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Final Fiscal Note

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Prime Sponsors: Sen. Zenzinger; Lundeen Bill Status: Signed into Law
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Bill Topic: PUBLIC SCHOOL FINANCE

- Summary of Fiscal Impact:
State Revenue (checkbox) TABOR Refund (checkbox)
State Expenditure (checked) Local Government (checkbox)
State Transfer (checkbox) School District (checked)

This bill is the 2021 School Finance Act that sets funding levels for Colorado's 178 school districts and makes technical, administrative, and funding changes to a variety of education-related programs. The bill increases state expenditures and school district funding on an ongoing basis.

Appropriation Summary: For FY 2021-22, the bill includes appropriations totaling \$494.8 million to the Colorado Department of Education. See State Appropriations Section.

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

Table 1
State Fiscal Impacts Under SB21-268

Table with 3 columns: Category, Budget Year FY 2021-22, and Out Year FY 2022-23. Rows include Revenue, Expenditures (General Fund, State Education Fund, State Public School Fund, Marijuana Tax Cash Fund, Cash Funds*, Centrally Appropriated), Total, and FTE.

*Workers, Employers, and Workforce Centers Cash Fund

Summary of Legislation

The bill makes changes to state law regarding the funding of public schools and associated programs within the Colorado Department of Education (CDE).

Base per pupil funding. The bill increases base per pupil funding for FY 2021-22 by \$141.67 to \$7,225.28, which reflects a 2.0 percent inflation rate.

Budget stabilization factor. The bill decreases the budget stabilization factor by \$481.4 million, from \$1.05 billion in FY 2020-21 to \$571.2 million in FY 2021-22. For FY 2022-23, the bill specifies that the budget stabilization factor cannot exceed the FY 2021-22 level.

Formula changes. The bill makes the following changes to the school finance formula, beginning in FY 2021-22:

- changes the definition of at-risk pupils by adding those pupils eligible for reduced-price lunch under the federal school lunch program and removing the subset of English language learner (ELL) pupils currently included; and
- adds a new ELL factor to the funding formula for all non-fully proficient ELL pupils; this factor is calculated as 8 percent of preliminary per pupil funding multiplied by ELL enrollment; and

The bill makes conforming changes the calculation of district total program funding, minimum per pupil funding, and the minimum per pupil funding to reflect ELL factor funding, as well as to align funding for charter schools.

Total Program Reserve Fund. The bill makes two technical clarifications to provisions in Senate Bill 21-053, the school finance midyear adjustment bill, to allow districts nearly or fully locally funded to access the balance of their Total Program Reserve Fund in conjunction with calculating COVID-19 mitigation funding.

Administrative changes. The bill makes the following administrative changes to education policies and programs:

- allows the State Board of Education (SBE) to take action on a license, authorization, certificate, or endorsement if an educator is convicted of an offense, committed on or after the bill's effective date, in another state or under federal law that is substantially similar to a felony drug offense described in Colorado law;
- allows the accreditation contracts entered into between the SBE and school districts and the Charter School Institute (CSI) at the beginning of FY 2021-22 to be for an 18-month term, rather than a 12-month term;
- modifies deadlines related to transportation reimbursement;
- changes the time period during which an alternative count day may be established to within 45 school days of the first day of school, rather than 45 calendar days after the official count date;

- allows districts to carry over more than 15 percent of FY 2020-21 READ Act per pupil intervention funds for use in FY 2021-22;
- allows a district that operated preschool program in the 2019-20 school year with a waiver to serve children under age three to continue to use the same number of slots as were used in 2019-20 for children under three years who have multiple significant family risk factors;
- continues the modified district budget deadlines and notice requirements for the 2021-22 budget year only. Districts must submit a proposed budget by June 23, provide notice by June 25, and certain provisions are triggered if a budget is not adopted by June 30; and
- makes a technical correction to the definition of public body as it relates to open meetings, changing “school board” to “school district”.

Charter school at-risk funding. The bill continues provisions that allow a charter school that switches authorizers to receive at-risk funding based on the formulas that applied prior to the change in authorizer.

Innovation schools. The bill specifies that a local school board may not review or make changes to an existing innovation school or innovation school zone the 2020-21 school year, and may not make revisions to an existing innovation school or zone plan that have not been approved prior to the bill’s effective date.

Grant programs. The bill restores or provides additional funding for the following grant programs:

- \$800,000 for the 9th Grade Success Program;
- \$375,807 for the School Leadership Pilot Program;
- \$280,730 for the Accelerated College Opportunity Exam Fee Program;
- \$250,000 for the John Buckner Automatic Enrollment in Advanced Courses Grant Program
- \$2,500,000 for the K-5 Social Emotional Health Pilot Program;
- \$493,907 for the Local Accountability Systems Grant Program;
- \$3,000,000 for the Behavioral Health Care Professionals Grant Program; and
- \$1,750,000 in federal American Recovery Plan Act (ARPA) funds for the Concurrent Enrollment and Innovation Grant Program; and
- \$1,750,000 in federal ARPA funds for the Career Development Success Program.

The bill also provides \$2.0 million for the School Counselor Corps Grant Program and removes the cap on funding for the program, currently set in statute at \$10.0 million.

ELL professional development and student support. The bill eliminates the \$27.0 million appropriation for the ELL Professional Development and Student Support Program.

Services for at-risk students. The bill modifies programs for students who are at risk of suspension or expulsion to instead apply to students who are at risk of dropping out due to chronic absenteeism and disciplinary issues. It specifies the supports that districts may provide to those students, including that the district may contract with other government agencies to provide training and support to employees who support those students. The bill also modifies the application

requirements, review criteria, and report components for the Expelled and At-risk Students Services Grant Program.

BOCES schools. During FY 2021-22, a Board of Cooperative Educational Services (BOCES) must obtain written consent from a school district before authorizing a school or an additional location of an existing school that is physically located within the boundaries for that district, provided the school district is not a member of the BOCES. This requirement does not apply to a school operating prior to the bill's effective date, as long as the school continues to operate during the 2021-22 school year.

CSI mill levy equalization. The bill provides an additional \$2.0 million for mill levy equalization payments to CSI schools geographically located in school districts with mill levy overrides.

Audit payments. The bill appropriates \$400,000 to be used by CDE for school finance audit payments.

Imagination library program. The bill requires that the state appropriate money from the General Fund for the state's share of the cost of free books for eligible children through the imagination library program, with the intent of fully funding the program by 2026. The bill also modifies the program to:

- establish a deadline of December 31, 2021, for the state librarian to contract for the operation of the program;
- aligns the program's public awareness campaign with the READ Act;
- requires an independent evaluation of the program;
- requires a fund for gifts, grants, and donation to help county-based affiliate programs with financial difficulty.

Assumptions

The school finance expenditures in this fiscal note assume that House Bill 21-1164, total program mill levy tax credit, will be enacted into law.

State Expenditures

In FY 2021-22, the bill increases state expenditures by \$494.8 million. In FY 2022-23, the bill increases state funding by \$106.7 million; that amount includes the estimated cost of the formula changes and does not include changes to school finance as result of actual enrollment and inflation. The components of the expenditure changes are listed in Table 2 and discussed below.

Table 2
Expenditure Summary of SB21-268

Cost Components	FY 2021-22	FY 2022-23
State Share of Total Program	\$505,743,696	\$120,700,000
ELL Prof. Devt. & Student Support	(\$27,000,000)	(\$27,000,000)
CSI Mill Levy Equalization	\$2,000,000	\$2,000,000
Imagination Library	\$410,221	\$907,140
Grant Program Funding	\$13,200,444	\$9,700,444
Audit Payments	\$400,000	\$400,000
Centrally Appropriated Costs	\$38,222	\$38,222
Total	\$494,792,583	\$106,745,806

School finance – FY 2021-22. The bill sets total program funding for FY 2021-22 at nearly \$8.0 billion. This represents a 6.7 percent (\$571.2 million) reduction from what funding levels would be without the budget stabilization factor.

In FY 2021-22, the bill increases total program funding by \$505.7 million compared to current law, and \$750.8 million compared to actual funding levels in FY 2020-21. State expenditures for school finance will increase by \$623.8 million and the local share of funding will increase by \$127.0 million, compared to FY 2020-21. State aid is funded from the General Fund, State Education Fund, and State Public School Fund. Table 3 shows an estimate of school funding under this bill, after the budget stabilization factor, compared to FY 2020-21.

Table 3
School Finance Act Funding Under SB21-268

	Pupil Count	Per Pupil Funding	Total Program Funding	State Share	Local Share
FY 2020-21 Actual	891,119	\$8,123	\$7,238,343,519	\$4,224,698,017	\$3,013,645,502
FY 2021-22 Est.	888,556	\$8,991	\$7,989,174,688	\$4,848,537,248	\$3,140,637,440
Change	(2,562)	\$868	\$750,831,169	\$623,839,231	\$126,991,938
Percent Change	-0.3%	10.7%	10.4%	14.8%	4.2%

School finance – FY 2022-23. For FY 2022-23, total program funding will be \$120.7 million more than its FY 2021-22 funding level; this amount includes the estimated cost of the formula changes and does not include changes to school finance as result of actual enrollment, local share, and inflation. The estimate was made by increasing the \$117.5 million increase in total program before the budget stabilization factor by 2.7 percent, Legislative Council Staff’s current projection for inflation rate in 2021.

ELL professional development and student support. The bill eliminates the \$27.0 million appropriation for the ELL Professional Development and Student Support Program.

Audit payments. The bill increases CDE spending authority by \$400,000 from the State Public School Fund for audit payments to districts with underreported pupils or other adjustments. CDE audit payments to districts are typically paid using district audit payments to CDE as a result of over reporting by districts; however, in recent years there were higher than usual audit payments.

CSI mill levy equalization. The bill increases funding for CSI mill levy equalization payments by \$2.0 million in FY 2021-22, from \$7.0 million to \$9.0 million. Funding for this purpose is distributed to CSI schools on a per pupil basis based on the amount of mill levy override revenue available per pupil in each school’s geographic school district.

Imagination library. The bill requires \$410,221 in FY 2021-22 and \$907,140 in FY 2022-23 for the Imagination Library Program. Of this amount, 20 percent (\$82,044) in the first year and 10 percent (\$90,714) in the second year will be used to contract with the administering nonprofit, implement the required public awareness campaign, and complete an independent evaluation of the program. The remaining funds will be used to cover the state share to provide free books to eligible children. This funding is from the General Fund.

Grant programs. The bill restores or provides additional funding to several K-12 grant programs, as show in Table 4.

**Table 4
Grant Program Funding**

	FY 2021-22	FY 2022-23
School Counselor Corps Program	\$2,000,000	\$2,000,000
9th Grade Success Program (0.6 FTE)	\$800,000	\$800,000
School Leadership Pilot Program	\$375,807	\$375,807
Accelerated College Opp. Exam Fee Program	\$280,730	\$280,730
Automatic Enroll. in Advanced Courses Program (0.3 FTE)	\$250,000	\$250,000
K-5 Social Emotional Health Pilot Program (1.0 FTE)	\$2,500,000	\$2,500,000
Behavioral Health Care Professionals Grant Program	\$3,000,000	\$3,000,000
Local Accountability System Grants (0.4 FTE)	\$493,907	\$493,907
Concurrent Enrollment Expansion & Innovation Grant Program	\$1,750,000	-
Career Development Success Program	\$1,750,000	-
Total	\$13,200,444	\$9,700,444

School Counselor Corps. The bill increases funding for school counselor corps grants by \$2.0 million beginning in FY 2021-22. The additional funding is from the State Education Fund. The program provides grants to local education providers to hire school counselors and expand counseling services.

9th Grade Success. The bill restores \$800,000 for the 9th Grade Success Program, which awards grants to local education providers that establish programs to support students transitioning to high school. Of this amount, \$44,697 will be used for 0.6 FTE to implement the program, and \$755,303 will be awarded as grants. The administration costs reflect the same staffing levels as was initially utilized for the program. This funding is from the General Fund.

School Leadership Pilot Program. The bill restores \$375,807 to the School Leadership Pilot Program, which provides professional development to school leadership and identifies principals to provide mentorship to other school leaders. This funding is from the General Fund.

Accelerated Opportunity Exam Fee Grant Program. The bill restores \$280,730 to for the Accelerated Opportunity Exam Fee Grant Program, which covers the cost of Advanced Placement, International Baccalaureate exams. This funding is from the General Fund.

Automatic Enrollment in Advanced Courses Grant Program. The bill restores \$250,000 for the Automatic Enrollment in Advanced Courses Grant Program, which provides assistance to local education providers that automatically enroll students in advanced courses. Of this amount, \$21,944 will be used for 0.3 FTE to implement the program, and \$228,056 will be awarded as grants. The administration costs reflect the same staffing levels as was initially utilized for the program. This funding is from the General Fund.

K-5 Social Emotional Health Pilot Program. The bill restores \$2.5 million for the K-5 Social Emotional Health Pilot Program. Of the amount, \$74,496 will be used for 1.0 FTE to implement the program and \$2.4 million will be used to hire mental health workers at participating schools. The administration costs reflect the staffing levels that were initially utilized for the program. This funding is from the Marijuana Tax Cash Fund.

Behavioral Health Care Professionals Grant Program. The bill restores \$3.0 million for the Behavior Health Care Professionals Grant Program, which awards grants to increase the number of school nurses, psychologists, social workers and school counselors in elementary and secondary schools. This funding is from the Marijuana Tax Cash Fund.

Local Accountability Systems Grant Program. The bill restores \$493,907 for the Local Accountability Systems Grant Program. Of the amount, \$33,907 will be used for 0.4 FTE to implement the program, and \$460,000 will be awarded as grants to local education providers to support local accountability systems that supplement the state system. The administration costs reflect the staffing levels that were initially utilized for the program. This funding is from the General Fund.

Federal coronavirus state fiscal recovery funds. The bill allocates \$3.5 million in FY 2021-22 in federal ARPA funding from the Workers, Employers, and Workforce Centers Cash Fund, which is evenly split between the Concurrent Enrollment and Innovation Grant Program and the Career Development Success program.

Other changes. The bill also increases workload for CDE staff to implement required administrative changes and make rule, form, and process changes to services for at-risk students and the associated grant program, as well as for the SBE to take action on licensees who are convicted of a drug offense outside the state. These changes do not require a change in appropriations.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$38,222 beginning in FY 2021-22.

School District

Total program. Table 3 compares estimated FY 2021-22 school finance funding levels with actual funding in FY 2020-21. In FY 2021-22, the bill increases funding by \$868 per pupil and funds 2,562 fewer pupils statewide. It also funds 56,451 additional at-risk students within the formula. Total program funding increases by \$750.8 million, from \$7.2 billion to \$8.0 billion. Of this amount, the state's share increases by \$623.8 million from \$4.2 billion to \$4.8 billion, and the local share increases by \$127.0 million, from \$3.0 billion to \$3.1 billion. For a breakdown of the impact on individual districts, please see <http://leg.colorado.gov/agencies/legislative-council-staff/school-finance>.

Other changes. Providing additional funding for individual grant programs increases funding for participating local education providers. In addition, the bill's changes related to dates and deadlines, educational programs, and other administrative changes may modify workload for some districts by a minimal amount. The impact on any individual local education provider depends on current policies and practices, but is expected to be minimal.

Effective Date

The bill was signed into law by the Governor and took effect on June 11, 2021, except that the sections related to programs funded from the Workers, Employers, and Workforce Centers Cash Fund take effect only if House Bill 21-1264 is enacted and becomes law.

State Appropriations

For FY 2021-22, the bill includes the following appropriations to the Colorado Department of Education:

General Fund

- \$478,743,696 for the state share of school finance;
- \$800,000 for the Ninth Grade Success Program and 0.6 FTE;
- \$375,807 for the School Leadership Pilot Program;
- \$280,730 for the Accelerated College Opportunity Exam Fee Grant Program;
- \$250,000 for the John W. Buckner Automatic Enrollment in Advanced Courses Grant Program and 0.3 FTE;
- \$493,907 for the Local Accountability Systems Grant program; and 0.4 FTE;
- \$2,000,000 million for CSI mill levy equalization payments, reappropriated to the CSI Mill Levy Equalization Fund;
- \$410,221 for the imagination library program.

State Education Fund

- \$27,000,000 for the state share of school finance;
- a \$27,000,000 decrease for the ELL professional development and student support program; and
- \$2,000,000 for the School Counselor Corps Grant Program;

State Public School Fund

- \$400,000 for audit payments to school districts;

Marijuana Tax Cash Fund

- \$2,500,000 for the K-5 Social Emotional Health Pilot Program, and 1.0 FTE;
- \$3,000,000 for the Behavioral Health Care Professionals Grant Program.

Workers, Employers, and Workforce Centers Cash Fund

- \$1,750,000 for the Concurrent Enrollment Expansion & Innovation Grant Program; and
- \$1,750,000 for the Career Development Success program.

State and Local Government Contacts

Education