



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 23-0808	Date:	February 6, 2023
Prime Sponsors:	Sen. Zenzinger; Kirkmeyer Rep. Sirota; Bockenfeld	Bill Status:	Senate Appropriations
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Bill Topic: **ADJUSTMENTS TO SCHOOL FUNDING FISCAL YEAR 2022-23**

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> School District
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill makes mid-year adjustments to the 2022 School Finance Act in order to maintain the budget stabilization factor at the level anticipated in the original appropriation. The bill results in a one-time net reduction in state expenditures.

Appropriation Summary: For FY 2022-23, the bill requires and includes a reduction in State Education Fund appropriations to the Department of Education of \$76.4 million.

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

**Table 1
State Fiscal Impacts Under SB 23-136**

	Current Year FY 2022-23	Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures State Education Fund – School Finance	(\$76,383,372)	-	-
Transfers		-	-
Other Budget Impacts			

Summary of Legislation

Formula funding. This bill makes mid-year adjustments to the 2022 School Finance Act to maintain the budget stabilization factor at the level anticipated by the original appropriation. Adjustments are based on the October 2022 student count and certified property values for the 2022 tax year.

The decrease reflects lower-than-expected enrollment for total students but higher-than-expected enrollment for at-risk students, which increases total program funding before application of the budget stabilization factor by \$17.0 million. Concurrently, local revenue available to support school finance is \$93.4 million higher than anticipated. The bill holds the \$321.2 million budget stabilization factor constant, and increases total program funding by \$17.0 million. The higher local share decreases the state share of total program by \$76.4 million. These adjustments increase the statewide average per pupil funding after application of the budget stabilization factor to \$9,595.82 in FY 2022-23.

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 2022-23, the funded pupil count was 1,576 lower than forecast. However, the at-risk student count was 25,854 higher than projected. These two impacts increased overall school finance funding by \$17.0 million. In addition, actual local property tax revenue in 2022 was \$88.8 million higher than the estimates that were used for the initial appropriation last spring, and actual specific ownership tax revenue came in \$4.6 million higher than forecast. Thus, the overall local share for total program increased by \$93.4 million. Table 2 details these adjustments.

Table 2
Changes in Pupil Count and Local Tax Revenue

	FY 2022-23 (initial)	FY 2022-23 (actual)	Mid-Year Change
Funded Pupil Count	881,053	879,477	(1,576)
At-Risk Pupil Count	326,343	352,197	25,854
Local Share of Total Program (millions)	\$3,355.8	\$3,449.2	\$93.4
Property Tax (millions)	\$3,131.3	\$3,220.1	\$88.8
Specific Ownership Tax (millions)	\$224.6	\$229.2	\$4.6

Note: totals may not sum due to rounding.

State Expenditures

In the current FY 2022-23, the bill decreases state expenditures in CDE by \$76.4 million. The bill decreases the state share of school finance, paid from the State Education Fund.

School finance. This bill makes mid-year adjustments to school finance-related appropriations for FY 2022-23, decreasing the state share of total program by \$76.4 million and holding the budget stabilization factor at the level of the original appropriation. The cost of total program funding prior to the application of the budget stabilization factor increased by \$17.0 million due to a lower than anticipated student count but higher than anticipated at-risk student count.

Because local tax revenue for school finance came in higher than was projected last spring, money available for the local share is \$93.4 million greater than anticipated. Maintaining the budget stabilization factor at its current level implies a decrease in the state share of total program by \$76.4 million. Table 3 details mid-year adjustments to the FY 2022-23 appropriations for school finance.

Table 3
Total Program Funding Under SB 23-136

	Initial Appropriation	Mid-Year Change	Adjusted Appropriation
Total Program Funding	\$8,743,509,329	\$17,036,588	\$8,760,545,917
Budget Stabilization Factor	(\$321,243,484)	\$0	(\$321,243,484)
Adjusted Total Program Funding*	\$8,422,265,845	\$17,036,588	\$8,439,302,433
Local Share of Total Program	\$3,355,827,857	\$93,419,960	\$3,449,247,817
State Share of Total Program	\$5,066,437,988	(\$76,383,372)	\$4,990,054,616

**After the budget stabilization factor*

It should be noted that the statutory total program funding floor in the bill, \$8,438,010,643, is not the same as the actual total program funding that appears in Table 3 above. The statutory total program funding floor 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 \$8,439,302,433, which is \$1,291,790 higher than the funding floor. The difference is the amount of the budget stabilization factor reduction attributable to the four school districts that are fully locally funded, and are thus not impacted by the budget stabilization factor in FY 2022-23.

Budget stabilization factor. By holding the budget stabilization factor at \$321.2 million across all school districts, the budget stabilization factor in percentage terms remains at 3.7 percent.

School Districts

Formula funding. Under this bill, total funding for school districts through the formula will be increased by \$17.0 million from the funding amount that was originally appropriated for school finance in FY 2021-22, although the funding for individual districts will vary, depending on changes in pupil counts and local share. The \$17.0 million increase in the cost of total program combined with the \$93.4 million increase in the local share results in a \$76.4 million decrease in the state's share of total program. District-level details for this funding adjustment are provided in Appendix A. Note: The state share total for the initial appropriation in Appendix A excludes the \$833,193 state share appropriation made for HB22-1223, which cannot be allocated by district. Thus, the state share total for the change from the initial appropriation only reflects the remaining \$75.6 million of the full appropriations reduction.

Effective Date

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

State Appropriations

For FY 2023-24, the bill includes an appropriation reduction of \$76,383,372 from the State Education Fund to the Colorado Department of Education for the state share of total program.

State and Local Government Contacts

Education

Joint Budget Committee

School Districts

Appendix A
School Finance Funding with Constant Budget Stabilization Factor
FY 2022-23 relative to the Initial Appropriation
(Total program and state share are after the application of the budget stabilization factor)

County	District	FY 2022-23 Under Initial Appropriation					FY 2022-23 including SB23-136					Change from Initial Appropriation					
		Funded Pupil Count	Total Program	State Share	Local Share	Per Pupil Funding	Funded Pupil Count	Total Program	State Share	Local Share	Per Pupil Funding	Funded Pupil Count	Total Program	State Share	Local Share	Per Pupil Funding	
TELLER	WOODLAND PARK	1,967	\$18,233,646	\$9,286,906	\$8,946,741	\$8,001	2,279	\$20,846,600	\$11,999,316	\$8,847,284	\$	9,148	312.3	\$2,612,954	\$2,712,411	(\$99,457)	\$1,147
WASHINGTON	AKRON	413	\$4,634,411	\$3,229,840	\$1,404,571	\$10,678	434	\$4,777,276	\$3,378,737	\$1,398,539	\$	11,008	20.7	\$142,865	\$148,896	(\$6,031)	\$329
WASHINGTON	ARICKAREE	101	\$1,857,204	\$1,278,769	\$578,435	\$19,632	95	\$1,763,800	\$1,228,763	\$535,036	\$	18,645	(6.2)	(\$93,404)	(\$50,005)	(\$43,399)	(\$987)
WASHINGTON	OTIS	213	\$3,209,417	\$2,613,770	\$595,647	\$15,232	211	\$3,185,229	\$2,556,563	\$628,666	\$	15,117	(2.2)	(\$24,188)	(\$57,207)	\$33,020	(\$115)
WASHINGTON	LONE STAR	130	\$2,240,977	\$1,633,028	\$607,949	\$17,332	129	\$2,285,303	\$1,622,678	\$662,625	\$	17,674	(0.4)	\$44,326	(\$10,350)	\$54,676	\$343
WASHINGTON	WOODLIN	79	\$1,462,633	\$438,000	\$1,024,633	\$18,013	81	\$1,536,313	\$628,365	\$907,948	\$	18,920	2.6	\$73,680	\$190,365	(\$116,686)	\$907
WELD	GILCREST	1,855	\$17,506,457	\$7,897,524	\$9,608,933	\$9,467	1,849	\$17,539,626	\$4,154,086	\$13,385,540	\$	9,484	(5.2)	\$33,169	(\$3,743,438)	\$3,776,607	\$18
WELD	EATON	2,065	\$18,797,451	\$4,256,900	\$14,540,551	\$9,174	2,049	\$19,382,213	\$	\$19,382,213	\$	9,459	(15.5)	\$584,762	(\$4,256,900)	\$4,841,662	\$285
WELD	KEENESBURG	2,627	\$24,074,291	\$7,563,911	\$16,510,381	\$9,059	2,658	\$24,867,243	\$3,164,493	\$21,702,751	\$	9,357	31.0	\$792,952	(\$4,399,418)	\$5,192,370	\$298
WELD	WINDSOR	8,451	\$76,423,284	\$40,424,188	\$35,999,096	\$9,523	8,025	\$72,823,829	\$26,950,037	\$45,873,792	\$	9,074	(425.1)	(\$3,599,455)	(\$13,474,151)	\$9,874,696	(\$449)
WELD	JOHNSTOWN	3,875	\$35,041,394	\$24,259,343	\$10,782,051	\$9,245	3,791	\$34,395,634	\$20,581,571	\$13,814,064	\$	9,074	(84.2)	(\$645,760)	(\$3,677,772)	\$3,032,013	(\$170)
WELD	GREELEY	22,607	\$217,322,388	\$157,023,867	\$60,298,521	\$9,731	22,334	\$214,415,975	\$143,218,331	\$71,197,644	\$	9,600	(272.7)	(\$2,906,414)	(\$13,805,536)	\$10,899,123	(\$130)
WELD	PLATTE VALLEY	1,119	\$10,946,483	\$846,321	\$10,100,162	\$9,640	1,136	\$11,434,077	\$	\$11,434,077	\$	10,070	16.1	\$487,594	(\$846,321)	\$1,333,915	\$429
WELD	FT. LUPTON	2,427	\$23,364,045	\$7,182,161	\$16,181,883	\$9,745	2,398	\$23,232,024	\$4,279,121	\$18,952,903	\$	9,690	(29.0)	(\$132,021)	(\$2,903,040)	\$2,771,019	(\$55)
WELD	AULT-HIGHLAND	1,030	\$9,856,293	\$3,057,449	\$6,798,844	\$9,541	1,033	\$10,011,601	\$490,098	\$9,521,503	\$	9,692	3.1	\$155,308	(\$2,567,351)	\$2,722,659	\$150
WELD	BRIGGS DALE	181	\$2,881,055	\$836,645	\$2,044,410	\$16,204	178	\$2,980,523	\$	\$2,980,523	\$	16,763	(3.4)	\$99,468	(\$836,645)	\$936,113	\$559
WELD	PRAIRIE	203	\$3,040,955	\$1,595,965	\$1,444,990	\$15,258	199	\$2,983,991	\$278,500	\$2,705,491	\$	14,972	(3.5)	(\$56,965)	(\$1,317,466)	\$1,260,501	(\$286)
WELD	PAWNEE	66	\$1,352,119	\$	\$1,352,119	\$21,028	64	\$1,307,531	\$	\$1,307,531	\$	20,335	(2.0)	(\$44,589)	\$	(\$44,589)	(\$693)
YUMA	YUMA 1	849	\$9,158,206	\$6,414,358	\$2,743,848	\$10,733	853	\$9,085,505	\$5,906,340	\$3,179,165	\$	10,647	4.0	(\$72,701)	(\$508,018)	\$435,317	(\$85)
YUMA	WRAY RD-2	721	\$7,468,181	\$5,358,456	\$2,109,725	\$10,432	716	\$7,352,083	\$5,016,402	\$2,335,682	\$	10,270	(5.1)	(\$116,097)	(\$342,054)	\$225,957	(\$162)
YUMA	IDALIA RJ-3	185	\$2,983,079	\$2,512,512	\$470,568	\$16,454	181	\$2,958,108	\$2,449,092	\$509,015	\$	16,316	(3.5)	(\$24,972)	(\$63,419)	\$38,447	(\$138)
YUMA	LIBERTY J-4	58	\$1,190,729	\$767,061	\$423,668	\$20,012	60	\$1,229,646	\$835,968	\$393,677	\$	20,666	1.6	\$38,917	\$68,908	(\$29,991)	\$654
STATE	TOTAL	881,053	\$8,422,265,845	\$5,065,604,795	\$3,356,661,050	\$9,576	879,477	\$8,439,302,433	\$4,990,054,616	\$3,449,247,817	\$	9,596	(1,576)	\$17,036,588	(\$75,550,179)	\$92,586,767	\$19

Source: Legislative Council Staff

Note: State share initial appropriation totals do not include the state share appropriation for HB22-1223, which is not allocatable among districts.