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FISCAL NOTE

Drafting Number: LLS 19-0879
Prime Sponsors: Rep. Kipp

Date: February 26, 2019
Bill Status: House Education
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Bill Topic: REPEAL OF MILL LEVY EQUALIZATION FUND

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, School District

The bill repeals the mill levy equalization fund through which the General Assembly appropriates state money to the State Charter School Institute for distribution to institute charter schools. The bill potentially decreases state expenditures for charter schools on an ongoing basis.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

House Bill 17-1375 created the Mill Levy Equalization Fund to provide a vehicle for providing supplemental funding to charter schools authorized by the Charter School Institute (CSI) in the Colorado Department of Education (CDE). Any funds appropriated or transferred to the fund must be distributed annually to institute charter schools on an equal, per-pupil basis. This bill repeals the fund, therefore removing the vehicle by which the state pays for mill levy equalization of CSI schools.

Background

Under current law, school districts that have authorized at least one charter school and also collect mill levy override (MLO) revenue are required to either implement a plan for distributing MLO revenue to each charter and innovation school in the district, or distribute to these schools 95 percent of the district's MLO per pupil revenue. Charter schools that are authorized by the CSI, and not by the school district, do not share in this distribution. Instead, the Mill Levy Equalization Fund serves as a vehicle for the state to provide supplemental funds to CSI-authorized charter schools to approximate the amount of MLO distribution a charter school would receive if the charter school had been authorized by the school district of residence.

The FY 2018-19 annual appropriations act (the Long Bill) appropriated \$5.2 million General Fund for CSI school equalization. The FY 2019-20 budget *request* under consideration is \$10.5 million. According to the CSI, if all CSI charter schools receive MLO equalization payments equal to the MLO payment amounts in the schools' districts of residence, total equalization would be \$31.5 million in state funds.

### **State Expenditures**

This bill removes a statutory mechanism for increasing school funding for CSI charter schools, therefore reducing the amount of funding for these schools in years when the General Assembly chooses to provide funding for MLO equalization. Compared to the current appropriation for FY 2018-19, this decrease would be \$5.2 million; however, each year's funding level is at the discretion of the General Assembly.

### **School District**

MLO equalization for CSI charter schools in the current FY 2018-19 is about \$5.2 million. The 2019 Long Bill request for CSI equalization for FY 2019-20 is \$10.5 million. The bill removes the mechanism to allocate supplemental state funding for MLO equalization to CSI-authorized schools, thereby reducing the amount of revenue these individual schools receive.

### **Effective Date**

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

### **State and Local Government Contacts**

Education      Treasury