022-23, the Legislative Department requires 0.3 FTE for Legislative Council Staff and 0.2 FTE for the Office of Legislative Legal Services to support the committee, including meeting coordination, communications, research, bill drafting, and bill editing. Staffing levels are consistent with other past interim committees created through legislation. Additionally, the bill increases legislator per diem and travel reimbursements by \$9,411, based on an assumed five meetings per interim and standard per diem (\$99) and travel rates (\$124) per meeting.

Poverty study. Based on the costs of similar studies, the fiscal note estimates that \$60,000 is required contract with a vendor to complete the study.

Funding for formula changes. The bill specifies that the interim committee shall use \$90.0 million for formula changes. The use of those funds will be determined by future legislation and accompanying appropriations.

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 estimated to be \$7,905 in FY 2021-22 and \$8,158 in FY 2022-23.

Effective Date

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

State Appropriations

For FY 2021-22, the bill requires a General Fund appropriation of \$100,153 to the Legislative Department, as follows:

- \$78,538 for Legislative Council Staff, and 0.3 FTE;
- \$12,204 for the Office of Legislative Legal Services, and 0.2 FTE; and
- \$9,411 for the General Assembly.

State and Local Government Contacts

Education
Legislative Council Staff

Joint Budget Committee Staff
Legislative Legal Services