



**Colorado  
Legislative  
Council  
Staff**

**HB17-1089**

**FISCAL NOTE**

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

**Drafting Number:** LLS 17-0404  
**Prime Sponsor(s):** Rep. Lundeen

**Date:** February 10, 2017  
**Bill Status:** House Education  
**Fiscal Analyst:** Marc Carey (303-866-4102)

**BILL TOPIC:** PARENT CHOICE IN LOW-PERFORMING SCHOOL DISTRICTS

<b>Fiscal Impact Summary</b>	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>	<b>FY 2019-2020</b>
<b>State Revenue</b>			
<b>State Expenditures</b>	<b><u>\$1,539,100</u></b>	<b><u>\$6,021,227</u></b>	<b><u>\$12,115,457</u></b>
<b>General Fund</b>	1,539,100	6,021,227	12,115,457
<b>Appropriation Required:</b> \$1,539,100 - Colorado Department of Education (FY 2017-18)			
<b>Future Year Impacts:</b> Ongoing state expenditures.			

**Summary of Legislation**

This bill defines school districts accredited with: 1) a priority improvement plan or 2) a turnaround plan for 5 consecutive years as chronically low-performing (CLP) school districts, and specifies that such districts must establish a Parent Choice Program. Under this program, CLP districts must create a parent choice account for each enrolled student and deposit into each account annually the per-pupil amount of the state share of total program and the per-pupil amount of categorical program funding that the district receives. CLP districts may also deposit the per-pupil amount of the local share of total program funding. If a CLP district chooses not to deposit the per-pupil local share, it may not collect property tax for that school year, and the state will not backfill the lost revenue.

The bill allows a parent to withdraw money from his or her student's account only to purchase qualifying educational services for their child. Qualifying educational services include:

- the purchase of instructional materials or courses of study and assistive technology devices to allow a home-school curriculum; or
- enrollment in non-sectarian private or online schools, schools in other non-CLP districts, or institute charter schools.

The parent may also choose to keep the student enrolled in a school within the CLP district. In that case, the CLP district is not required to deposit money in the student's account while the student remains enrolled. The parent may change educational services or public schools at any time during the school year.

The bill requires the CLP district to adopt procedures by which a parent may:

- withdraw money from his or her account; and
- report to the school district how the money is used.

If a parent misuses money, the parent is required to reimburse the school district. If a parent misuses money twice in a school year, the bill requires the district to stop depositing money into the student's account and notify the parent that the student may enroll in a school of the CLP district. A parent who disputes the accounting may appeal to the local board of education and, if dissatisfied with that board's decision, the State Board of Education.

The CLP district must operate their Parent Choice Program until the district achieves the status of accredited or higher. While operating the program, the CLP district continues to be subject to accountability requirements, including ensuring that enrolled students participate in state assessments. The district is held accountable for the academic performance of students who are enrolled in the school district, regardless of whether the students are attending schools of the school district.

Each CLP district is deemed to be a school district of innovation. The district must submit an innovation plan to the State Board of Education and may exercise the powers provided to school districts of innovation.

## Background

For FY 2017-18, the following five school districts will qualify as CLP districts: Adams County 14, Aguilar, Julesburg, Westminster, and Montezuma-Cortez. A sixth district, Adams-Arapahoe, will qualify in FY 2018-19 if they remain on the accountability clock for one more year. Table 1 presents information on funded pupil count, total program, state aid, local share, and estimated categorical funding for each of these six school districts in FY 2017-18.

	<b>Pupil Count</b>	<b>Per Pupil Funding*</b>	<b>Total Program Funding*</b>	<b>State Aid*</b>	<b>Local Share</b>	<b>Categorical Funding</b>
Adams County 14	8,063	\$8,009	\$64,578,675	\$46,689,915	\$17,888,760	\$2,028,201
Aguilar	114	\$14,423	\$1,644,275	\$1,394,767	\$249,509	\$45,022
Julesburg	595	\$7,597	\$4,523,121	\$3,539,620	\$983,501	\$45,850
Westminster	10,516	\$7,906	\$83,133,845	\$66,123,550	\$17,010,295	\$2,616,822
Montezuma-Cortez	2,790	\$7,453	\$20,793,844	\$10,082,586	\$10,711,259	\$727,755
Adams-Arapahoe	39,776	\$7,953	\$316,331,531	\$253,617,325	\$62,714,206	10,364,603
<b>Total</b>	<b>61,854</b>		<b>\$491,005,291</b>	<b>\$381,447,763</b>	<b>\$109,557,530</b>	<b>\$5,463,660</b>

\* Figures are for FY 2017-18 after application of the negative factor set at \$828,280,474 per Senate Bill 17-173.

In addition to students currently enrolled in public schools within these school districts, students that reside within these districts and are currently either home schooled or enrolled in a private school within district boundaries are eligible to participate in the district's Parent Choice Program. Table 2 provides information on the numbers of students, by CLP district, that are currently home schooled or enrolled in a private school, according to data from the CDE.

<b>Table 2. Current Home school and Private School Students in CLP School Districts</b>			
	<b>Home School Students</b>	<b>Private School Students</b>	<b>Total</b>
Adams County 14	6.0	21.0	27.0
Aguilar Reorganized 6	3.0	0.0	3.0
Julesburg Re-1	4.0	0.0	4.0
Westminster 50	32.0	820.0	852.0
Montezuma-Cortez Re-1	28.0	29.0	57.0
Subtotal FY 2017-18	73.0	870.0	943.0
Adams-Arapahoe	1067.0	240.5	1307.5
Total FY 2018-19	1,140.0	1,110.5	2,250.5

**State Expenditures**

**Colorado Department of Education (CDE).** House Bill 17-1089 will increase state expenditures in the CDE by \$1.5 million in FY 2017-18, \$6.0 million in FY 2018-19 and \$12.1 million in FY 2019-20. Table 3 identifies cost components of the bill.

<b>Table 3. State Expenditures Under House Bill 17-1089</b>			
<b>Cost Components</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
Additional Students	181	735	1,478
School Finance and Categorical Expenditures	\$1,473,845	\$6,010,041	\$12,092,962
Assessments	\$2,755	\$11,187	\$22,494
Information Management Services	\$62,500	\$0	\$0
<b>TOTAL</b>	<b>\$1,539,100</b>	<b>\$6,021,228</b>	<b>\$12,115,456</b>

**School Finance.** House Bill 17-1089 will induce an estimated 181 students in 2017 that would otherwise have remained in private school or Home school to enroll in the Parent Choice Program of a CLP district. As a result, more money will be required by the school finance formula to fund public education in these districts. Costs are driven only by those children whose parents are expected to enroll their children in a public school in order to access the per pupil revenue available in the district's Parent Choice Program. Costs will increase each year as more students are induced to take advantage of the choice program. Requirements for state aid and categorical funding to CLP districts is expected to increase by \$1,473,845 in FY 2017-18, \$6,010,041 in FY 2018-19, and \$12,092,962 in FY 2019-20 based on the following assumptions:

- the 5 districts identified above will qualify as CLP districts in FY 2017-18;
- Adams-Arapahoe will qualify as a CLP district in FY 2018-19;
- all students attending a private school in a CLP district reside in that CLP district;

- in the three rural districts, participation in the Parent Choice Program for home schooled and private schooled students will be 10 percent in the first year and rise to 50 percent in the second year and thereafter;
- in the three urban districts, participation in the PCP for home schooled and private schooled students will be 20 percent in the first year and rise to 50 percent in the second year and 90 percent thereafter;
- the funding to new students will be 100 percent state share with no impact on the local share;
- school finance impacts for CLP's are calculated using district per pupil revenue and estimated per pupil categorical program funding for FY 2017-18, the latest year in which estimates are available; and
- estimates assume passage of Senate Bill 17-173, which reduces the negative factor to \$828,280,474.

**Assessments.** Based on the estimates and assumptions above for school finance, there will be an additional 181 students enrolled in CLP schools in FY 2017-18, 735 students in FY 2018-19 and 1,478 students in FY 2019-20. Districts will need to administer the state assessment to those students at a cost of \$30.44 per student. This fiscal note assumes that 50 percent of those students will choose to opt out of the assessments since they are not currently required to take the assessments.

**Information Management Services.** Implementing House Bill 17-1089 will require programing changes for student count, student biographical data and assessment data collections and the data sources supporting the district performance frameworks. These changes would require a one-time expenditure of \$62,500 in FY 2017-18.

## School District Impact

**Administrative Expenses.** School districts qualifying as CLP districts will incur additional administrative expenses as a result of House Bill 17-1089. While these are not possible to precisely quantify at this time, and will vary significantly among the known CLP districts identified above, districts are initially estimating a minimum of 1.0 FTE for smaller districts and more staff for larger districts. Administrative expenditures will result from the following requirements of the bill:

- notifying parents of students residing within the district and enrolled in district schools;
- creating procedures for students to enroll in the district's Parent Choice Program;
- creating parent accounts, including systems for reconciliation, payments, audits, collection and appeals;
- ensuring that state assessments are administered to students enrolled in a choice program but not attending a school within the district;
- preparing innovation plans; and
- tracking use of other resources to meet the eligibility requirements for categorical programs.

This fiscal note will be updated as more precise estimates of administrative expenditures become available.

***State and Local Funding Reductions.*** While CLP districts will retain some administrative responsibility for students choosing to attend non-district schools in a choice program, these districts will lose all state and local funding for those students.

Finally, a CLP district that is a declining enrollment district will lose more state and local funding per student leaving district schools as part of a choice program than they would if the student left the district for other reasons. Student attrition due to participation in a choice program will reduce district revenue by the full district per-pupil revenue plus categorical funding. Under current law, funding reductions resulting from student attrition in declining enrollment districts are offset to some degree through enrollment averaging.

**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 requires a General Fund appropriation of \$1,539,100 to the Department of Education for the state share of district total program and categorical funding.

**State and Local Government Contacts**

Education            School Districts