

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 11-0841  
**Prime Sponsor(s):** Sen. Bacon  
 Rep. Massey

**Date:** April 6, 2011  
**Bill Status:** Senate Appropriations  
**Fiscal Analyst:** Marc Carey (303-866-4102)

**TITLE:** CONCERNING THE FINANCING OF PUBLIC SCHOOLS.

<b>Fiscal Impact Summary</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Revenue</b>		
State Transfers or Diversions Diversion from the Public School Fund to the State Public School Fund	(\$36,000,000)	(\$36,000,000)
<b>State Expenditures</b>		
General Fund	(\$460,700,000)	
Cash Funds		
State Education Fund	175,889,624	
State Public School Fund	36,000,000	36,000,000
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2011-2012:</b> See State Appropriations section.		
<b>Local Government Impact:</b> See School District Impact section.		

**Summary of Legislation**

This bill amends the "Public School Finance Act of 1994" to modify the funding for K-12 public schools in FY 2011-12. The bill increases the statewide base per pupil funding to \$5,634.77 to reflect a 1.9 percent inflation rate.

*Negative factor.* Under current law, the state's share of total program funding for FY 2010-11 and FY 2011-12 includes a budget stabilization factor. This factor is used to reduce total program funding to a targeted amount of \$5.44 billion in FY 2010-11, which translated into a 6.60 percent reduction for school districts. This bill renames the budget stabilization factor as the negative factor, extends its applicability indefinitely, and reduces the amount of total program funding for FY 2011-12 by an additional \$250 million to \$5.19 billion, representing a 13.34 percent reduction from funding levels without the factor.

In addition to changes to the school finance act, the bill modifies the funding for other public school programs as follows:

***Money generated from state trust lands.*** Last year, SB 10-150 diverted the following moneys away from the Public School (Permanent) Fund into the State Public School Fund to be used in the funding of K-12 public education:

- interest or income earned on the investment of moneys held in the Permanent School Fund;
- proceeds received from timber sales, rental payments for surface use on, and mineral lease payments for the extraction of minerals from underneath state trust lands; and
- royalties and other payments for the depletion or extraction of a natural resource on these lands.

This bill extends this diversion for FY 2011-12 and FY 2012-13.

***Date of Assessed Value.*** Under current law, a school district's debt limit is determined by the most recent assessed valuation certified by the assessor. Preliminary assessments are typically made in August with a final certification in December. This bill would change the certification upon which a district's debt limit is determined from the August certification to the previous December's certification.

## **State Expenditures**

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.). Under current law, the program is estimated to cost \$5.44 billion in FY 2011-12, of which \$3.42 billion comes from state sources, mainly the General Fund. Current law requirements are funded through the Long Bill; law changes require a separate appropriation.

***Negative Factor.*** This bill decreases state expenditures for K-12 education by an estimated \$249 million in FY 2011-12 compared to the requirements of current law. Based on the current projections of student enrollment and property values, the negative factor is estimated to be approximately 13.34 percent. Thus, in FY 2011-12, each district's total program funding will be reduced by 13.34 percent from the level set by the funding formula before application of the negative factor, provided the district receives at least an amount of state aid that is greater than this percentage reduction.

***Low State Aid Districts.*** Seven school districts do not receive enough state aid to fully implement a 13.34 percent reduction in total program funding. As a result, the total program cuts for those districts will be proportionately smaller -- equal to the amount of state aid that the district currently receives. However, as described in the School District Impact section, the reduction in state aid for these districts will be supplemented by the use of each district's total program mill levy to buy down some of the state aid the district receives for categorical programs. The total funding change for these seven districts, loss of state aid combined with the total program mill levy reduction, is illustrated in Table 2.

**Full Day Kindergarten.** The reduction in per pupil funding for school districts will result in \$329,637 reduction in full-day kindergarten hold-harmless funding that some school districts would have received in FY 2011-12.

**Facility School Funding.** The FY 2011-12 Long Bill includes an appropriation from the State Education Fund for facility school funding. This appropriation assumes a per-day payment for a certain number of child-days, based on the total program amount under current law. Because SB11-230 reduces total program, the per day payment rate will fall, and the facility school funding line item from the State Education Fund will decrease. *These numbers will be added to the fiscal note as more information becomes available.*

**State Charter School Institute (SCSI).** The current appropriation for the SCSI is \$1,502,820. This amount cannot exceed 3 percent of the state share payments for the Institute Charter Schools in FY 2011-12. If this bill sufficiently reduces the amount available for the State Share line item, the SCSI appropriation will also need to be reduced to maintain the 3 percent ratio. *These numbers will be added to the fiscal note as more information becomes available.*

**Money Generated from State Lands.** By extending the diversion of money's away from the Public School Fund and into the State Public School Fund, the bill makes an estimated additional \$36 million for FY 2011-12 and FY 2012-13 available for public school finance. The total for FY 2011-12 includes \$20 million in rentals, royalties and bonuses, and \$16 million in interest earnings. Currently, similar totals are projected for FY 2012-13.

**School District Impact**

Table 1 shows the estimate of school finance act funding under SB 11-230. The table compares FY 2011-12 funding levels with actual funding in the prior year. It also includes the impact of SB 11-157, signed into law by the Governor, which made mid-year adjustments to the budget stabilization factor and state aid for FY 2010-11 with federal funds.

<b>Table 1. School Finance Act Funding under SB 11-230</b>						
	<b>Pupil Count</b>	<b>Per Pupil Funding</b>	<b>Total Program Funding</b>	<b>State Aid</b>	<b>Local Share</b>	<b>Federal Funds</b>
FY 2010-11 Act.	798,677	\$6,813	\$5,441,603,049	\$3,206,406,800	\$2,018,838,085	\$216,358,164
FY 2011-12 Est.	805,891	\$6,440	\$5,190,314,789	\$3,313,965,279	\$1,876,349,509	\$0
Percent change	0.90%	-5.47%	-4.62%	3.35%	-7.06%	-100.00%
Increase	7,214	(\$373)	(\$251,288,260)	\$107,558,479	(\$142,488,576)	(\$216,358,164)

In addition, seven school districts that do not receive enough state aid for total program funding to enact a 13.34 percent reduction will see a loss of their existing state aid, plus they must use their total program mill levy to replace state funding for categorical programs to the degree possible or up to an amount equal to a 13.34 percent reduction in combined state funding for total

program and categorical program funding. Three districts, Clear Creek, West Grand, and Park, will see a full 13.34 percent reduction in state funding for both total program and categorical programs. Three other districts, Debeque, Meeker and Pawnee, already buyout all or nearly all state funding for categorical programs, so the bill's reduction in state funding is relatively minor. The remaining district, Estes Park, will see a loss in state funding of 12.03 percent. Estimates of these changes for the seven districts are presented in Table 2.

**Table 2: SB 11-230 Impact for Districts  
 with Less Than 13.34 Percent State Aid for Total Program**

<b>County</b>	<b>District</b>	<b>State Aid for Total Program</b>	<b>Total Program Mill Levy Categorical Buydown</b>	<b>State Funding for Categorical Programs</b>	<b>Total State Funding Change</b>	<b>% Change in State Funding</b>
Clear Creek	Clear Creek	(\$658,547)	\$279,916	(\$279,916)	(\$938,463)	(13.34%)
Grand	West Grand	(\$490,907)	\$32,783	(\$32,783)	(\$523,690)	(13.34%)
Larimer	Estes Park	(\$699,547)	\$351,252	(\$351,252)	(\$1,050,799)	(12.03%)
Mesa	Debeque	(\$282)	\$22	(\$22)	(\$304)	(0.02%)
Park	Park	(\$395,871)	\$192,952	(\$192,952)	(\$588,823)	(13.34%)
Rio Blanco	Meeker	(\$15)	\$0	\$0	(\$15)	(0.00%)
Weld	Pawnee	(\$13)	\$0	\$0	(\$13)	(0.00%)
<b>TOTAL</b>		<b>(\$2,245,182)</b>	<b>\$856,925</b>	<b>(\$856,925)</b>	<b>(\$3,102,107)</b>	<b>(9.71%)</b>

**State Appropriations**

For FY 2011-12, the bill will require a \$460.7 million General Fund appropriation reduction for the Department of Education.

In addition, the bill will require the following additional cash funds appropriations for the Department of Education:

- \$175,889,624 from the State Education Fund; and
- \$36 million from the State Public School Fund.

**Departments Contacted**

Education

Legislative Council Staff