

JBC STAFF FISCAL ANALYSIS SENATE APPROPRIATIONS COMMITTEE

CONCERNING THE CREATION OF THE "PUBLIC SCHOOL FACILITIES EQUITY ACT" TO ADDRESS THE CAPITAL CONSTRUCTION NEEDS OF COLORADO PUBLIC SCHOOLS.

Prime Sponsors: Senator Schwartz
Representative Massey

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Summary of Amendments Made to the Bill After the 03/12/07 Legislative Council Staff Revised Fiscal Note was Prepared

None.

JBC Staff Concurrence with Legislative Council Staff Fiscal Note

☐ Concurs ☐ Does Not Concur ☒ Updated Analysis

Reason for the Update

Based on conversations with staff from the Office of Legislative Legal Services, it appears that while the total expenditures identified in the Legislative Council Staff Revised Fiscal Note (dated March 12, 2007) are correct, the fund sources associated with these costs are not. It is now staff's understanding that the bill, as amended by the Senate Education Committee, does not authorize the State Board to use moneys in the School Construction and Renovation Fund until the first statewide needs assessment has been completed and the statewide database is created. Thus, until the needs assessment is completed, Department costs would need to be funded with General Fund. **The following table provides an updated summary of the state expenditures required to implement the bill, as amended by the Senate Education Committee.**

Summary of State Expenditures - UPDATE	FY 2007-2008	FY 2008-2009
State Expenditures		
General Fund	\$ 68,227	\$ 68,010
Cash Funds Exempt		
School Construction and Renovation Fund	0	0
State Public School Fund	0	3,000,000
FTE Position Change	1.0 FTE	1.0 FTE

Amendments/Appropriation Status

The bill does not currently include an appropriation clause.

While the FY 2007-08 Long Bill has not yet been introduced, the Joint Budget Committee has voted to include the following appropriations to the Department of Education related to the School Construction and Renovation Fund:

FY 2007-08 Long Bill Appropriations Approved by the Joint Budget Committee	
General Fund	\$10,000,000
Cash funds exempt spending authority out of the School Construction and Renovation Fund	<u>10,000,000</u>
Total	\$20,000,000

Senate Bill 07-41 would allow the State Board of Education to "approve and order payments" from moneys in the School Construction and Renovation Fund without an appropriation from the General Assembly. Thus, S.B. 07-41 would eliminate the need for the duplicate cash funds exempt appropriation in the above table. Staff has prepared an amendment (**J.001**) to **eliminate the duplicative \$10 million cash funds exempt appropriation from the School Construction and Renovation Fund that will be included in the FY 2007-08 Long Bill.**

In addition, J.001 **appropriates \$68,227 General Fund and 1.0 FTE to the Department of Education for FY 2007-08** to provide support to the Advisory Committee and cover legal services related to the development and promulgation of rules for minimum facilities standards.

Finally, J.001 **provides the Department of Law with \$3,389 cash funds exempt spending authority for FY 2007-08** for the provision of legal services associated with the promulgation of rules.

Sponsor Amendments

Sponsor amendment **L.007** would modify the Education Committee Report as follows:

- Require the Department to conduct or contract for a statewide needs assessment of school buildings and facilities *as soon as possible following the State Board of Education's adoption of uniform statewide minimum facility and safety standards* (rather than "beginning January 1, 2009"). Following *completion* of the first assessment, requires the Department to conduct or contract for a reassessment of buildings and facilities every five years.

- Continues to require the needs assessment to cover buildings and facilities in all districts. However, limits the number of districts that the Department is required to include in conducting the initial assessment and requires the remaining districts to conduct self-assessments. Specifically, *subject to available appropriations*, requires the Department to assess buildings and facilities in school districts as follows: (a) districts that enroll 200 or fewer pupils; and (b) districts that enroll between 200 and 1,201 pupils, and have a per-pupil assessed valuation of less than \$100,000. If there are appropriations available to assess buildings and facilities in school districts not specified above, requires the Department to assess buildings and facilities in additional school districts that enroll fewer than 1,200 pupils, in ascending order of per-pupil assessed valuation.

Requires each school district that is not assessed by the Department to "assess and report its own school buildings and facilities in accordance with the procedures and format provided by the Department of Education on or before January 1, 2009."

- If there are insufficient lottery funds available to cover the costs of providing sufficient staff to assist the Advisory Committee in establishing standards, authorizes the State Board to use moneys in the School Construction and Renovation Fund for such purpose.
- For *FY 2007-08 and FY 2008-09* (rather than FY 2007-08 through FY 2010-11), authorizes the State Board to use up to *\$6 million* (rather than \$12 million) of lottery proceeds that are transferred to the State Public School Fund to pay for: (a) *costs incurred in establishing the uniform statewide minimum facility and safety standards*; and (b) the needs assessment.

Fiscal analysis of L.007

Based on information provided by the Department of Education, the table on the following page delineates the districts that would be assessed by the Department versus districts that would be required to perform self-assessments. The table groups districts together based on size and assessed valuation in order to provide sufficient information should the Committee consider adjusting the threshold dividing districts that would be assessed by the Department and those required to perform a self-assessment.

It is assumed that the overall cost of a statewide assessment would decline slightly (from \$12.2 million to \$11.3 million) because L.007 instructs the Department to exclude on-line students when calculating districts' per-pupil assessed valuation. In addition, as L.007 requires some districts to

conduct self-assessments, it is assumed that a portion of the costs associated with assessing these districts would be shifted to these districts.

As indicated in the table below, if L.007 is adopted the Department would require \$645,599 to assess buildings and facilities in the 113 districts with fewer than 1,200 funded pupils. It is anticipated that the remaining \$10.6 million in costs of the statewide assessment would be shared between the Department and districts. Specifically, the 65 districts would incur costs to conduct the self-assessments, and the Department would incur costs to collect the self-assessment results for the statewide database. It is unclear what level of involvement will be required by the Department (or its contractor) in evaluating the data collected from districts that conduct self-assessments in order to ensure that it is comparable to the data collected through the Department's assessment. Thus, staff is not able to determine what portion of the \$10.6 million would be required by the Department.

Districts to be Assessed by the Department of Education (CDE) and Districts to Conduct Self-Assessment					
Description of School Districts, by Category	Number of Districts	Funded FTE Count (for FY 06-07; excluding on-line students)	Cum. % of FTE	Cumulative Costs to CDE of Assessing Districts	Costs to Districts and CDE for Self-Assessments
Funded FTE of 200 or fewer	37	4,420.5	0.6%	\$67,634	\$11,238,370
Funded FTE between 200 and 1,201; per-pupil assessed valuation (PPAV) <\$100,000	42	19,838.0	3.3%	371,155	10,934,849
Funded FTE between 200 and 1,201; PPAV >\$100,000	34	17,938.0	5.7%	645,599	10,660,405
Funded FTE >1,200; PPAV <\$55,000	13	142,752.0	25.0%	2,829,704	8,476,299
Funded FTE >1,200; PPAV between \$55,000 and \$81,000	18	171,103.0	48.2%	5,447,573	5,858,431
Funded FTE >1,200; PPAV between \$81,000 and \$91,000	9	232,928.0	79.7%	9,011,371	2,294,633
Funded FTE >1,200; PPAV between \$91,000 and \$1.2 million	25	149,976.0	20.3%	11,306,004	0
Total	178	738,955.5	100.0%	n/a	n/a

The fiscal impact of the bill, with sponsor amendment L.007, is summarized in the following table:

Total Costs Under SB07-041, With Sponsor Amendment L.007		
Cost Components	FY 2007-08	FY 2008-09
Personal Services	\$58,333	\$58,333
<i>FTE - Senior Consultant</i>	<i>1.0</i>	<i>1.0</i>
Operating and Capital Expenses	3,505	500
Advisory Committee Expenses	3,000	2,400
Legal Services - to Department of Law	3,389	6,777
Needs Assessment*	0	At least \$645,599, up to \$5,863,763
Total Expenditures - Lottery proceeds transferred to State Public School Fund** FTE	\$ 68,227 1.0	Up to \$5,931,773 1.0

* As noted above, it is estimated to cost CDE \$645,599 to assess buildings and facilities in the 113 districts with fewer than 1,200 funded pupils. It is anticipated that it will cost the remaining 65 districts and CDE \$10.6 million for these districts to conduct self-assessments and for CDE to collect the self-assessment results for the statewide database. It is unclear, however, what portion of the \$10.6 million would be incurred by CDE, and what portion would be borne by school districts.

** If lottery proceeds are insufficient to cover the costs of providing staff to the Advisory Committee in establishing facility standards, these expenses would be paid from the School Construction and Renovation Fund.

If sponsor amendment L.007 is adopted, J.002 should be adopted in lieu of J.001. Staff has prepared amendment J.002 to: (a) eliminate the duplicative \$10 million cash funds exempt appropriation from the School Construction and Renovation Fund that will be included in the FY 2007-08 Long Bill; and (b) provide the Department of Law with \$3,389 cash funds exempt spending authority for FY 2007-08 for the provision of legal services associated with the promulgation of rules. The \$68,227 required by CDE for FY 2007-08 would be supported by lottery proceeds (if available), or the School Construction and Renovation Fund; the State Board would be authorized to spend either of these funding sources without an appropriation.

Points to Consider

1. *Potential General Fund Costs.* The general appropriations bill for FY 2007-08 has not yet been introduced. This bill would appropriate \$68,227 General Fund for FY 2007-08; this appropriation is subject to the six percent statutory limitation on General Fund appropriations. If this bill is enacted, other General Fund appropriations may only increase by six percent less \$68,227, in order to comply with this statutory limitation on General Fund appropriations. [Please note that sponsor amendment L.007 eliminates the need for a General Fund appropriation.]
2. *No Identified Source of Funding for Future Costs.* The bill requires the Department to conduct or contract for a statewide needs assessment of school buildings beginning on January 1, 2009, and at least once every five years thereafter. The bill authorizes the State Board of Education to use lottery proceeds that are transferred to the State Public School Fund to pay for the initial assessment. How does the General Assembly intend for the Board to cover costs associated with subsequent needs assessments?
3. *Intended Scope of Needs Assessment.* The estimated cost of the statewide needs assessment is based on \$0.085 per square foot, assuming 180 square feet per funded FTE. The \$12.2 million cost identified in the Legislative Council Staff Revised Fiscal Note dated March 12, 2007, is based on all pupils, including students attending charter schools and on-line programs. The cost associated with sponsor amendment L.007 is based on the same methodology, but it excludes on-line students. Is it the intent of the General Assembly that the statewide needs assessment include buildings that are occupied by charter schools but not owned by school districts? Is it the intent of the General Assembly that the statewide needs assessment include "learning centers" such as those used by students attending the Hope On-line Learning Academy Co-Op?
4. *Self-assessments Required by Sponsor Amendment L.007.* Sponsor amendment L.007 would require the Department, subject to available appropriations, to assess buildings and facilities in districts with fewer than 1,200 funded pupils (at an estimated cost of \$645,599). The remaining districts would be required to assess and report their own school buildings and facilities. It is anticipated that districts will incur costs to conduct these self-assessments, and the Department will incur costs to collect the self-assessment results for the statewide database (an estimated total of \$10.6 million).