

MEMORANDUM

TO: Chairman Steadman and Joint Budget Committee Members

FROM: Craig Harper (303-866-3481)

SUBJECT: Staff "Comeback" for Education, Public School Finance

DATE: March 19, 2013

During figure setting for the Department of Education on March 14 and 15, 2013, the Committee approved Long Bill appropriations for public school finance, including the State Share of Districts' Total Program line item.¹ Staff based the figure setting recommendation on the December 2012 Legislative Council Staff Revenue Forecast (December forecast). Given changes to relevant data in the March 2013 Legislative Council Staff Revenue Forecast (March forecast), **staff recommends that the Committee reconsider decisions on specific fund sources for the Long Bill appropriation for school finance.** The March forecast does not change the recommended total appropriation for school finance in FY 2013-14.

The March forecast includes the following changes directly relevant to school finance appropriations (relative to the December forecast):

- *Reduced* projections of federal mineral lease (FML) revenues for the State Public School Fund (\$2.6 million reduction in FY 2012-13 and \$2.7 million in FY 2013-14).
- *Increased* revenues to the State Education Fund, including: an additional \$6.5 million in income tax deposits in FY 2012-13 and a total increase of \$76.9 million in FY 2013-14 (\$13.7 million in income tax deposits and \$63.2 million in year-end transfers of FY 2012-13 General Fund revenues).

Based on the changes in the March forecast, **staff recommends that the Committee make the following changes to the State Share of Districts' Total Program line item:**

- **Approve a supplemental "add-on" to reduce the FY 2012-13 appropriation from the State Public School Fund by \$3.0 million and increase the appropriation from the State Education Fund by that amount.** Based on the March forecast, the *current* FY 2012-13 appropriation would overspend the State Public School Fund by \$1.7 million. Staff recommends the \$3.0 million adjustment to provide a "buffer" for potential additional declines in FML revenues.
- **Make the following adjustments to the FY 2013-14 Long Bill appropriation relative to the figure setting recommendation: (1) reduce the General Fund appropriation by \$18.7 million; (2) reduce the State Public School Fund appropriation by \$2.2 million; and (3) increase the State Education fund appropriation by \$20.9 million.** The revised

¹ See pages 46 through 57 of the document titled, "FY 2013-14 Staff Figure Setting: Department of Education", dated March 14, 2013, and available at: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2012-13/edufig.pdf

recommendation accounts for reduced State Public School Fund revenues and increased State Education Fund revenues using the same methodology as the figure setting recommendation to stabilize the growth in General Fund expenditures over the next several years.

FY 2012-13

The following table compares the current FY 2012-13 appropriation for the State Share of Districts' Total Program line item to the revised recommendation based on the projected decrease in FML revenues to the State Public School Fund.

FY 2012-13 Appropriation for State Share of Districts' Total Program		
Fund Source	FY 2012-13 (Current Law)	FY 2012-13 Recommendation
Cash Funds (State Public School Fund)	\$189,922,411	\$186,922,411
<i>Percent Change from Current</i>		<i>-1.6%</i>
Cash Funds (State Education Fund)	337,490,003	340,490,003
<i>Percent Change from Current</i>		<i>0.9%</i>
General Fund	2,852,301,877	2,852,301,877
<i>Percent Change from Current</i>		<i>0.0%</i>
Total State Funds	\$3,379,714,291	\$3,379,714,291
<i>Percent Change from Current</i>		<i>0.0%</i>

FY 2013-14

The following table compares the figure setting recommendation for the State Share of Districts' Total Program line item to the revised recommendation incorporating the projected increases in State Education Fund revenues and decreases in State Public School Fund revenues.

Sources of Funds Appropriated for the State Share of Districts' Total Program					
Fund Source	FY 2012-13	FY 2013-14			
	Revised Staff Rec.	Governor's Request	Figure Setting Recommendation	Revised Recommendation	Change from Figure Setting
Cash Funds (State Public School Fund)	\$186,922,411	\$91,600,000	\$79,148,603	\$76,904,505	(\$2,244,098)
<i>Annual Percent Change</i>	<i>27.5%</i>	<i>-51.0%</i>	<i>-57.7%</i>	<i>-58.9%</i>	
Cash Funds (State Education Fund)	340,490,003	618,559,147	449,308,813	470,240,736	20,931,923
<i>Annual Percent Change</i>	<i>-33.4%</i>	<i>81.7%</i>	<i>32.0%</i>	<i>38.1%</i>	
General Fund	2,852,301,877	2,865,101,877	2,952,361,615	2,933,673,790	(18,687,825)
<i>Annual Percent Change</i>	<i>6.8%</i>	<i>0.4%</i>	<i>3.5%</i>	<i>2.9%</i>	
Total State Funds	\$3,379,714,291	\$3,575,261,024	\$3,480,819,031	\$3,480,819,031	\$0
<i>Annual Percent Change</i>	<i>1.4%</i>	<i>5.8%</i>	<i>3.0%</i>	<i>3.0%</i>	

As discussed during figure setting, staff's methodology focuses on stable growth in General Fund appropriations to produce a \$100 million balance in the State Education fund at the end of

FY 2016-17. Based on the March forecast, the General Assembly could increase General Fund appropriations by 2.9 percent each year over that period and increase statewide average per pupil funding by the projected rate of inflation each year (as directed by S.B. 13-108). For comparison purposes, the December forecast discussed at figure setting indicated that an annual 3.5 percent increase would be necessary under that scenario.

Options for Alternative Funding Levels

The Committee and General Assembly may wish to provide more (or less) funding than staff is recommending for school finance in FY 2013-14 (most likely to be changed through the annual school finance bill). Staff is not including a specific recommendation regarding a different funding level in this packet. However, the following table (inserted from the figure setting document) shows the funding increases necessary to achieve specific funding benchmarks in FY 2013-14 (relative to the approved total appropriation for FY 2013-14).

State Funding Required for FY 2013-14 under Three Scenarios				
Description	Statewide Average Per Pupil Funding	Incremental Change in State Funding from Staff Recommendation	Cumulative Annual Change in State Funding	Change from Staff Recommendation
Increase FY 2012-13 Per Pupil Funding by Inflation (1.9%) (staff Long Bill recommendation)	6,602.53	0	0	0
Maintain FY 2012-13 Negative Factor (\$1,011,518,997)	6,644.11	34,362,300	34,362,300	34,362,300
Governor's Request	6,716.83	60,079,693	94,441,993	94,441,993
Eliminate Negative Factor	7,868.07	951,439,304	1,045,881,297	1,045,881,297