

MEMORANDUM

TO: Joint Budget Committee

FROM: Craig Harper, Joint Budget Committee Staff

SUBJECT: Staff Comeback for Declining Assessed Value and Flood-Related Costs in Education

DATE: January 27, 2014

On Friday (January 24, 2014), the Committee approved supplemental adjustments for the Department of Education. Among other changes, the decisions included: (1) an increase of \$55,437,495 General Fund for the state share of districts' total program funding; (2) a one-time increase of \$793,484 cash funds from the State Education Fund for flood-related costs for specific school districts (to be paid for through the Contingency Reserve Fund line item); and (3) a one-time increase in cash funds from the State Education Fund to cover shortfalls in total program funding as a result of declining local revenues in three specific school districts (DeBeque, Meeker, and Pawnee).

The Committee directed staff to draft a bill (or bills) making the approved adjustments, including language allowing the General Assembly to make payments for flood- and local revenue-related impacts (issues 2 and 3 above) from the State Education Fund.

Staff returns to the Committee with two issues.

1. First, staff at the Office of Legislative Legal Services (OLLS) does not believe that the General Assembly can use State Education Fund moneys for the flood and local revenue impacts.
2. Second, staff seeks clarification from the Committee regarding the intended restoration of funding for districts experiencing a reduction in total program funding as a result of declining local revenues.

State Education Fund Applicability

Section 17 of Article IX of the Colorado Constitution establishes the allowed uses of State Education Fund moneys. Upon further review, OLLS Staff and JBC Staff agree that the approved increases for flood-related impacts and declining assessed values fall outside the eligible uses of State Education Fund moneys.

Staff recommends that the Committee “refinance” a portion of the supplemental adjustment for total program funding (approved as \$55.4 million General Fund) with moneys from the State Education Fund and support the flood- and local revenue-related expenditures with General Fund.

Local Revenue Impact Clarification

The Committee voted to assist three school districts experiencing significant decreases in total program funding as a result of declining local revenues (DeBeque, Meeker, and Pawnee). However, staff seeks clarification from the Committee regarding the intended calculation of assistance.

- Meeker and Pawnee are experiencing decreases largely (or entirely) because of declining local *revenues* relative to the original forecast revenues.
- In contrast, DeBeque is experiencing a decrease in per pupil revenues primarily driven by an increased *pupil count* relative to the forecast. DeBeque’s local revenues are also below the forecast but the district’s per pupil funding is down largely because of the increased pupil count.

The following table compares the original (2013 Session) estimates of total program funding for these three districts in terms of total funding and per pupil funding.

Staff Comeback - Impact of Declines in Assessed Value									
County	School District	Original Appropriation			Current Law Funding			Change From Original Total Program	Change from Original Per Pupil
		Original Pupil Count	Original Per Pupil funding	Original Total Program	Actual Pupil Count	Current Per Pupil Funding	Current Total Program		
Mesa	DeBeque	114.7	\$14,158.52	\$1,623,982	132.5	\$12,026.41	\$1,593,499	(\$30,483)	(\$2,132.11)
Rio Blanco	Meeker	655.8	7,625.39	5,000,731	649.0	6,891.39	4,472,512	(528,219)	(734.00)
Weld	Pawnee	83.5	15,472.31	<u>1,291,938</u>	83.6	13,300.90	<u>1,111,955</u>	<u>(179,983)</u>	(2,171.41)
Total				\$7,916,651			\$7,177,967	(\$738,684)	

Staff recommends that the Committee create a consistent method to calculate the funding necessary to assist the three districts. Staff offers two options for the Committee’s consideration (see descriptions below and tables on the following page):

1. *Maintain Original Total Program Funding:* Maintaining the original (2013 Session estimated) total program funding amount for these three districts would require \$738,684 General Fund. Doing so changes the districts’ per pupil funding because of changes in pupil counts (ranging from an increase of \$79.90 per pupil in Meeker to a decrease of \$1,902.05 per pupil in DeBeque because of the increased pupil count in that district). This option would restore total funding to the 2013 Session estimates but *would not provide additional funding for DeBeque’s increased pupil count.*
2. *Maintain Original Per Pupil Funding:* Maintaining the original (2013 Session) level of per pupil funding for each district would require \$940,400 General Fund. Doing so would change the districts’ total program funding based on changes in pupil counts (ranging from an increase of \$252,022 in DeBeque because of the increased pupil count to a decrease of \$51,853 in Meeker because of the decreased pupil count).

OPTION 1: Maintain Expected Total Program Funding								
County	School District	Current Law Funding			Option 1			
		Actual Pupil Count	Current Per Pupil Funding	Current Total Program	Original Total Program Amount	Required Increase	Proposed Per Pupil Funding	Change from Original Per Pupil
Mesa	DeBeque	132.5	\$12,026.41	\$1,593,499	\$1,623,982	\$30,483	\$12,256.47	(\$1,902.05)
Rio Blanco	Meeker	649.0	6,891.39	4,472,512	5,000,731	528,219	7,705.29	79.90
Weld	Pawnee	83.6	13,300.90	<u>1,111,955</u>	<u>1,291,938</u>	<u>179,983</u>	15,453.80	(18.51)
Total				\$7,177,967	\$7,916,651	\$738,684		

OPTION 2: Maintain Expected Per Pupil Funding								
County	School District	Current Law Funding			Option 2			Change from Original Total Program
		Actual Pupil Count	Current Per Pupil Funding	Current Total Program	Original Per Pupil Funding	Proposed Total Program Amount	Required Increase	
Mesa	DeBeque	132.5	\$12,026.41	\$1,593,499	\$14,158.52	\$1,876,004	\$282,505	\$252,022
Rio Blanco	Meeker	649.0	6,891.39	4,472,512	7,625.39	4,948,878	476,366	(51,853)
Weld	Pawnee	83.6	13,300.90	<u>1,111,955</u>	15,472.31	1,293,485	<u>181,530</u>	<u>1,547</u>
Total				\$7,177,967			\$940,400	\$201,716