



Legislative Council Staff

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Fiscal Note

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Prime Sponsors:

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Bill Topic: WORKING GROUP AT-RISK MEASURE SCHOOL FINANCE

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- School Districts

The bill creates a new at-risk measure in the school finance formula, and establishes a working group to determine how the new measure will be implemented. The bill increases state expenditures in FY 2022-23 only and will impact school finance formula funding on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$15,044 to the Colorado Department of Education.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Legislative Interim Committee on School Finance.

Table 1
State Fiscal Impacts Under Bill 1

Table with 4 columns: Category, Sub-category, Budget Year FY 2022-23, and Out Year FY 2023-24. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

## **Summary of Legislation**

**New at-risk measure.** Beginning in FY 2023-24, the bill creates a new at-risk measure in the school finance formula to identify students who are at risk of below-average academic outcomes due to socioeconomic disadvantage or poverty. The new measure includes:

- a district's percentage of students certified as eligible for free lunch based on receipt of public benefits (SNAP, TANF, Food Distribution Program on Indian Reservation) or categorical eligibility (foster, homeless, migrant, runaway or head start), supplemented by students participating in Medicaid or Children's Basic Health Plan; and
- a neighborhood socioeconomic status index that weights student needs based on at least five socioeconomic status neighborhood factors, linked to each student's census block group.

**Working group.** The bill requires the Commissioner on Education to convene a working group to prepare for the implementation of the new measure. The working group consists of representatives from the Colorado Department of Education (CDE), Department of Health Care Policy and Financing (HCPF), the Colorado Department of Human Services (CDHS), and a variety of education-related groups.

The working group must meet by August 15, 2022, and report to the Legislative Interim Committee on School Finance, Joint Budget Committee, and education committees by January 31, 2023. The bill specifies what the working group may consider, including:

- collecting the necessary data to implement the measure;
- acquiring federal authorization to participate in the demonstration program for direct certification of children receiving benefits through Medicaid or Children's Basic Health Plan;
- developing the neighborhood socioeconomic status index and determining the five index factors;
- determining how a student's neighborhood socioeconomic index value should be incorporated;
- conducting pre-implementation modeling and testing with actual data;
- considering the impact of the new measure on other programs; and
- determining the distribution of at-risk funding, how districts and charter schools will demonstrate that at-risk funding is being used to serve at-risk students, the process for initially identifying students, and the design of a hold-harmless provision.

## **State Expenditures**

In FY 2022-23 only, the bill increases state General Fund expenditures in the Colorado Department of Education by \$18,280. It also may impact school finance formula funding beginning in FY 2023-24. These impacts are listed in Table 2 and detailed below.

**Table 2  
Expenditures Under Bill 1**

	FY 2022-23	FY 2023-24
<b>Department of Education</b>		
Personal Services	\$13,744	-
Meeting Costs	\$1,300	-
Centrally Appropriated Costs <sup>1</sup>	\$3,236	-
<b>Total Cost</b>	<b>\$18,280</b>	<b>-</b>
<b>Total FTE</b>	<b>0.2 FTE</b>	<b>-</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Working group.** CDE requires 0.2 FTE in FY 2022-23 only to support the working group and conduct the modeling related to the new factor, as well as \$1,300 for in-person meeting expenses. Most working group meetings are assumed to be conducted online and the bill specifies that members of the working group are not reimbursed for expenses. The bill also increases workload for HCPF and CDHS to participate in the working group. No change in appropriations is required for those agencies.

**School finance.** Establishing a new measure for at-risk funding will impact school finance formula funding beginning in FY 2023-24. The exact impact will depend on how the components considered by the working group are implemented, such as determination of the neighborhood socioeconomic status index and how it is incorporated into the measure, the composition of at-risk factor funding based on the new measure, any hold harmless provisions, among other things. Because the details of have not yet been determined, potential changes to the individual district allocations and total state share of school finance cannot be estimated at this time.

**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 shown in Table 2.

## 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 beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$2,257 in FY 2022-23, which will decrease the amount of General Fund available for other purposes.

## School District

As discussed in the state expenditures section, the new at-risk measure may change district allocations of school finance funding beginning in FY 2023-24 and the amount or type of work required for districts to count at-risk students. The exact impact will depend on how the components considered

by the working group are implemented, such as determination of the neighborhood socioeconomic status index and how it is incorporated into the measure, the composition of at-risk factor funding based on the new measure, any hold harmless provisions, among other things. Because the details of have not yet been determined, potential changes to the total state share of school finance and individual district allocations cannot be estimated at this time.

The bill may also increase workload for any district whose representatives serve on the working group by a minimal amount.

## **Effective Date**

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

## **State Appropriations**

In FY 2022-23, the bill requires a General Fund appropriation of \$15,044 to the Colorado Department of Education.

## **State and Local Government Contacts**

Education

Health Care Policy and Financing

Human Services