

**STATE
FISCAL IMPACT**

Drafting Number: LLS 11-0743
Prime Sponsor(s): Sen. Steadman
 Rep. Ferrandino

Date: February 8, 2011
Bill Status: Senate Appropriations
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TITLE: CONCERNING MODIFICATIONS TO THE "PUBLIC SCHOOL FINANCE ACT OF 1994", AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012	FY 2012-2013
State Revenue			
State Expenditures			
General Fund*	(\$156,331,551)		
Cash Funds			
State Public School Fund	22,929,650		
State Education Fund	(4,460)		
Federal Funds*	156,331,551		
FTE Position Change	0.0 FTE	0.0 FTE	0.0 FTE
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2011-2012: See State Appropriations section.			
Local Government Impact: None.			

* These totals are net of a \$60.0 million reallocation of federal ARRA funds and General Fund between the Department of Higher Education and the Department of Education.

Summary of Legislation

This bill is part of the JBC budget balancing package for FY2010-11. The bill makes several changes to the "Public School Finance Act of 1994" and to state funding for school finance.

Mid-year adjustments to budget stabilization factor. Under HB 10-1369, the 2010 school finance act, the General Assembly added a budget stabilization factor to the school finance formula for FY 2010-11 and FY 2011-12. The factor reduced total program funding for all school districts and institute charter schools. HB 10-1369 also required the Department of Education (CDE) and the Legislative Council staff to recalculate the factor mid-year based on actual pupil enrollment and local tax revenues. This bill clarifies that the General Assembly's intent was to recalculate the factor so as to maintain total program funding at the level previously established.

Effect of refinance with federal moneys on other allocations. For FY 2010-11, \$216.4 million in federal funds is being allocated to school districts by CDE based on the existing school finance formula. This bill reduces the state's share of total program funding for FY 2010-11 by a like amount, thereby reducing each district's per-pupil state aid revenue. The bill specifies that all allocations tied to per-pupil state aid revenue, including the buyout of categorical programs, should be made using the revenue total that includes federal funds.

Supplemental kindergarten enrollment funding. Currently, school districts receive supplemental funding which is required to be used in support of a full-day kindergarten program. Specifically, this funding was set at 8 percent of a full-day pupil for FY 2008-09 and FY 2009-10, but is not specified for later years. This bill extends the 8 percent funding level to FY 2010-11 and thereafter.

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.). In the 2010 legislative session, \$5.806 billion was initially established for total program funding. This amount was reduced by \$365 million through the imposition of the budget stabilization factor so that the final appropriation was \$5.441 billion.

State Expenditures

Budget Stabilization Factor Adjustments. This bill clarifies that the mid-year adjustment to the budget stabilization factor was intended to maintain total program funding at the level that serves as the basis for the appropriation in the 2011 legislative session.

Refinancing with federal funds. For FY 2010-11, this bill ***reduces the state contribution to district total program funding by \$216.4 million***, and replaces this money with federal funds.

For FY 2010-11, \$156.3 million in federal Education Jobs Funds are available to school districts and the State Charter School Institute. The CDE has allocated this money to districts through the school finance formula, as this money must be used to save or create education jobs in FY 2010-11. This bill reduces the General Fund appropriation for the state share of district's total program in FY 2010-11 by the same amount. Additionally, the bill shifts \$60.0 million in federal American Recovery and Reinvestment Act of 2009 (ARRA) funds from higher education to K-12 education, and reallocated an equal amount of General Fund moneys from K-12 education to higher education.

This bill states the General Assembly's intent that various distributions that are tied to per pupil revenues, as well as the categorical buyout, shall be calculated before the \$216.4 million reduction in state funding. The funding adjustments in this bill reduced state funding appropriated for districts' total program funding, but districts are held harmless due to the availability of \$216.4 in federal funds.

Local Revenue Shortfall. Local tax revenues available for school finance are lower than anticipated last spring. This bill increases the appropriation for state funds by \$22.9 million to offset this decrease in local funding. This appropriation comes from reserves in the State Public School Fund. The fund balance is higher than anticipated due to higher federal mineral lease revenue, state public school lands revenue, and school district audit recoveries.

Full-day Kindergarten. This bill reduces the appropriation from the State Education Fund for Full-day Kindergarten funding by \$4,460 based on the reduction in districts' per pupil funding. Based on the October 2010 student count, both the overall number of students and the number considered at-risk under the school finance formula are higher than anticipated. Normally, this would require a mid-year appropriations increase to fully fund the formula. Because SB 11-157 does not add state funding for this purpose, the state budget stabilization factor increases from 6.3 to 6.6 percent, and the statewide per pupil funding decreases by \$10.44, yielding the \$4,460 reduction.

Supplemental Kindergarten Enrollment Definition. Current law specifies that a school district may count each kindergarten student as 0.58 FTE for FY 2008-09 and FY 2009-10, but is silent concerning FY 2010-11 and future years. However, the appropriation for FY 2010-11 is based on districts continuing to receive 58 percent of per pupil revenues for each kindergarten student. This bill clarifies that the supplemental kindergarten enrollment factor will be maintained at 0.58 FTE for FY 2010-11 and future fiscal years.

State Appropriations

For FY 2010-11, this bill requires an appropriation reduction for the Department of Education of:

- \$216,358,164 from the General Fund; and
- \$4,460 from the State Education Fund.

For FY 2010-11, the bill requires a cash funds appropriation of \$22,929,650 for the Department of Education from the State Public School Fund.

The bill contains an appropriations clause reallocating \$60.0 million in federal ARRA funds and state General Fund between the Department of Higher Education and the Department of Education.

Departments Contacted

Education

Joint Budget Committee Staff