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Final Fiscal Note

Drafting Number: LLS 24-1085 Date: May 23, 2024
Prime Sponsors: Rep. Bird; Taggart Bill Status: Signed into Law
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Bill Topic: MILL LEVY EQUALIZATION

Summary of Fiscal Impact:
State Revenue [] State Transfer [x] School District []
State Expenditure [x] TABOR Refund [] Statutory Public Entity []

Budget package bill. The bill repeals the Mill Levy Equalization Cash Fund. For FY 2024-25, the bill reduces appropriations from the General Fund to the repealed fund, decreases appropriations from the repealed fund, and instead directly appropriates money from the State Education Fund for a portion of the mill levy equalization program.

Appropriation Summary: For FY 2024-25, the bill refinances \$22.0 million in funding for mill levy equalization from the General Fund to the State Education Fund. The bill also makes various appropriations that have a net impact of reducing cash fund appropriations by about \$28.0 million to the Colorado Department of Education.

Fiscal Note Status: The final fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 24-1394

Table with 3 columns: Category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures (State Education Fund, Mill Levy Equalization Fund, Total Expenditures), Transfers (General Fund, Mill Levy Equalization Fund, Net Transfer), and Other Budget Impacts (General Fund Reserve).

1 The reduction in cash fund expenditures are noted in the Long Bill as a reduction in \$735,000 from the Mill Levy Equalization Fund and \$49,220,696 from reappropriated funds originating in the Mill Levy Equalization Fund.

2 The bill reduces an appropriation from the General Fund to the Mill Levy Equalization Fund, effectively eliminating a transfer of money into the fund.

Summary of Legislation

Under current law, the General Assembly appropriates or transfers money to the Mill Levy Equalization Fund to equalize mill levy override funding for Charter School Institute (CSI) students. This bill repeals the fund, and instead, requires the General Assembly to appropriate General Fund or State Education Fund directly to the CSI to fund full mill levy equalization for all institute charter schools, beginning in FY 2024-25. The bill makes corresponding adjustments in Long Bill appropriations to reflect the repeal of the Mill Levy Equalization Fund, and to use the State Education Fund to support the program.

Background

Charter schools authorized by the CSI do not have access to school district mill levy override revenues. HB 17-1375 created the Mill Levy Equalization Fund, to be used for state payments to CSI schools to equalize the local override revenues in CSI schools' geographic districts. Appropriations to the fund have ranged from \$5 to \$7 million General Fund annually between FY 2018-19 and FY 2020-21. Funding was increased to \$9 million in FY 2021-22, \$17 million in FY 2022-23, and \$27 million in FY 2023-24.

The FY 2023-24 School Finance Act, Senate Bill 23-287, required that beginning in FY 2024-25, the General Assembly appropriate the amount necessary from the General Fund each budget year to fully fund mill levy equalization for all institute charter schools. This requirement is intended to ensure that students enrolled at CSI schools receive per pupil funding equal to the district per pupil funding in the geographic district in which the CSI school is located.

State Transfers

The bill reduces the appropriation from the General Fund to the repealed Mill Levy Equalization Fund by \$22 million in FY 2024-25. This, in effect, eliminates a transfer of money into the repealed fund.

State Expenditures

On net, the bill reduces cash fund expenditures for mill levy equalization by about \$28.0 million in FY 2024-25. This is the net impact after the following adjustments in appropriations:

- a reduction of \$735,000 in interest from the repealed Mill Levy Equalization Fund;
- a reduction of \$49,220,696 in reappropriated funds from the Mill Levy Equalization Fund; and
- an increase of \$22,000,000 from the State Education Fund for the program.

The \$22.0 million refinanced from the General Fund to the State Education Fund under the bill represents a portion of the overall funding for the program, which totals \$49.2 million. It is assumed that appropriations for mill levy equalization will need to be adjusted annually through the supplemental budget process to accurately reflect October count data, school decision to

join/leave CSI, and any voter-approved changes to mill levy override funding in the school district where the CSI school is located.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to decrease the amount of General Fund held in reserve by the amounts shown in Table 1, increasing the amount of General Fund available for other purposes.

Effective Date

The bill was signed into law by the Governor and took effect on April 18, 2024.

State Appropriations

For FY 2024-25, the bill includes the following appropriations

- an increase of \$22,000,000 from the State Education Fund to the Department of Education;
- a decrease of \$22,000,000 from the General Fund to the Mill Levy Equalization Fund;
- a decrease of \$49,220,696 in reappropriated funds to the Department of Education originating in the Mill Levy Equalization Fund; and
- a decrease in \$735,000 to the Department of Education from the Mill Levy Equalization Fund.

State and Local Government Contacts

Education

Joint Budget Committee Staff

Legislative Council Staff

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).