SB11-188

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL
REVISED FISCAL IMPACT

(replaces fiscal note dated March 15, 2011)

Drafting Number:	LLS 11-0825	**Date:**	April 4, 2011
Prime Sponsor(s):	Sen. Bacon; King K. Rep. Casso	**Bill Status:**	House Education
		Fiscal Analyst:	Jonathan Senft (303-866-3523)

TITLE: CONCERNING INCREASING THE STATE'S OVERSIGHT OF THE PROGRAM THAT ALLOWS THE FINANCING OF CAPITAL CONSTRUCTION FOR QUALIFIED CHARTER SCHOOLS.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue	See State Revenue section.	
State Expenditures	See State Expenditures section.	
FTE Position Change		
Effective Date: July 1, 2011.		
Appropriation Summary for FY 2011-2012: None.		
Local Government Impact: See School District Impact section.		

Summary of Legislation

Current law allows qualified charter schools to finance capital construction with revenues from bonds issued on their behalf by the Colorado Educational and Cultural Facilities Authority (CECFA). The program provides a source of state moneys that can be used to make bond payments if the qualified charter school fails to do so. This bill specifies how funds used to assist charter schools in these payments will be restored.

Current law requires a $5.0 million appropriation for the Charter School Per Pupil Facilities Aid Program (FAP), which is distributed in equal per pupil amounts to qualifying charter schools to assist with facility expense. This bill expands the purposes for which the money may be withheld. Moneys from this appropriation may be used to replace monies used for bond assistance. Each charter school under the moral obligation program and receiving FAP funds will receive a reduced amount, to a maximum of 50 percent, in order to replenish state funds used for bond payments. Under current law, if funds gained from this reduction are insufficient to backfill accounts used to repay bonds, then FAP moneys distributed to all charter schools may be reduced up to 10 percent.

The bill also gives the state treasurer the authority to place a lien on property to secure a bond whenever money is used from the program and designates how money recovered from the lien is to be deposited. The treasurer may also charge fees for reporting requirements. The bill redirects certain accounting responsibilities on the funds from CECFA to the Department of Treasury. The department must also file an annual report with the state auditor.

Finally, the bill provides a 'cooling off' period prior to the revocation a school's charter. If a local board revokes or fails to renew the school's charter – which has capital construction bonds from the CECFA – the board must notify the treasury and the commissioner of education of its intent. In this event, the local board's revocation is suspended for up to 120 days while the commission, treasury, charter board and CECFA meet to discuss alternatives for the school board's obligations. The same process shall apply to institute charter schools, but the institute board shall replace the role of the district.

State Revenue

This bill allows the state treasurer to charge fees to compile the annual report to charter schools with moral obligation bonds. Currently, these fees are collected by CECFA.

State Expenditures

The treasurer will have slight increases in expenses to comply with reporting requirements in the bill. These costs will be recovered through fees charged to charter schools.

Other state expenditures for this bill will be conditioned on the amount of assistance needed by charter schools. Since it is not possible to determine the size of potential default, or the costs associated with the administration of such, state expenditures are expected, but conditional on the circumstance. Fifty percent of the amounts paid to moral obligation participants can be redirected to compensate for the defaulting bond payments. If savings from that reduction are insufficient to replenish the accounts, an additional 10 percent may be deducted from the FAP distribution to all charter schools.

School District Impact

The bill could affect the distribution of FAP money provided to charter schools whenever the state uses other state funds to cover bonds. Each participating charter school's distribution from the FAP will be reduced under these circumstances, depending on the size of the default.

Departments Contacted

Auditor Education Treasury