

# STATE and LOCAL FISCAL IMPACT

**Drafting Number:** LLS 12-0523

**Date:** February 15, 2012

**Prime Sponsor(s):** Sen. King K.  
Rep. Massey

**Bill Status:** Senate Education

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**TITLE:** CONCERNING CHARTER SCHOOLS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
<b>State Revenue</b>		
<b>State Expenditures</b>		
General Fund	\$19,474	\$7,340
<b>FTE Position Change</b>	0.3 FTE	0.1 FTE
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2012-2013:</b> See State Appropriations section.		
<b>School District Impact:</b> See School District Impact section.		

## Summary of Legislation

This bill makes multiple changes to state law concerning charter schools. The bill's main sections are described below.

***Charter school capital construction.*** Under the Building Excellent Schools Today Act (BEST), recipients of public school capital construction grants must pay a portion of the cost of the funded project, unless a waiver is granted. The Public School Capital Construction Assistance Board (BEST board) makes recommendations to the State Board of Education concerning construction grants to public schools, including determining the amount of matching funds the recipient must contribute. Matching funds are calculated as a percentage of a construction project's total cost. With respect to charter schools, Senate Bill 12-121:

- changes the factors the BEST board considers when determining the financial capacity of charter schools to provide matching funds;
- specifies that the match percentage for a charter school must be between the highest and lowest match percentage for a school district in the same grant cycle;
- creates a charter school matching funds loan program in the Department of Treasury; and,
- exempts the amount of the loans from the new loan program from the calculation of the total amount of annual lease purchase payments permitted in a fiscal year.

The bill also requires that a charter school notify its authorizer of an application to the BEST board one month earlier than currently required.

***Charter school matching moneys.*** The bill creates the Charter School Matching Moneys Loan Program to assist eligible charter schools to obtain the matching moneys required for financial assistance from the state. The BEST board must adopt rules for the application process, and may approve a loan of up to 50 percent of the amount of the required match. If approved, the BEST board directs the state treasurer to include the amount of the loan in the lease-purchase agreement for the project, thus incorporating the loan amount and interest into the payment of the lease-purchase certificates of participation, except that the charter school may pay the full amount of the loan anytime without incurring a prepayment penalty.

***State and federal grants.*** Under current law, the state Charter School Institute (CSI), in the Colorado Department of Education (CDE), may act as the local education agency (LEA) and fiscal agent for district charter schools or institute charter schools that apply for non-formulaic, competitive state and federal grants (i.e., grants for which an application is made and evaluated in competition with other LEAs). The CSI is currently allowed to act as the fiscal agent for grants awarded to charter schools.

This bill specifies that if a charter school applies for any non-formulaic state or federal grant, the school is the LEA for the purposes of applying for and determining eligibility for the grant, and may request that the CSI act as the fiscal agent.

***CSI authorizing authority.*** Under current law, the CSI may only authorize charter schools where the local school district does not retain exclusive chartering authority. This bill allows the CSI to charter a school in any school district, if that district has been identified under state accountability laws as accredited with a turnaround plan: the lowest school district accreditation category assigned by the CDE. The CSI maintains the charter even if the district attains a higher accreditation level in the future.

***State Charter School Institute Fund.*** The bill continuously appropriates all moneys in the CSI fund. The CSI is directed to create an account in the fund to pay the institute's administrative costs. The account may only consist of moneys retained by the CSI from the institute charter schools' adjusted per-pupil revenues and per-pupil online funding. At the end of each budget year, if the remaining balance in the account exceeds 10 percent of total adjusted per-pupil funding, the CSI must refund the excess to institute charter schools on a per-pupil basis.

## **State Expenditures**

***In FY 2012-13, this bill will cost \$19,474, General Fund, and 0.3 FTE to the Colorado Department of Education. In FY 2013-14, total costs are \$7,340 and 0.1 FTE.*** Management of additional grants impacts multiple divisions in the CDE, including the offices of Federal Grants, Accounting, Public School Finance, Information Technology, Grants Fiscal, and others. The CDE requires 0.2 IT Professional II, and 0.1 FTE General Professional V, to implement the bill in FY 2012-13. In FY 2013-14, the department will need to retain 0.1 FTE General Professional V.

***State and federal grants.*** Under existing law, only school districts and the CSI are LEAs for the purpose of applying for certain grants. This bill specifies that the charter school is the LEA for the purpose of applying for competitive state or federal grants, thus expanding the potential pool of applications for grant money.

The CDE collects data and monitors state grants made to an LEA. In order to prepare for increased monitoring and reporting, the CDE will have implementation costs to modify data systems to accommodate up to 150 new LEAs. Once a charter school wins a competitive state grant as an LEA, the CDE will collect additional information and monitor the school in the same way it monitors any LEA, even if the charter school uses a separate fiscal agent for the grant.

It is estimated that the an IT professional in the department can perform the necessary upgrades to the department's data tracking software. Once a charter school, acting as an LEA, receives new grant money, the CDE will have additional duties to collect and monitor grant information from the school; however, the initial increase in grant activity is anticipated to be minimal. If a sufficient number of new grants must be managed by the CDE, the department will seek additional resources during the supplemental appropriations process.

***Charter school capital construction.*** The bill modifies factors used to determine the amount of matching funds a charter school must provide to qualify for grants from the BEST board, and allows charter schools to borrow part of the required match. Although these changes impact the financing of public school capital construction for these schools, the total amount of state money available for BEST projects is limited in statute, and these modifications will not change annual expenditures under the program.

***CSI authorizing authority and CSI fund.*** The CSI is given broader authority to charter schools in the state. The CSI retains a portion of per-pupil revenues (PPR) for students enrolled in an institute charter school to pay for administrative costs. The additional authorizing authority does not change the total amount of public school funding under the School Finance Act, or the ability of the CSI to retain a portion of PPR for each new charter. The bill requires that the CSI place the retained portion of PPR in a separate account of the CSI fund, and distribute the year-end excess to institute charter schools; however, the total amount of PPR for institute charter schools and the percentage initially retained by the CSI is unchanged.

### **School District Impact**

The bill expands the sources of grant money that charter schools may potentially seek in collaboration with the CSI, and increases the number of competitors for federal and state grant money. To the extent that additional applications for federal funding result in grant awards, new federal funding may flow into the state. Similarly, more applications for state funding may impact the distribution of these limited funds among schools and districts.

Pursuant to Section 22-32-143, C.R.S., as specified by House Bill 11-1277, school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal

impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>

### **State Appropriations**

For FY 2012-13, the Colorado Department of Education requires an appropriation of \$19,474 General Fund, and 0.3 FTE.

### **Departments Contacted**

Education

Treasurer