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Final Fiscal Note

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Prime Sponsors: Sen. Moreno; Zenzinger Bill Status: Signed into Law
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Bill Topic: ADJUSTMENTS TO SCHOOL FUNDING FY 2020-21

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- School District
- Statutory Public Entity

This bill makes mid-year adjustments to the 2020 School Finance Act in order to maintain total program after application of the budget stabilization factor at the level anticipated in the original appropriation. The bill also appropriates money outside the school finance formula to mitigate the impacts of the pandemic on pupil counts, at-risk pupil counts, and local share revenue. The bill also appropriates money to rural schools as required by HB 20-1427 with the passage of Proposition EE.

Appropriation Summary: For FY 2020-21, the bill includes a General Fund appropriation of \$40,905,287 for the state share of total program and a General Fund appropriation of \$19,859,090 to mitigate COVID-19 impacts. The bill also includes a cash funds appropriation of \$25,000,000 from the Rural Schools Cash Fund.

Fiscal Note Status: This fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under SB 21-053

Table with 4 columns: Category, Current Year FY 2020-21, Budget Year FY 2021-22, Out Year FY 2022-23. Rows include Revenue, Expenditures (General Fund - School Finance, General Fund - COVID-19 Relief, Cash Funds, Total Expenditures), Transfers, and TABOR Refund.

Summary of Legislation

Formula funding. This bill makes mid-year adjustments to the 2020 School Finance Act to maintain total program funding after application of the budget stabilization factor at the level anticipated by the original appropriation. This amount is based on the October 2020 student count and the 2020 certified property values. The decrease in both students and at-risk students reduces total program funding before application of the budget stabilization factor by \$120.9 million, while local revenue available to support school finance is \$40.9 million lower than anticipated. Reducing the budget stabilization factor by \$120.9 million maintains total program funding at its initial appropriation and increases the state share of total program by \$40.9 million. These adjustments increase the statewide average per pupil funding after application of the budget stabilization factor by \$45.10, to \$8,122.76 in FY 2020-21.

COVID-19 mitigation funding. The bill provides an additional \$19.9 million outside of the school finance formula to mitigate the impacts of the pandemic on pupil counts, at-risk pupil counts, and local share revenue. This funding ensures that no district's appropriation falls by a greater percentage than their funded pupil count decreased, and by more than 2 percent below their original appropriation. Mitigation funding is also provided on a per pupil basis to qualifying Charter School Institute (CSI) schools located in qualifying districts.

Rural schools funding. The bill provides \$25.0 million for distribution to rural schools and institute charter schools as required by House Bill 20-1427 and Proposition EE, adopted by the voters during the November 2020 general election.

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 each district's mill levy for school finance. By early January, 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 2020-21, the funded pupil count decreased by 4,975 from what was forecast. In addition, the at-risk student count was 53,158 lower than projected. These two impacts decreased overall school finance funding by \$120.9 million. In addition, actual local property tax revenue in 2020 was \$37.4 million lower than the estimates that were used for the initial appropriation last spring, and actual specific ownership tax revenue came in \$3.5 million lower than forecast. Thus, the overall local share for total program decreased by \$40.9 million. Table 2 details these adjustments.

Table 2
Changes in Pupil Count and Local Tax Revenue

	FY 2020-21 (initial)	FY 2020-21 (actual)	Mid-Year Change
Funded Pupil Count	896,094	891,119	(4,975)
At-Risk Pupil Count	353,854	300,696	(53,158)
Local Share of Total Program (millions)	\$3,054.5	\$3,013.6	(\$40.9)
Property Tax (millions)	\$2,847.4	\$2,809.9	(\$37.4)
Specific Ownership Tax (millions)	\$207.2	\$203.7	(\$3.5)

Note: totals may not sum due to rounding.

State Expenditures

In the current FY 2020-21, the bill increases state expenditures by \$85.8 million. Of this amount, \$60.8 million is from the General Fund and \$25.0 million is from the Rural School Cash Fund.

School finance. This bill makes mid-year adjustments to school finance-related appropriations for FY 2020-21, increasing the state share of total program by \$40.9 million and decreasing the budget stabilization factor by \$120.9 million from the level of the original appropriation. The cost of total program funding prior to the application of the budget stabilization factor decreased by \$120.9 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 \$40.9 million less than anticipated. Maintaining total program funding after application of the budget stabilization factor at its current level implies an increase in the state share of total program by a like amount. Table 3 details mid-year adjustments to the FY 2020-21 appropriations for school finance.

Table 3
Total Program Funding Under SB 21-053

	Initial Appropriation	Mid-Year Change	Adjusted Appropriation
Total Program Funding	\$8,411,855,677	(\$120,850,246)	\$8,291,005,431
Local Share of Total Program	\$3,054,550,789	(\$40,905,287)	\$3,013,645,502
State Share of Total Program	\$4,183,792,730	\$40,905,287	\$4,224,698,017
Budget Stabilization Factor	(\$1,173,512,158)	\$120,850,246	(\$1,052,661,912)
Adjusted Total Program Funding	\$7,238,343,519	\$0	\$7,238,343,519

It should be noted that the statutory total program funding floor in the bill (\$7,232,270,482 in FY 2020-21) is not the same as the actual total program funding that appears in Table 3 above. The statutory total program funding floor serves as a starting point for calculating the budget stabilization factor. The actual total program funding after application of the budget stabilization factor will be \$7,238,343,519, which is \$6,073,037 higher than the funding floor. The difference is the amount of the budget stabilization factor reduction attributable to the eight school districts that are fully locally funded, and are thus not impacted by the budget stabilization factor in FY 2020-21.

Budget stabilization factor. By reducing the budget stabilization factor by \$120.9 million across all school districts, the bill decreases the budget stabilization factor in percentage terms from 14.24 percent to 12.77 percent.

COVID-19 mitigation funding. The bill provides an additional \$19.9 million outside of the school finance formula to mitigate the impacts of the pandemic on pupil counts and at-risk pupil counts. Specifically, in order to protect against the potential of undercounting at-risk students in a pandemic, this total includes \$14.7 million to ensure that no district's total program funding decreases by a greater percentage than the decrease in its funded pupil count.

The total also includes \$4.6 million to ensure that no district's total program falls by more than 2.0 percent from its original appropriation. This adjustment assists districts where the funded pupil count fell by more than 2.0 percent, as well as districts that were expected to be fully locally funded but declines in assessed values reduced available local revenues by more than 2.0 percent.

Finally, the total includes \$569,849 in additional funding for students at seven CSI schools, located in three qualifying districts. This money will be distributed to these schools, based on the per-pupil amounts that each of the three authorizing districts receives.

Rural school funding. The bill provides \$25.0 million in cigarette, tobacco, and nicotine tax revenue for distribution to rural schools and institute charter schools, as required by House Bill 20-1427 and Proposition EE adopted by the voters during the November 2020 general election.

School District Impact

Formula funding. Under this bill, total funding for school districts through the formula will be held constant from the funding amount that was originally appropriated for school finance in FY 2020-21, although the funding for individual districts will vary, depending on changes in pupil counts and local share. The constant cost of total program combined with the \$40.9 million reduction in the local share requires a \$40.9 million increase in the state's share of total program. District-level details for this funding adjustment are provided in Appendix A.

Funding outside the formula. Under this bill, 52 districts will also receive a total of \$19.3 million to mitigate dynamics caused by the COVID-19 pandemic, according to specified criteria detailed above. In addition, seven CSI schools whose total program declined and are located within three qualifying districts will receive an additional \$569,849, allocated on a per-pupil basis. District-level and CSI school distributions for COVID-19 mitigation are detailed in Appendix B on a district basis.

In addition, rural districts will receive an additional \$25 million as required by House Bill 20-1427 and Proposition EE. District-level rural funding is allocated by CDE and detailed here: <http://www.cde.state.co.us/cdefinance/fy2020-21ruralfundingperpropee>

Technical Note

The actual funded pupil count and at-risk counts listed above are slightly revised from those published in the JBC staff analysis for this bill due to late student count data changes submitted by a single school district.

Effective Date

The bill was signed into law by the Governor and took effect on March 15, 2021.

State Appropriations

For FY 2020-21, this bill contains:

- a General Fund appropriation of \$40,905,287 to the Department of Education for the state share of total program;
- a General Fund appropriation of \$14,710,777 to the Department of Education for distribution to school districts whose total program declined by a greater percentage from their initial appropriation than their funded pupil count changed;
- a General Fund appropriation of \$4,578,464 to the Department of Education for distribution to school districts whose total program declines by more than 2 percent from their initial appropriation;
- a General Fund appropriation of \$569,849 to the Department of Education for distribution to qualified institute charter schools; and
- an appropriation of \$25,000,000 to the Department of Education from the Rural Schools Cash Fund for distribution to rural schools.

State and Local Government Contacts

Education

Joint Budget Committee Staff

School Districts