

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 12-0909
Prime Sponsor(s): Rep. Massey
 Sen. Bacon

Date: April 9, 2012
Bill Status: House Education
Fiscal Analyst: Marc Carey (303-866-4102)

TITLE: CONCERNING THE FINANCING OF PUBLIC SCHOOLS, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures		
General Fund	\$57.2 million	
Cash Funds		
State Education Fund	2,780,000	
FTE Position Change		
Effective Date: Upon signature of the Governor or upon becoming law without his signature.		
Appropriation Summary for FY 2012-2013: See State Appropriations section.		
Local Government Impact: 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 2012-13. The bill increases the statewide base per pupil funding to \$5,843.26 to reflect a 3.7 percent inflation rate.

Negative factor. Under current law, the state's share of total program funding includes a negative factor that reduces total program funding to \$5.230 billion. House Bill 12-1345 increases the total program funding amount in FY 2012-13 by \$57.0 million to hold total per pupil funding constant and account for increases in student enrollment. As a result, the bill sets total program funding for FY 2012-13 at \$5.287 billion. This represents a 16.11 percent reduction from what funding levels would have been without the negative factor.

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

Charter School Capital Construction. Under current law, \$5 million is annually appropriated from the State Education Fund for charter school capital construction costs for eligible districts and institute charter schools. Beginning in FY 2012-13, this bill increases the appropriation to \$6 million annually.

Supplemental on-line education services contracts. Beginning August 1, 2012, the bill specifies that the Mountain Board of Cooperative Services (BOCES) shall contract once every three years with an entity that sells supplemental on-line education courses for school districts and charter schools. Under current law, the mountain BOCES enters into this type of contract on an annual basis.

Assistance for Meeting State Educational Priorities. Beginning in FY 2012-13, the bill provides \$1.3 million in additional funding for BOCES to assist its school districts in meeting the educational priorities determined by the Commissioner of Education. To receive funding, BOCES are required to submit a plan to the State Board of Education for their districts. If a BOCES does not submit a plan, member districts may submit individual plans for meeting the state's educational priorities.

Children with Disabilities. The bill extends the statutory definition of "children with disabilities" to include persons 3 through 8 years of age who have been determined to experience developmental delays as defined by federal regulations.

Counselor Corp. The bill increases an appropriation in the 2012 Long Bill for the school counselor corps program by \$480,000. This appropriation is from the State Education Fund.

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 \$5.23 billion in FY 2012-13, of which \$3.31 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 increases total program expenditures for K-12 education by an estimated \$57.0 million in FY 2012-13 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 16.11 percent. Thus, in FY 2012-13, each district's total program funding will be reduced by 16.11 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. Eight school districts do not receive enough state aid to fully implement a 16.11 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 eight districts, including the loss of state aid for both total program funding and categorical programs, is illustrated in Table 2.

Full day kindergarten. The increase in per pupil funding for school districts will result in a \$74,671 increase in full-day kindergarten hold-harmless funding that some school districts will receive in FY 2012-13.

Facility school funding. The FY 2012-13 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 House Bill 12-1345 increases total program, the per day payment rate will rise, and the facility school funding line item from the State Education Fund will increase by \$153,000.

Assistance for Meeting State Educational Priorities. This bill increases state expenditures by \$1.3 million in FY 2012-13. This money is to be distributed by CDE to BOCES to assist member and/or nonmember (contiguous) school districts in meeting the educational priorities established by the Commissioner of Education by \$1.3 million. These priorities may include, but are not limited to, educator effectiveness, district accreditation and accountability, and standards and assessments. Of this amount, the bill specifies that up to \$120,000 may be used by CDE to hire a liaison to rural school districts, and \$50,000 may be used to fund the Rural Education Council. The remainder of the money is to be distributed as follows:

- 45 percent to participating BOCES;
- 45 percent based on the total number of participating member and nonmember districts; and
- 10 percent based on the total number of students enrolled in the member and nonmember school districts.

Counselor Corps. This bill increases state expenditures for the school counselor corps program by \$480,000 in FY 2012-13, relative to current law. This funding is from the State Education Fund.

School District Impact

Table 1 shows the estimate of school finance act funding under House Bill 12-1345. The table compares FY 2012-13 funding levels with actual funding in the prior year. In FY 2012-13, the bill maintains per pupil funding at \$6,474, the same level as FY 2011-12.

Table 1. School Finance Act Funding under HB 12-1345					
	Pupil Count	Per Pupil Funding	Total Program Funding	State Aid	Local Share
FY 2011-12 Act.	808,195	\$6,474	\$5,232,447,624	\$3,331,922,156	\$1,900,525,468
FY 2012-13 Est.	817,221	\$6,474	\$5,290,884,887	\$3,366,460,618	\$1,924,424,268
Percent change	1.12%	0.00%	1.12%	1.04%	1.26%
Increase	9,026	\$0	\$58,437,263	\$34,538,462	\$23,898,801

In addition, eight school districts that do not receive enough state aid for total program funding to enact a 16.11 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 16.11 percent reduction in combined state funding for total program and categorical program funding. Four districts, West Grand, Estes Park, Plateau and Park, will see a significant (although less than the full 16.11 percent) reduction in state funding for both total program and categorical programs. Four other districts, Clear Creek, 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. Estimates of these changes for the eight districts are presented in Table 2.

**Table 2: HB 12-1345 Impact for Districts
 with Less Than 16.11 Percent State Aid for Total Program**

County	District	State Aid for Total Program	Total Program Mill Levy Categorical Buydown	State Funding for Categorical Programs	Total State Funding Change	% Change in State Funding
Clear Creek	Clear Creek	(\$29)	\$126	(\$126)	(\$155)	(0.00%)
Grand	West Grand	(\$370,592)	\$179,172	(\$179,172)	(\$549,764)	(13.67%)
Larimer	Estes Park	(\$976,376)	\$351,252	(\$351,252)	(\$1,327,628)	(14.95%)
Mesa	Debeque	(\$97)	\$332	(\$332)	(\$429)	(0.03%)
Mesa	Plateau	(\$451,294)	\$75,262	(\$75,262)	(\$526,556)	(13.68%)
Park	Park	(\$140,307)	\$320,222	(\$320,222)	(\$460,529)	(10.26%)
Rio Blanco	Meeker	(\$563)	\$150	(\$150)	(\$713)	(0.01%)
Weld	Pawnee	(\$58)	\$35	(\$35)	(\$93)	(0.01%)
TOTAL		(\$1,939,316)	\$926,551	(\$926,551)	(\$2,825,867)	(7.79%)

State Appropriations

For FY 2012-13, the bill requires a \$57,231,120 General Fund appropriation for the Department of Education. In addition, the bill requires a \$2,780,000 cash funds appropriations for the Department of Education from the State Education Fund for the following:

- \$1 million for charter school capital construction;
- \$1.3 million for assistance to BOCES in meeting state education priorities; and
- \$480,000 for school counselor corps.

Departments Contacted

Education

Legislative Council Staff