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FISCAL NOTE

Drafting Number: LLS 20-1007
Prime Sponsors: Rep. Esgar; McCluskie, Sen. Zenzinger

Date: February 3, 2020
Bill Status: House Appropriations
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Bill Topic: SCHOOL FINANCE ADJUSTMENT TO 2019-20 TOTAL PROGRAM

- 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 2019 School Finance Act in order to maintain the budget stabilization factor at the level anticipated in the original appropriation.

Appropriation Summary: For FY 2019-20, the bill requires a General Fund appropriation of \$9,046,331 for the state share of total program.

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

Table 1
State Fiscal Impacts Under HB 20-1260

Table with 4 columns: Category, FY 2019-20, FY 2020-21, FY 2021-22. Rows include Total, Expenditures (General Fund-School Finance), Transfers, and TABOR Refund.

**Summary of Legislation**

This bill makes mid-year adjustments to the 2019 School Finance Act to increase total program funding after application of the budget stabilization factor by \$20.3 million from the level anticipated by the original appropriation. This amount is based on the October 2019 student count and the 2019 certified property values. The increase in both students and at-risk students increases total program funding before application of the budget stabilization factor by \$20.3 million, while local revenue available to support school finance is \$11.2 million higher than anticipated. Maintaining the budget stabilization factor at its current level increases total program funding by \$20.3 million and the state share of total program by \$9.1 million. These adjustments increase the statewide average per pupil funding after application of the budget stabilization factor by \$9.07 to \$8,488.81 in FY 2019-20.

**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 2019-20, the funded pupil count increased by 1,432 more than forecast. In addition, the at-risk student count was 9,446 higher than projected. These two impacts increased overall school finance funding by \$20.3 million. In addition, actual local property tax revenue in 2019 was \$20.8 million higher than the estimates that were used for the initial appropriation last spring, and actual specific ownership tax revenue came in \$9.5 million lower than forecast. Thus, the overall local share for total program increased by \$11.2 million. Table 2 details these adjustments.

**Table 2**  
**Changes in Pupil Count and Local Tax Revenue**

	<b>FY 2019-20 (initial)</b>	<b>FY 2019-20 (actual)</b>	<b>Mid-Year Change</b>
Funded Pupil Count	894,569	896,001	1,432
At-Risk Pupil Count	293,297	302,743	9,446
<b>Local Share of Total Program (Million \$)</b>	<b>\$2,966.0</b>	<b>\$2,977.2</b>	<b>\$11.2</b>
Property Tax (Million \$)	\$2,755.3	\$2,776.0	\$20.8
Specific Ownership Tax (Million \$)	\$210.7	\$201.1	(\$9.5)

*Totals may not sum due to rounding.*

## State Expenditures

**School Finance.** This bill makes mid-year adjustments to school finance-related appropriations for FY 2019-20, increasing the state share of total program by \$9.1 million and maintaining the budget stabilization factor at the level anticipated by the original appropriation. The cost of total program funding prior to the application of the budget stabilization factor increased \$20.3 million due to higher than anticipated student and at-risk student counts. Because local tax revenue for school finance came in higher than was projected last spring, money available for the local share is \$11.2 million more than anticipated. Maintaining the budget stabilization factor at its current level implies increases in both total program funding and the state share of total program. Table 3 details mid-year adjustments to the FY 2019-20 appropriations for school finance.

**Table 3**  
**Adjustments to FY 2019-20 Appropriations for School Finance**

	<b>Initial Appropriation</b>	<b>Mid-Year Change</b>	<b>Adjusted Appropriation</b>
Total Program Funding	\$8,158,105,603	\$20,270,119	\$8,178,375,722
Local Share of Total Program Funding	\$2,965,952,818	\$11,223,788	\$2,977,176,606
State Share of Total Program	\$4,619,755,891	\$9,046,331	\$4,628,802,222
Budget Stabilization Factor	(\$572,396,894)	\$0	(\$572,396,894)
Adjusted Total Program Funding	\$7,585,708,709	\$20,270,119	\$7,605,978,828

It should be noted that the statutory total program funding floor in the bill is not the same as the actual total program funding that appears in Table 3 above. The statutory total program funding floor (\$7,603,907,977 in FY 2019-20 under the bill) 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 \$7,605,978,828, which is \$2,070,851 higher than the funding floor. The difference is the amount of the budget stabilization factor reduction attributable to the seven school districts that are fully locally funded, and are thus not impacted by the budget stabilization factor in FY 2019-20.

**Budget Stabilization Factor.** By holding the budget stabilization factor flat in dollar terms across all school districts, the bill decreases the budget stabilization factor in percentage terms from 7.05 percent to 7.02 percent because total program increases.

## School District Impact

Under this bill, total funding for school districts will be increased by \$20,270,119 from the funding amount that was originally appropriated for school finance in FY 2019-20, although the funding for individual districts will vary, depending on changes in pupil counts and local share. The \$20.3 million increase in the overall cost of total program combined with the \$11.2 million increase in the local share allows a \$9.1 million increase in the state's share of total program.

**Effective Date**

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

**State Appropriations**

For FY 2019-20, this bill contains:

- a General Fund appropriation of \$9,046,331 to the Department of Education for the state share of total program.

**State and Local Government Contacts**

Education            School Districts