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Fiscal Note

Drafting Number:	LLS 24-0235	Date:	January 23, 2024
Prime Sponsors:	Sen. Lundeen; Bridges Rep. McLachlan; Pugliese	Bill Status:	Senate Education
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Bill Topic: DISTRIBUTION OF STATE SHARE OF DISTRICT TOTAL PROGRAM

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input checked="" type="checkbox"/> School Districts

The bill modifies how the state share of school finance is distributed to school districts. It increases state workload and shifts the timing of state expenditures and local school district revenue.

Appropriation Summary: No change in appropriations is required.

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

Summary of Legislation

Under current law, the Colorado Department of Education (CDE) distributes the state share of school finance to school districts in twelve, approximately equal, monthly payments.

The bill requires that CDE distribute the state share such that when the state share is combined with the local distributions of property tax revenue, the district receives approximately the same amount each month.

For the purposes of this calculation, CDE must assume that specific ownership tax is received by districts in twelve equal monthly payments and that property tax revenue is received by districts in three payments in March, May, and June each year. This payment structure also applies to distributions to state Charter School Institute (CSI) schools.

State Expenditures

The bill increases workload for CDE beginning in FY 2024-25 to modify how the state share of school finance is allocated. No change in appropriations is required.

The bill does not change the total amount of the state share of school finance; however, it will modify the timing of when expenditures are made within each fiscal year from the State Education Fund, State Public School Fund, and General Fund, as discussed in the school district

section below. Because school districts are assumed to receive property tax revenue in March, May, and June, smaller distributions of state share are expected to be made in those months, while larger distributions of the state share are assumed to be made in all other months.

School District

The bill does not change the total amount of school finance funding for school districts; however, it will modify the timing of when districts receive the state share. Currently, it is distributed in roughly equal monthly increments.

Under the bill, because school districts are assumed to receive property tax revenue in March, May, and June, smaller distributions, or no distributions, of state share are expected to be made in those months, while larger distributions of the state share are assumed to be made in all other months. Districts that are fully locally funded are not be impacted by the bill, and those that only receive a small amount of state share will see a minimal shift in cash flow. Table 1 shows how monthly total program distributions in three example districts would have been impacted if the bill had been in place in FY 2022-23. Specifically:

- Mapleton represents a district where distributions would be closer to equal than under current law but still have a gap between property tax months and other months;
- Harrison represents a district where the monthly distributions become nearly equal under the bill; and
- Keenesburg represents a district that is nearly fully locally funded and thus sees a relatively small shift in monthly distributions.

Table 1
Monthly Distribution of Total Program for Example Districts Using FY 2022-23 Revenue¹

Month	<u>Mapleton</u>			<u>Harrison</u>			<u>Keenesburg</u>		
	Current Law	Under Bill	Change	Current Law	Under Bill	Change	Current Law	Under Bill	Change
July	\$3.47M	\$4.60M	+\$1.13M	\$9.55M	\$10.64M	+\$1.09M	\$0.32M	\$0.41M	+\$0.09M
Aug.	\$3.47M	\$4.60M	+\$1.13M	\$9.55M	\$10.64M	+\$1.09M	\$0.32M	\$0.41M	+\$0.09M
Sept.	\$3.47M	\$4.60M	+\$1.13M	\$9.55M	\$10.64M	+\$1.09M	\$0.32M	\$0.41M	+\$0.09M
Oct.	\$3.47M	\$4.60M	+\$1.13M	\$9.55M	\$10.64M	+\$1.09M	\$0.32M	\$0.41M	+\$0.09M
Nov.	\$3.47M	\$4.60M	+\$1.13M	\$9.55M	\$10.64M	+\$1.09M	\$0.32M	\$0.41M	+\$0.09M
Dec.	\$3.47M	\$4.60M	+\$1.13M	\$9.55M	\$10.64M	+\$1.09M	\$0.32M	\$0.41M	+\$0.09M
Jan.	\$3.47M	\$4.60M	+\$1.13M	\$9.55M	\$10.64M	+\$1.09M	\$0.32M	\$0.41M	+\$0.09M
Feb.	\$3.47M	\$4.60M	+\$1.13M	\$9.55M	\$10.64M	+\$1.09M	\$0.32M	\$0.41M	+\$0.09M
March ²	\$12.17M	\$8.79M	-\$3.38M	\$13.87M	\$10.60M	-\$3.27M	\$7.32M	\$7.06M	-\$0.26M
April	\$3.47M	\$4.60M	+\$1.13M	\$9.55M	\$10.64M	+\$1.09M	\$0.32M	\$0.41M	+\$0.09M
May ²	\$12.17M	\$8.79M	-\$3.38M	\$13.87M	\$10.60M	-\$3.27M	\$7.32M	\$7.06M	-\$0.26M
June ²	\$12.17M	\$8.79M	-\$3.38M	\$13.87M	\$10.60M	-\$3.27M	\$7.32M	\$7.06M	-\$0.26M
Total	\$67.8M	\$67.8M	\$0	\$127.5M	\$127.5M	\$0	\$24.9M	\$24.9M	\$0

¹Excludes any withholdings from district state share, such as charter school debt withholding or audit repayments.

²March, May, and June distributions include property tax distributions under both current law and under the bill. These months represent the largest shifts in monthly distributions under the bill, which are noted in bold.

Effective Date

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

State and Local Government Contacts

Education

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](#).