

- ▶ one-half of the increase in the appropriation for the Expelled and At-Risk Student Services Grant Program must go to applicants that will reduce the number of truancy cases requiring court involvement;
- ▶ if an institute charter school resides in a district that does not receive sufficient state funding to fully cover per pupil funding, the Colorado Department of Education (CDE) is required to submit a supplemental request for the amount that the institute charter school is short;
- ▶ districts are no longer required to set aside specific amounts of their budgets for capital needs, risk management activities, and instructional supplies and materials;
- ▶ the cap on the amount of additional local property tax revenue that a school district may raise and spend (the override limit) is increased from 20 percent of total program funding to 25 percent, and specific ownership taxes are no longer included in the limit;
- ▶ the CDE is required to prepare a study examining the feasibility of a residential school for students who are in need of greater academic support and who are at risk of academic failure;
- ▶ every student enrolled in sixth grade must register with "CollegeInColorado.org"; and
- ▶ prior to the start of ninth grade, each student must submit an individual career and academic plan with the district, which may include the use of various college preparation and planning services.

Other Provisions. The bill increases the statewide base per pupil funding per constitutional requirements of inflation plus 1 percent (from \$5,250.41 to \$5,507.68). In addition, the bill extends the existing supplemental kindergarten funding through FY 2009-10, with the full-day kindergarten factor at 58 percent of a full-day pupil.

The bill also modifies the TABOR reserve requirements for school districts. Specifically, it authorizes school districts to designate real property as all or a portion of their required TABOR reserve if they have already provided for a 3 percent General Fund reserve in a given budget year. It also authorizes the state to invest in any certificate of participation issued by a school district as long as the security meets certain minimum rating standards.

State Transfers or Diversions

The bill requires a one-time transfer of \$250,000 from the Read-to-Achieve Cash Fund to the School Awards Program Fund in FY 2009-10. It also requires a one-time transfer of \$1.75 million from the Read-to-Achieve Cash Fund to the Closing the Achievement Gap Cash Fund.

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.). The program is estimated to cost about \$5.7 billion in FY 2009-10, of which \$3.7 billion comes from state sources, mainly the state General Fund. Current law requirements are funded through the Long Bill; any changes to law require a separate appropriation.

SB09-256 increases state General Fund expenditures for K-12 education by an estimated **\$55,706 in FY 2009-10.**

General Fund expenditures will increase \$55,706 in FY 2009-10 to allow the CDE to prepare a study on the feasibility of opening a residential boarding school for students who are at risk of academic failure and who need greater academic support. The study must be completed by February 1, 2010, and must include information on the performance of similar schools operating in other states as well as recommendations concerning the school's governance structure, funding sources, curriculum, anticipated student population, methods of selecting students, and the number and location of possible schools. The study is expected to require the equivalent of a full-time General Professional V from July 1, 2009, through February 1, 2010, thereby costing the CDE \$55,706. This will be a one-time contracting expense for the department.

Institute Charter School Funding. 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. However, providing supplemental funding is at the discretion of the General Assembly.

Centers of Excellence Awards. The bill creates a Centers of Excellence Award Program, which requires the State Board of Education to award \$250,000 annually to schools that demonstrate the highest rates of academic growth, as measured by the state longitudinal growth model, and that have at least 75 percent at-risk student enrollment. Money for this award program will be transferred from the Read-to-Achieve Cash Fund in FY 2009-10. In subsequent years, it is unclear how the award program will be funded. Schools that receive this award are not eligible to receive a Governor's Distinguished Improvement Award.

Closing the Achievement Gap Program. The bill makes a one-time transfer of \$1.75 million from the Read-to-Achieve Program to the closing the Achievement Gap Program in FY 2009-10. The CDE has continuous spending authority from the Closing the Achievement Cash Fund, so no additional appropriation is needed.

School District Impact

Table 1 shows the estimate of school finance act funding under SB09-256.

Table 1. 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	\$1,955,868,682
FY 2009-10 Est.	788,648	\$7,225	\$5,698,295,823	\$3,696,095,485	\$2,002,200,338
Percent change	1.35%	4.98%	6.41%	8.74%	2.37%
Increase	10,512	\$343	\$343,328,907	\$296,997,250	\$46,331,656

Fiscal Emergency Reserve. School districts in the aggregate are required to set aside \$110 million in FY 2009-10 into an emergency reserve account. Each school district is required to put approximately 1.93 percent of its total program funding into the reserve account, for a statewide total of \$110 million. The General Assembly may take action to rescind this amount by January 29, 2010, otherwise school districts can spend the money.

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.

Charter School Capital Construction. The bill does not provide additional funding for charter school capital construction, but encourages the Governor to allocate a portion of the money received by the state from the American Recovery and Reinvestment Act for such purposes.

District Set Aside Amounts. The bill eliminates the existing requirement that each district and charter school set aside a percentage of its 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.

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 percent 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 percent of the district's total program or \$200,000 plus the 2001 cost-of-living adjustment. Plus, specific ownership taxes that previously counted against the cap are no longer included, which thereby raises the amount of the available override. Any district that seeks voter approval to increase the cap is required to submit a proposal to the State Board of Education concerning the use of the new revenue.

It is unknown how many districts would seek voter approval to increase the cap. Currently, only 103 of 178 districts have voted to provide additional property tax revenue, and most of these districts have approved amounts below the allowable 20 percent 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. First, schools are required to have students submit individual career and academic plans with the district, which may include the use of various college preparation and planning services. Second, the bill allows school districts to meet their TABOR reserve requirements with real property owned by the district. This effectively frees up money that districts have currently allocated to meet the reserve requirement. At the end of FY 2007-08, the total money set aside for the TABOR reserve was just over \$154 million.

State Appropriations

For FY 2009-10, the Department of Education requires a \$55,706 appropriation from the General Fund and a \$250,000 appropriation from the School Awards Program Fund. Because the Department of Education has continuous spending authority from the Closing the Achievement Gap Cash Fund, no additional appropriation is needed.

Departments Contacted

Education
Human Services

Legislative Council Staff
Higher Education