

- ▶ charter schools that receive at-risk funding must spend at least 75% on direct instruction or staff development;
- ▶ every student enrolling in 9th grade must register with the online college planning and preparation resource, "College in Colorado."

Other Provisions. The bill increases the statewide base per pupil funding per constitutional requirements of inflation plus 1% (from \$5250.41 to \$5,507.68). The bill also maintains the supplemental kindergarten funding of 8% of PPR through FY 2009-10.

State Expenditures

Background. School finance in Colorado is governed both by the constitution (Amendment 23 - Article IX, Section 17) and statutes (the Public School Finance Act of 1994 - Title 22, Article 54, C.R.S.). Under current law, the program is estimated to cost over \$5.7 billion in FY 2009-10, of which over \$3.4 billion comes from state sources, mainly the state General Fund. Current law requirements are funded through the Long Bill; law changes require a separate appropriation.

SB09-256. The bill increases state expenditures for K-12 education by an estimated **\$3.2 million in FY 2009-10** compared to the requirements of current law. The components of this expenditure impact are shown in Table 1. The fiscal note shows costs as General Fund expenditures, but the General Assembly could choose to pay for some expenses from the State Education Fund.

Table 1. FY 2009-10 State Expenditures under SB09-256		
Provision	FY 2009-10	FY 2010-11
Centers of Excellence	\$271,250	\$271,250
Reduced Size Factor	(1,520,000)	(1,520,000)
At-risk Funding Changes with Hold-harmless Provision	4,459,800	3,344,900
TOTAL	\$3,211,050	\$2,096,150

Centers of Excellence (\$271,250). The bill establishes a new "centers of excellence" incentive payment program. Through the program, additional funding is available to districts for middle, junior, or high schools that enroll high percentages of at-risk students and meet specific achievement goals. The bill specifies that 100% of the incentive payment be allocated by districts to the qualifying school.

In FY 2009-10, it is anticipated that \$271,250 in centers of excellence incentive payments will be paid. For a school to qualify, it must have greater than 50% of its total enrollment be at-risk students **and** have the average score on 3 of the 4 Colorado Student Achievement Program (CSAP) tests exceed the statewide average on that test. The incentive payment is \$250, \$500, and \$1,000 per at-risk student at each qualifying school and is determined as follows:

- ▶ between 50 and 75% at-risk—\$250;
- ▶ between 75 and 90% at-risk—\$500; and
- ▶ greater than 90% at-risk—\$1,000.

Table 2. Incentive Payments to School Qualifying as Centers of Excellence				
School District	School	50 - 75%	75 - 90%	> 90%
North Conejos RE - 1J	Centauri Middle School	\$36,250	\$0	\$0
Park County RE-2	Guffey Charter School	3,000	0	0
Denver County 1	Kipp Sunshine Peak Academy	0	146,000	0
East Otero R-1	La Junta Middle School	38,500	0	0
Colorado Springs 11	West Intergenerational School	42,250	0	0
Campo RE-6	Campo Undivided High School	3,750	0	0
Silverton 1	Silverton High School	1,500	0	0
TOTAL		\$125,250	\$146,000	\$0

For the purpose of illustrating costs, incentive payments are anticipated to be nearly the same in FY 2010-11 as in FY 2009-10.

Reduced Size Factor (savings of \$1,520,000). The bill reduces the existing district size factors specified in statute. All size factors are reduced proportionally by approximately 0.03%. The change in the district size factor formula will save an estimated \$1,520,000 in total program payments by the state in FY 2009-10 and FY 2010-11.

At-risk Funding Changes with Hold-harmless Provision (\$4,459,800). The bill changes the process for determining charter school at-risk funding. For schools that the new calculations reduce at-risk funding, the bill includes a hold-harmless provision. Excluding online students, the bill specifies that from FY 2009-10 to FY 2012-13 charter schools will receive 100%, 75%, 50%, and 25% of the difference between:

- ▶ the school district’s average at-risk funding for all pupils multiplied by the total number of charter school pupils; and
- ▶ the school district’s at-risk funding per at-risk student multiplied by the number of at-risk students enrolled at the charter school.

In FY 2009-10 and FY 2010-11, this is expected to increase school financing requirements by \$4,459,800 million and \$3,344,900, respectively.

Institute Charter School Funding (\$1,335,000–Conditional). Currently, institute charter school funding is allocated to the school from the state share of a district's total program funding. When the district pays the majority of program funding, there may not be enough state share to fully fund the institute charter school. In these cases, the institute charter school receives the total amount of the state share payable to the district. This bill requires the CDE to apply for supplemental funding to make the institute charter school whole. Currently, one school district is encountering this situation and would require funding of approximately \$1,335,000. Funding this amount is at the discretion of the General Assembly through the supplemental process.

School District Impact

Table 3 shows the estimate of school finance act funding under SB09-256.

Table 2. School Finance Act Funding					
	Pupil Count	Per Pupil Funding	Total Program Funding	State Aid	Local Share
FY 2008-09 Act.	778,136	\$6,882	\$5,354,966,916	\$3,399,098,235	\$1,956,039,665
FY 2009-10 Est.	788,648	\$7,224	\$5,697,046,477	\$3,694,847,560	\$2,002,432,476
Percent change	1.35%	4.97%	6.39%	8.70%	2.37%
Increase	10,512	\$342	\$342,079,561	\$295,749,325	\$46,392,811

Centers of Excellence. Qualified schools that meet academic performance requirements are eligible to receive incentive payments of \$250, \$500, and \$1,000 per at-risk pupil. Current projections indicate that \$271,250 will be awarded to select schools in FY 2009-10.

Reduced Size Factor. Reduction of the statutory size factors reduces total program payments from the state by \$1,520,000 annually. The impact of this provision on individual districts will depend on the district's enrollment.

At-risk Funding Changes with Hold-harmless Provision. Changes to the calculation of at-risk funding will ultimately result in some charter schools receiving less funding. However, due to the hold-harmless provision, the state will supplement total at-risk funding such that those charter schools that would otherwise receive less funding receive 100% of anticipated funding in FY 2009-10, 75 % in FY 2010-11, 50% in FY 2011-12, 25% in FY 2012-13, an 0% in FY 2013-14. School district funding will increase by \$4,459,800 in FY 2009-10 and \$3,344,900 in FY 2010-11 for the hold-harmless provision.

Institute Charter Schools. Institute charter schools that would receive reduced funding due to the small state share of a district's total program funding may be eligible for funding through the supplemental budget process.

District Set Aside Amounts. The bill eliminates the existing requirement that each district and charter school set aside a percentage of it's budget for capital needs, risk management activities, and instructional supplies and materials. Although school districts will still have expenditures for these budget items, elimination of this requirement increases budget flexibility for district spending in FY 2009-10 and beyond. It is anticipated that districts and charters would set aside a total of \$395.1 million in FY 2009-10 under the existing requirements.

Reestablishing TABOR Limits. Local districts must levy the maximum amount allowed by law for school finance, if they choose to reduce the local share through an election to reestablish TABOR limits, under this bill, state aid will *not* increase to make up the difference. This change codifies existing policy and identifies the state policy in the event that a district reestablishes TABOR limits.

District Property Tax Overrides. The bill modifies the requirements for requesting voter approval of additional property taxes, known as overrides. Current law caps overrides at 20% of the district's school finance act funding or \$200,000 plus a cost of living adjustment from 2001, whichever is more. The bill increases the existing cap on the amount of additional property tax revenue that a school district may raise and spend in excess of its total program through a special election. This bill raises the cap to the larger of 25% of the district's total program or \$200,000 plus the 2001 cost of living adjustment. The additional revenue allowed by the bill is required to be used by the district to improve student achievement and close the achievement gap.

Any district that intends to seek voter approval to increase the cap is required to notify the State Board of Education of its intent, and must submit a proposal to the CDE that includes specified components to improve academic achievement in the district and address achievement gaps among student groups.

It is currently unknown how many districts would seek voter approval to increase the cap. Currently, only 103 of 174 districts have voted to provide additional property tax revenue, and most of these districts have approved amounts below the allowable 20% of total program. This bill raises the total revenue authority for districts by an estimated \$285.0 million. Any impact resulting from this change is conditional on the district seeking and obtaining voter approval to collect and expend additional property tax revenue.

Other Provisions. The bill contains two other provisions that may impact policies at school districts and charter schools:

- ▶ charter schools that receive at-risk funding must spend at least 75% on direct instruction or staff development; and
- ▶ school districts' boards of education must ensure that all 9th grade students are registered with the online college planning and preparation resource. [need more information about this]

State Appropriations

For FY 2009-10, the Department of Education requires the following General Fund appropriations:

- ▶ \$271,250 for Centers of Excellence;
- ▶ (\$1,520,000) for Public School Finance – Reduced Size Factor (reduction); and
- ▶ \$4,459,800 for Hold-harmless At-risk Funding.

Departments Contacted

Education
Higher Education

Legislative Council Staff

Human Services