


Colorado Legislative Council Staff Fiscal Note
FINAL
FISCAL NOTE

Note: This fiscal note is reflects the provisions of HB12-1345, before SB12-46 and SB12-47 were amended onto the bill. Please see the final fiscal notes for details on the impacts of those bills.

Drafting Number: LLS 12-0909	Date: July 31, 2012
Prime Sponsor(s): Rep. Massey Sen. Bacon	Bill Status: Signed into Law
	Fiscal Analyst: Marc Carey (303-866-4102)

TITLE: CONCERNING THE FINANCING OF PUBLIC SCHOOLS, AND, IN CONNECTION THEREWITH, REQUIRING A POST-ENACTMENT REVIEW OF THE IMPLEMENTATION OF THIS ACT AND MAKING AND REDUCING APPROPRIATIONS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures		
General Fund	\$57.2 million	
Cash Funds		
State Education Fund	\$2,779,120	
State Education Fund - Early Literacy Assessment	3,000,000	
State Public School Fund	3,839,627	
FTE Position Change		
Effective Date: The bill was signed into law by the Governor and took effect May 19, 2012.		
Appropriation Summary for FY 2012-2013: See State Appropriations section.		
Local Government Impact: See School District Impact section.		

Summary of Legislation

This bill, changes the "Public School Finance Act of 1994" by modifying 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.

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 their 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 Corps. 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.

Early Literacy Assessment Tool. The bill requires the Colorado Department of Education (CDE), by October 1, 2012, to issue a request for proposals (RFP) for the purchase of obtaining an early literacy assessment tool to obtain real-time assessments of reading skill levels of students enrolled in kindergarten through third grades in order to generate intervention plans and materials. Based on the level of available appropriations, the bill requires the CDE to select local education providers who will receive the early literacy assessment tool. Selected providers will be given an adequate amount of software licenses and training to enable the provider to use the tool in all its kindergarten through third grade classes.

At-Risk Supplemental Aid. The bill provides at-risk supplemental aid for eligible districts and charter schools in three specific sets of circumstances. First, for charter schools authorized prior to July 1, 2004, in districts with more than 40 percent at-risk students, a district will receive supplemental aid for charter schools with a smaller percentage of at-risk students than the district average, while charter schools with a larger percentage of at-risk students than the district will receive supplemental aid directly. Second, for all charter schools in districts with less than 40 percent at-risk students, the school will usually receive supplemental aid if the school's percentage of at-risk students exceeds the district average. Third, charter schools authorized by the Charter School Institute (CSI) will receive supplemental aid if the percentage of at-risk students in those schools is less than the accounting district's percentage of at-risk students. The appendix to the fiscal note contains a list of charter schools and districts impacted by this bill.

The bill does not change the current law method of calculating at-risk funding for charter schools authorized after July 1, 2004, in school districts with more than 40 percent at-risk students. In addition, it does not impact district-authorized charter schools in school districts with less than 40 percent at-risk students, regardless of when they were authorized, if the percentage of at-risk students in the charter school is less than the authorizing district. The bill requires the General Assembly to appropriate up to \$3,839,627 to provide at-risk supplemental aid from the amounts recovered by the CDE from audit recoveries. Supplemental aid will be reduced proportionately in the event these recoveries are insufficient

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 FY2011-12 funding. 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.

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. 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 up to \$50,000 may be used to support a council advising CDE on the needs and concerns of rural school districts. 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.

At-Risk Supplemental Aid. This provision of the bill increases state expenditures by \$3,839,627 in FY 2012-13. Of this amount, school districts are estimated to receive \$2.5 million and charter schools \$1.3 million. The bill specifies that this expenditure is to be paid from audit recoveries received in excess of \$3 million in FY 2012-13. If an insufficient amount of audit recoveries are received, the bill proportionally reduces the amount of supplemental aid going to districts and charter schools. This funding is from the State Public School Fund.

Early Literacy Assessment Tool. In FY 2012-13, the CDE will incur up to \$3.0 million in costs associated with providing early literacy assessment tools to selected local education providers in order to assess reading skill levels of students in kindergarten through third grades. The assessment tools provided include software, training and coaching support at selected schools.

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

Table 2 identifies the eight school districts that receive less than 16.11 percent of their total program from state aid. Because these districts cannot fully enact a 16.11 percent reduction, they lose all existing state aid, plus they must use their total program mill levy to replace state funding for categorical programs 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. Because the percentage change in state funding for all eight districts is less than 16.11 percent, the funding changes below are invariant to the passage of House Bill 12-1345, *and are presented for informational purposes only.*

Table 2: 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 Finding 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%)

In addition, the bill will provide at-risk supplemental aid of \$2.5 million for an estimated 12 school districts in the state. The following districts are anticipated to receive additional funding: Aurora, Canon City RE-1, Colorado Springs 11, Denver, Greeley 6, Harrison, Keenesburg RE-3, Lamar RE-2, Moffat 2, Montezuma-Cortez RE-1, Pueblo City, and Westminster. The bill also provides at-risk supplemental aid for an estimated 19 district-authorized charter schools and 14 Charter School Institute-authorized charter schools.

State Appropriations

For FY 2012-13, the bill increases the appropriation to the Department of Education for the state share of district's total program funding by \$57,003,449, including an increase of \$57,232,000 General Fund and a decrease of \$228,551 cash funds from the State Education Fund. The bill also increases cash funds appropriations to the Department of Education by \$227,671 from the State Education Fund.

In addition, the bill contains a \$5,780,000 cash funds appropriation to the Department of Education from the State Education Fund, including \$1,000,000 for charter school facilities, \$480,000 for school counselor corps, \$1,300,000 for grant programs and \$3,000,000 for the early literacy assessment tool. The bill also includes a cash fund appropriation of \$3,839,627 from the State Public School Fund.

Departments Contacted

Education

Legislative Council Staff

Appendix								
School Districts and Charter Schools Impacted by HB12-1345								
(Based on FY 2011-12 Data)								
County	Authorizing District	District Charter Schools (Not Currently Subject to Alternate At-Risk Calculation)	Funded Pupil Count	Estimated School At-risk Student %	District At-Risk Student %	Hold Harmless Payment for District	Hold Harmless Payment for Charter	
ADAMS	WESTMINSTER 50	CROWN POINTE CHARTER ACADEMY	393	34.6%	74.5%	\$178,041		
ARAPAHOE	ADAMS-ARAPAHOE 2&J	AURORA ACADEMY CHARTER SCHOOL	497	29.6%	61.8%	\$168,112		
BOULDER	BOULDER VALLEY RE 2	BOULDER PREP CHARTER HIGH SCHOOL	122	33.3%	17.3%		\$16,877	
		JUSTICE HIGH CHARTER SCHOOL	95	60.2%	17.3%		\$34,889	
		District Charter Total	217					\$51,766
DENVER	DENVER COUNTY 1	ACE COMMUNITY CHALLENGE CHARTER SCHOOL	213	89.1%	68.9%		\$50,963	
		COLORADO HIGH SCHOOL	151	61.1%	68.9%	\$13,990		
		DSST: STAPLETON	909	33.9%	68.9%	\$377,225		
		KIPP SUNSHINE PEAK ACADEMY	372	91.2%	68.9%		\$98,095	
		LIFE SKILLS CENTER OF DENVER	208	76.1%	68.9%		\$17,773	
		ODYSSEY CHARTER ELEMENTARY SCHOOL	215	23.8%	68.9%	\$114,705		
		PIONEER CHARTER SCHOOL	355	86.9%	68.9%		\$75,928	
		RIDGE VIEW ACADEMY CHARTER SCHOOL	286	99.7%	68.9%		\$104,215	
		WYATT-EDISON CHARTER ELEMENTARY SCHOOL	617	68.4%	68.9%	\$3,358		
		District Charter Total	3,326				\$509,278	\$346,974
EL PASO	CHEYENNE MOUNTAIN 12	CHEYENNE MOUNTAIN CHARTER ACADEMY	745	21.6%	14.0%			
		COLORADO SPRINGS 11	CIVA CHARTER ACADEMY	155	26.5%	48.1%	\$28,682	
			COMMUNITY PREP CHARTER SCHOOL	205	47.1%	48.1%	\$1,618	
			GLOBE CHARTER SCHOOL	176	52.3%	48.1%		\$6,452
			ROOSEVELT EDISON CHARTER SCHOOL	664	82.7%	48.1%		\$197,391
			SPACE TECHNOLOGY AND ARTS ACADEMY	404	66.0%	48.1%		\$62,023
			District Charter Total	2,349				\$30,300
HARRISON 2	JAMES IRWIN CHARTER HIGH SCHOOL	JAMES IRWIN CHARTER HIGH SCHOOL	421	23.5%	64.0%	\$176,005		
		JAMES IRWIN CHARTER MIDDLE SCHOOL	430	36.7%	64.0%	\$121,002		
		District Charter Total	851				\$297,007	
FREMONT	CANON CITY RE-1	MOUNT VIEW CORE KNOWLEDGE CHARTER SCHOOL	229	20.8%	45.1%	\$70,304		
GUNNISON	GUNNISON WATERSHED RE1J	MARBLE CHARTER SCHOOL	31	29.0%	21.9%		\$1,884	
JEFFERSON	JEFFERSON	NEW AMERICA SCHOOL	285	65.1%	28.0%		\$87,718	
		ROCKY MOUNTAIN DEAF SCHOOL	48	33.7%	28.0%		\$2,310	
		District Charter Total	333				\$90,028	
MONTEZUMA	MONTEZUMA-CORTEZ RE-1	BATTLE ROCK CHARTER SCHOOL	34	53.7%	53.5%		\$57	
		SOUTHWEST OPEN CHARTER SCHOOL	170	50.0%	53.5%	\$5,023		
		District Charter Total	204				\$5,023	\$57
MONTROSE	MONROSE COUNTY RE-1J	PASSAGE CHARTER SCHOOL	22	95.5%	54.0%		\$8,250	
	WEST END RE-2	PARADOX VALLEY CHARTER SCHOOL	46	59.5%	46.1%		\$7,043	
PARK	PARK COUNTY RE-2	GUFFEY CHARTER SCHOOL	24	37.5%	33.8%		\$787	
		LAKE GEORGE CHARTER SCHOOL	82	47.7%	33.8%		\$10,045	
		District Charter Total	106				\$10,832	
PROWERS	LAMAR RE-2	ALTA VISTA CHARTER SCHOOL	121	22.7%	63.3%	\$48,058		
PUEBLO	PUEBLO CITY 60	CESAR CHAVEZ ACADEMY	873	62.9%	63.4%	\$3,959		
		PUEBLO CHARTER SCHOOL FOR THE ARTS & SCIENCES	409	40.2%	63.4%	\$92,435		
		District Charter Total	1,283				\$96,394	
SAGUACHE	MOFFAT 2	CRESTONE CHARTER SCHOOL	77	24.3%	45.1%	\$21,929		
WELD	GREELEY 6	FRONTIER CHARTER ACADEMY	1,250	10.5%	55.8%	\$521,186		
		UNION COLONY PREPARATORY SCHOOL	418	21.4%	55.8%	\$132,341		
		UNIVERSITY SCHOOLS	1,250	17.5%	55.8%	\$440,973		
		District Charter Total	2,918				\$1,094,500	
	KEENESBURG RE-3(J)	CARDINAL COMMUNITY ACADEMY CHARTER SCHOOL	156	15.3%	44.0%	\$36,723		
Total - All District Charter Schools						\$2,555,670	\$782,700	