

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee  
FROM Craig Harper, JBC Staff (303-866-3481)  
DATE March 20, 2023  
SUBJECT Long Bill School Finance Recommendation (March 2023 OSPB Forecast)

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Staff is returning to the Committee with two items related to school finance appropriations and the FY 2023-24 Long Bill:

- *FY 2022-23 Transfer to BEST*: Following up on Friday's discussion regarding the status of the Marijuana Tax Cash Fund and the pending transfer to the Public School Capital Construction Assistance Fund (PSCCAF, which supports the Building Excellent Schools Today (BEST) program), staff offers an option for the Committee to consider that would make \$30.0 million additional General Fund available for transfer to the PSCCAF *in the current year (FY 2022-23)*. Doing so would reduce the State Education Fund (SEF) balance available for school finance or other programs in subsequent years but would allow for the entire June 1, 2023, transfer to support the BEST program.
- *FY 2023-24*: Staff offers an updated recommendation for the FY 2023-24 *Long Bill* appropriation for the State Share of Districts' Total Program Funding line item based on the March 2023 OSPB revenue forecast. In net, the OSPB forecast anticipates slightly less revenue will be available from the State Public School Fund than the LCS forecast, which will require a slightly higher appropriation from the State Education Fund or the General Fund than anticipated in the figure setting document.

### **FY 2022-23 ADJUSTMENT FOR BEST**

During the Committee's discussion of the status of the Marijuana Tax Cash Fund (MTCF) on Friday (March 17), the Committee asked for additional options to address the solvency of the MTCF *and* support the \$30.0 million transfer to the PSCCAF scheduled for June 1, 2023. **If the Committee wishes to ensure that a transfer of \$30.0 million to the PSCCAF take place as currently anticipated, staff recommends that the Committee take the following actions.**

- Attach an amendment to the FY 2023-24 Long Bill<sup>1</sup> that would: (1) increase the *FY 2022-23* appropriation from the SEF for the State Share of Districts' Total Program Funding line item by \$30.0 million and (2) decrease the General Fund appropriation for that line item by the same amount.
- Sponsor legislation to: (1) eliminate the existing transfer of \$30.0 million from the MTCF to the PSCCAF (because the MTCF does not have sufficient revenue) and (2) transfer \$30.0 million General Fund to the PSCCAF on June 1, 2023.

Staff is aware of other options under consideration by stakeholders. However, given the available balance in the SEF (estimated at \$1.3 billion at the end of FY 2022-23 under the March 2023 OSPB under current law), staff suggests that this is option would be preferable to making a large number of adjustments to current law and multiple other education programs. The following table shows the

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<sup>1</sup> The Long Bill will presumably already be carrying an amendment adjusting FY 2022-23 appropriations for school finance in order to align General Fund Exempt appropriations with the updated revenue forecast. Staff's recommendation would simply include the refinance associated with BEST in that same amendment.

recommended changes to the current FY 2022-23 appropriation for school finance based on the assumption that the Committee wishes to prioritize a transfer of \$30.0 million to the PSCCAF.

FY 2022-23 SUPPLEMENTAL ADJUSTMENT FOR BEST TRANSFER SCENARIO			
	FY 2022-23 CURRENT APPROPRIATION	RECOMMENDED LONG BILL ADJUSTMENT FOR BEST SCENARIO	FY 2022-23 APPROPRIATION (BEST TRANSFER SCENARIO)
State Share of Districts' Total Program	<u>\$4,990,054,616</u>	<u>\$0</u>	<u>\$4,990,054,616</u>
General Fund	4,238,686,861	(30,000,000)	4,208,686,861
Cash Funds (SEF)	638,436,892	30,000,000	668,436,892
Cash Funds (SPSF)	112,930,863	0	112,930,863
<b>General Fund Available for Transfer to BEST</b>		<b>30,000,000</b>	<b>30,000,000</b>

**FY 2023-24 LONG BILL APPROPRIATION FOR SCHOOL FINANCE**

Staff's figure setting recommendation for the FY 2023-24 Long Bill appropriation for school finance (State Share of Districts' Total Program Funding) balanced to the December 2022 Legislative Council Staff Revenue Forecast. Now that the Committee has selected the March 2023 OSPB revenue forecast for balancing purposes, staff is returning with the "final" recommendation for the Long Bill appropriation. Consistent with the figure setting presentation from February 13, 2023,<sup>2</sup> the recommendation:

- **Holds the General Fund appropriation constant at the *current* level from FY 2022-23 (\$4,238,686,861).** If the Committee moves forward with the FY 2022-23 scenario discussed above, then the staff recommendation would require an increase of \$30.0 million General Fund in FY 2023-24 to restore the General Fund appropriation to its current level.
- Targets an ending balance of \$30.0 million in the State Public School Fund (SPSF), equal to the OSPB-projected FY 2023-24 deposits of marijuana taxes to the SPSF plus a \$5.0 million buffer. Current law still requires appropriations of marijuana tax revenues from the SPSF in the year after collection (in arrears), and this targeted ending balance is consistent with the Committee's actions in previous years. The Committee should note that the large appropriation from the SPSF in FY 2023-24 (\$295.8 million for total program) is enabled by a one-time transfer of \$200.0 million General Fund to the SPSF in FY 2022-23 intended to offset anticipated impacts on property tax revenues from S.B. 22-238.
- Appropriates the remaining amount necessary to hold the budget stabilization factor constant at \$321.2 million from the State Education Fund. Because of the large increase in local revenues anticipated for FY 2023-24 (shown in the table below and discussed at length during figure setting), this requires an appropriation of \$297,073,616 from the SEF. That represents a decrease of \$341.3 million below the current FY 2022-23 appropriation and \$371.3 million below the SEF appropriation outlined in the FY 2022-23 BEST transfer scenario discussed above.

The table on the following page summarizes the major data points associated with total program funding under the current FY 2022-23 appropriation, the Governor's request (which includes a \$120.0 million reduction to the budget stabilization factor that would take place in the school finance bill), and the staff recommendation for the FY 2023-24 Long Bill.

<sup>2</sup> The discussion of the annual total program request begins on page 5 of the figure setting document available at: [https://leg.colorado.gov/sites/default/files/fy2023-24\\_edufig2.pdf](https://leg.colorado.gov/sites/default/files/fy2023-24_edufig2.pdf)

MARCH 20, 2023

FY 2023-24 LONG BILL RECOMMENDATION FOR TOTAL PROGRAM FUNDING				
	FY 2022-23 CURRENT APPROPRIATION	GOVERNOR'S REVISED (JANUARY 17) REQUEST	FY 2023-24 JBC STAFF LONG BILL RECOMMENDATION	CHANGE FROM GOVERNOR'S CURRENT FY 2022-23
Funded Pupil Count	879,477	857,776	857,776	(21,701)
Inflation Rate	3.5%	8.0%	8.0%	4.5%
Statewide Base Per Pupil Funding	\$7,478	\$8,076	\$8,076	\$598
<b>Total Program Funding</b>				
Total Program before Budget Stab. Factor	\$8,760,545,917	\$9,245,581,505	\$9,245,575,921	\$485,030,004
Budget Stabilization Factor	(321,243,484)	(201,267,250)	(321,243,484)	0
<i>Budget Stabilization Factor as Percentage</i>	<i>-3.67%</i>	<i>-2.18%</i>	<i>-3.47%</i>	<i>0.19%</i>
Adjusted Total Program	\$8,439,302,433	\$9,044,314,255	\$8,924,332,437	\$485,030,004
Statewide Average Per Pupil	\$9,595.82	\$10,544	\$10,404	\$808
<b>Local And State Shares</b>				
Local Share	<u>\$3,449,247,817</u>	<u>\$4,092,805,709</u>	<u>\$4,092,794,096</u>	<u>\$643,546,279</u>
Property Tax	3,220,075,854	3,856,758,587	3,856,746,974	636,671,120
Specific Ownership Tax	229,171,963	236,047,122	236,047,122	6,875,159
State Share	<u>\$4,990,054,616</u>	<u>\$4,951,508,546</u>	<u>\$4,831,538,341</u>	<u>(\$158,516,275)</u>
General Fund	4,238,686,861	4,237,853,668	4,238,686,861	0
Cash Funds (SEF)	638,436,892	414,575,002	297,073,616	(341,363,276)
Cash Funds (SPSF)	112,930,863	299,079,876	295,777,864	182,847,001
<b>Annual General Fund Increase</b>		<b>-833,193</b>	<b>0</b>	<b>\$0</b>
Statutory Change Required		Yes	Yes	

JBC Staff is not currently recommending a specific placeholder for any changes to the budget stabilization factor (BSF) in the 2023 school finance bill. Given the ongoing policy discussions in the General Assembly related to both potential formula changes and reductions to the BSF, those policy discussions would clearly impact any potential scenario related to the BSF. However, JBC Staff will continue to work with Legislative Council Staff to analyze multi-year scenarios as requested by legislators.

Based on the March 2023 OSPB revenue forecast, JBC staff currently estimates that the SEF will end FY 2022-23 with a balance of approximately \$1.3 billion. Based on the Committee's actions to date, including a set aside for the JBC bill providing additional support for facility schools, staff estimates that the fund would end FY 2023-24 with a balance of \$1.49 billion. Any use of the SEF to support formula changes and/or reduce the BSF would decrease that projected ending balance, and it is important to note that the March OSPB forecast anticipates approximately \$100 million less in *annual* SEF deposits than the LCS forecast throughout the forecast period which.