

*Colorado Legislative Council Staff Fiscal Note*

**STATE and LOCAL  
FISCAL IMPACT**

<b>Drafting Number:</b> LLS 14-0761	<b>Date:</b> April 7, 2014
<b>Prime Sponsor(s):</b> Sen. Zenzinger Rep. Fields	<b>Bill Status:</b> Senate Education
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**SHORT TITLE:** OPPORTUNITY SCHOOLS PILOT INITIATIVE

<b>Fiscal Impact Summary*</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>	<b>FY 2016-17</b>
<b>State Revenue</b>			
<i>Revenue Change</i> Cash Funds	Potential Increase. See State Revenue section.		
<b>State Expenditures</b>	<b><u>\$62,639</u></b>	<b><u>\$695,339</u></b>	<b><u>\$1,358,459</u></b>
General Fund Cash Funds	\$62,639	\$695,339	\$1,358,459
<b>FTE Position Change</b>			
<b>Appropriation Required:</b> \$62,639 - Colorado Department of Education (FY 2014-15)			

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

This bill creates the Opportunity Schools Pilot Initiative in the Colorado Department of Education (CDE). The initiative is intended to identify and support the creation of innovative school models that serve high-risk students in an effort to prepare them for postsecondary and career success. The State Board of Education (SBE) must adopt rules for the program, based on recommendations received from the CDE and from a newly created advisory committee. The Commissioner of Education is required to convene the new advisory committee no later than July 1, 2014, and the bill specifies the committee's composition. Committee members serve without compensation or reimbursement of expenses.

Once convened, the committee and the CDE must create and recommend to the SBE the parameters for the initiative, including application procedures and requirements, minimum school design requirements, criteria for selecting participants, reporting and accountability requirements, and the methods and indicators for measuring success. The advisory committee is also required to solicit private gifts, grants, and donations.

A public school, other than an online school, may apply to participate if the school:

- serves students between ages 16 and 21;
- is designated as an alternative education campus (AEC); and
- is authorized to grant high school diplomas or offers a general education development program.

The bill outlines other eligibility criteria and application requirements. The CDE will request applications in order to select two cohorts of participants. The first cohort must be selected no later than January 15, 2015, and will begin participating in the initiative in the 2015-16 school year. The second cohort must be selected by January 15, 2016, for participation in the initiative in the 2016-17 school year. Combined, the cohorts must consist of at least three public schools serving no more than 600 total students.

The bill creates the Opportunity School Pilot Initiative Fund in the State Treasury to provide additional money for schools selected to participate, and to offset any CDE cost to administer the program. The fund consists of money appropriated to the fund by the General Assembly, and from gifts, grants, or donations. Beginning with FY 2015-16, each participating school receives an amount equal to 30 percent of the statewide average per pupil revenue, as determined in the annual School Finance Act, multiplied by the pupil enrollment of the participating school during that year. The CDE may use up to three percent of moneys to offset administrative costs.

Participating schools are subject to the same accountability requirements that apply to other AECs; however, participating schools must propose additional performance measures specifically tailored to measure performance under the school's unique design and mission. The CDE must annually collect and report the support services provided through participating schools.

The CDE and advisory committee must regularly review the performance of each participating school. The bill identifies certain measures the department and advisory committee may use to evaluate success. After at least two years of performance data, the CDE and committee may recommend that the SBE reduce or discontinue additional funding for certain participating schools.

Finally, the bill requires that the CDE contract with an independent entity to evaluate the initiative in the third year of operations, and every third year thereafter. The entity is required to prepare a qualitative and quantitative report that the General Assembly may use to determine whether funding for the initiative should continue. The CDE must submit the report to the education committees of the legislature and publish the report on the department's website.

### **State Revenue**

The bill requires that the advisory committee solicit gifts, grants, and private donations to provide funding for the initiative. No amount of private donations has been identified.

### **State Expenditures**

***This bill increases state expenditures by \$62,639 in FY 2014-15, by \$695,339 in FY 2015-16, and by \$1,358,459 million in FY 2016-17.*** Increased state expenditures are for program development, advisory board coordination, grant administration and other operational expenses, and for grant awards to eligible opportunity schools. Total costs are detailed below and displayed in Table 1.

<b>Table 1. Expenditures Under SB 14-167</b>			
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Contracted Services:			
Grant Program Development & Management	\$42,000	\$42,000	\$42,000
Outreach, Travel, and Operational Expenses	20,639	20,639	20,639
Opportunity School Grants		632,700	1,295,820
<b>TOTAL</b>	<b>\$62,639</b>	<b>\$695,339</b>	<b>\$1,358,459</b>

**Contracted services: grant program development and management.** The CDE will contact for third-party services to support development of the pilot grant program, and to facilitate the work of the advisory committee. The contractor will assist the CDE to identify and recruit qualified participants for the advisory committee, and provide staff support to the committee in the execution of its duties.

This work includes developing an application and evaluation process, creating materials and providing technical assistance to assist eligible AECs to apply for funding, conducting post award site visits and developing a process to collect and analyze support services data. Ongoing, the contractor and advisory committee must track and review participating school performance, and arrange for a third party evaluation every three years. The contract is estimated at \$42,000 annually.

**Outreach, travel, and operational expenses.** The program will require an operations budget to pay for outreach and communication to eligible schools, to create and distribute marketing materials, and to allow the contractor or CDE staff to travel to grant sites for ongoing evaluation and accountability. These costs combined are estimated at \$20,639 annually.

**Opportunity school grants.** Grants to opportunity schools will comprise the largest cost component of the bill. The first cohort of recipients must be identified by January 15, 2015, and grant awards made for the 2015-16 academic year. Each participating school receives an amount equal to 30 percent of the statewide average per pupil revenue (PPR), as determined in the annual School Finance Act, multiplied by the pupil enrollment of the participating AEC during that year.

For FY 2015-16, the statewide average PPR is estimated to be \$7,030 and 30 percent of this amount is \$2,109. If the first cohort is equal to one half of the eligible cohorts, or 300 students, total grant awards are \$632,700 (300 X \$2,109 = \$632,700).

For FY 2016-17, a second cohort will be added, bringing total eligibility to 600 students. The statewide average PPR in FY 2016-17 is estimated to be \$7,199, and 30 percent of this amount is \$2,160. Total grant awards in FY 2016-17 is \$1,295,820 (600 X \$2,160 = \$1,295,820)

**Third party evaluation.** The bill requires that the CDE contract with an independent entity to evaluate the initiative in the third year of operations, and every third year thereafter. For FY 2017-18, the department will require at least \$35,000 for a third party evaluation contract.

### **School District Impact**

The bill distributes grant funding to select opportunity schools, increasing revenue in districts where the grants are awarded.

Under current law, school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>

### **Technical or Mechanical Defects**

Section 24-46.3-304(2) of the bill permits the CDE to expend up to three percent of the moneys annually appropriated from the fund to offset the costs incurred in implementing the new grant program; however, this indirect rate is insufficient to cover the department's fixed costs to establish the new program in FY 2014-15.

Once the grant program is operational, this fiscal note estimates that grant awards will be about \$632,700 in FY 2014-15, with an administrative cost of about \$62,600. If the General Assembly appropriates \$632,700 to the fund for grants and the department is held to an indirect rate of three percent, only \$18,981 is available for administrative purposes. For FY 2015-16, the cost of grants is about \$1.3 million. If the General Assembly appropriates \$1.3 million for FY 2015-16 to fund grants and the department is held to an indirect rate of three percent, only \$38,874 is available for administrative purposes.

### **Effective Date**

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

### **State Appropriations**

For FY 2014-15, this bill requires an appropriation of \$62,639 General Fund to the Colorado Department of Education.

### **State and Local Government Contacts**

Education