

**JBC STAFF FISCAL ANALYSIS
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING MONEYS ALLOCATED TO THE STATE ELEMENTARY AND SECONDARY PUBLIC SCHOOL SYSTEM, AND, IN CONNECTION THEREWITH, CREATING THE IMPLEMENTATION FUND, IMPLEMENTING AVERAGE DAILY MEMBERSHIP AS THE METHOD FOR COUNTING ENROLLED STUDENTS, REQUIRING INCREASED REPORTING OF THE USE OF PUBLIC MONEYS BY PUBLIC SCHOOLS, INCREASING THE FUNDING FOR PUBLIC SCHOOL CAPITAL CONSTRUCTION, INCREASING THE FUNDING AND EXPECTATIONS FOR ENGLISH LANGUAGE LEARNER PROGRAMS, INCREASING THE FUNDING FOR THE "COLORADO READ ACT", AND MAKING AN APPROPRIATION.

Prime Sponsors: Reps. Hamner and Murray
Senator Johnston

JBC Analyst: Craig Harper
Phone: 303-866-3481
Date Prepared: April 2, 2014

Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Revised Fiscal Note (attached) reflects the fiscal impact of the bill as of 04/02/14.

	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
XXX	Update: Fiscal impact has changed due to <i>new information or technical issues</i>
	Update: Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

The Legislative Council Staff Revised Fiscal Note (Fiscal Note) anticipates a need for an appropriation of \$339,539 cash funds from the State Education Fund and 4.1 FTE to support additional staff for the English Language Proficiency Program. As discussed on page 5 of the Fiscal Note, the Department requested additional funding and FTE for FY 2014-15 to provide additional technical assistance and oversight for local districts' English language learner programs. The FY 2014-15 Long Bill (H.B. 14-1336) includes \$311,682 cash funds from the State Education Fund and 4.1 FTE for the English Language Proficiency Program. Because the funding and additional FTE are included in the Long Bill, Legislative Council Staff and JBC Staff agree that the additional appropriation identified in the Fiscal Note is unnecessary.

The Fiscal Note does not address changes to Hold-harmless Full-day Kindergarten Funding as a result of the increase in total program funding under the bill. Legislative Council Staff and JBC Staff agree that the increase in total program funding in this bill requires an increase of \$181,174 cash funds from the State Education Fund for Hold-harmless Full-day Kindergarten Funding (above the FY 2014-15 Long Bill appropriation).

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.001	Staff-prepared appropriation amendment.

Current Appropriations Clause in Bill

As amended by the Education Committee, the bill includes an appropriation clause that appropriates: (a) \$500,000 cash funds from the State Education Fund to the Excellence Awards Fund created in the bill and further appropriates those funds to the Department to implement the Excellence Award Program; (b) \$10,000,000 cash funds from the State Education Fund to implement the Average Daily Membership system required by the bill; (c) \$5,000,000 cash funds from the State Education Fund for school site-level reporting required by the bill; and (d) \$30,000,000 cash funds from the State Education Fund to increase funding for the English Language Proficiency Program (categorical program). However, the appropriation clause in the amended bill does not include all of the appropriations required by the bill, including the adjustments to the State Share of Districts' Total Program Funding to reduce the negative factor in FY 2014-15. In addition, the existing appropriations associated with average daily membership and school site-level reporting do not align with the Fiscal Note.

Description of Amendments in This Packet

J.001 Staff has prepared amendment **J.001** (attached) to change the existing clause to appropriate the amounts detailed in the following Table 1. This bill requires a transfer of \$20.0 million General Fund to the Early Literacy Fund for FY 2014-15. Pursuant to direction from the Chairmen of the Appropriations Committees, this amendment includes a provision to access the \$20.0 million General Fund that has been set aside in the Joint Budget Committee’s FY 2014-15 budget package to fund 2014 legislation.

TABLE 1		
FY 2014-15 Appropriations to Department of Education and Long Bill Adjustments (with J.001)		
Purpose	Amount	Fund Source
<i>Section 35 (1): Long Bill Adjustments Related to School Finance Formula Changes</i>		
(a) State Share of Districts' Total Program Funding	\$142,358,980	Cash Funds - State Education Fund (SEF)
(b) Hold-harmless Full-day Kindergarten Funding	181,174	Cash Funds - SEF
Subtotal: Adjustments Related to Statutory Changes to School Finance Formula	\$142,540,154	Cash Funds - SEF
<i>Section 35: Other Long Bill Adjustments and Appropriations</i>		
(c) English Language Proficiency Program (Categorical)	30,000,000	Cash Funds - SEF

TABLE 1		
FY 2014-15 Appropriations to Department of Education and Long Bill Adjustments (with J.001)		
Purpose	Amount	Fund Source
(d) State Aid to Charter School Facilities	13,000,000	Cash Funds - SEF
(2) Enable General Fund transfer to Early Literacy Fund	(20,000,000)	General Fund - Reduce appropriation to Controlled Maintenance Trust Fund
<i>Section 35: New Appropriations</i>		
(3) Early Literacy Program	20,000,000	Cash Funds - Early Literacy Fund transferred from General Fund
(4) Average Daily Membership Funding	955,904	Cash Funds - SEF - includes 2.0 FTE
(5) School Site-Level Reporting	237,265	Cash Funds - SEF - includes 1.5 FTE
(6) English Language Proficiency Act Excellence Award Program	500,000	Cash Funds - SEF appropriation to Excellence Awards Fund
(6) English Language Proficiency Act Excellence Award Program	500,000	Reappropriated Funds - Excellence Awards Fund
(7) Division of Public School Capital Construction Assistance	47,467	Cash Funds - Public School Capital Construction Assistance Fund - includes 0.5 FTE
<i>Section 36: Footnote Amendment Related to School Finance Formula Changes</i>		
Amends Long Bill footnote #5 to adjust the amount of the FY 2014-15 appropriation that may be used for the Accelerating Students Through Concurrent Enrollment (ASCENT) Program		
Totals	<u>\$187,780,790</u>	Total Funds
	(20,000,000)	General Fund
	187,233,323	Cash Funds - SEF
	20,047,467	Other Cash Funds
	500,000	Reappropriated Funds

Amendment J.001 also amends a footnote in the FY 2014-15 Long Bill that specifies what portion of the appropriation for districts' total program funding may be used for the Accelerating Students Through Concurrent Enrollment (ASCENT) Program. The bill increases per pupil funding and requires an adjustment to the amount dedicated to ASCENT.

Points to Consider*General Fund Impact*

1. The Joint Budget Committee has proposed a budget package for FY 2014-15 based on the March 2014 Office of State Planning and Budgeting revenue forecast. The budget package allocates \$20.0 million General Fund to be available to fund 2014 legislation, and leaves approximately \$7.5 million General Fund unallocated. Thus, the General Assembly could appropriate up to \$25.8 million General Fund to fund 2014 legislation and maintain a 6.5 percent General Fund reserve. **This bill requires a transfer of \$20.0 million General Fund to the Early Literacy Fund in FY 2014-15, and would thus require the full amount allocated for 2014 legislation.**

State Education Fund Impact

2. This bill increases appropriations from the State Education Fund for FY 2014-15 by \$187.2 million including the transfer of \$0.5 million from the State Education Fund to the Excellence Awards Fund created in the bill. Based on the Office of State Planning and Budgeting March 2014 Revenue Forecast, and incorporating appropriations in the FY 2014-15 Long Bill (H.B. 14-1336), it is projected that \$907.0 million would remain in the State Education Fund at the end of FY 2014-15. However, that balance is the result of significant transfers of one-time funding from the General Fund, including \$1.074 billion in FY 2013-14, and annual appropriations from the State Education Fund currently exceed annual revenues. For example, the FY 2014-15 Long Bill appropriates \$757.8 million from the State Education Fund, while annual revenues pursuant to Amendment 23 are projected to be \$516.6 million in FY 2014-15 – a revenue shortfall of \$241.2 million or 32 percent of Long Bill appropriations. **The use of additional State Education Fund moneys in FY 2014-15 will reduce the amount available in subsequent years and require additional General Fund appropriations once one-time funding in the State Education Fund is depleted.**

Future Fiscal Impact

3. This bill increases the appropriation for the English Language Proficiency Program by \$30.0 million in FY 2014-15. Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation. As a result, **any increase in categorical spending is permanent because the General Assembly is unable to reduce total appropriations of state funds for categorical programs. In addition, increasing categorical funding by \$30.0 million in FY 2014-15 will require additional annual increases to meet the constitutional requirement.**

Technical Issues

4. This bill creates three new accounts within the Public School Capital Construction Assistance Fund and continuously appropriates funds in those accounts to the Department of Education. Senate Bill 14-112 makes all other funds in the Public School Capital

Construction Assistance Fund subject to legislative appropriation. **Is it necessary to continuously appropriate funds in the newly created accounts to the Department?**

5. The bill creates the new Excellence Awards Fund, which would consist of cash funds from the State Education Fund appropriated by the General Assembly for the English Language Proficiency Act Excellence Award Program. Moneys in the Fund are subject to legislative appropriation. **Is it necessary to appropriate State Education Fund moneys into a new cash fund, rather than appropriating State Education Fund moneys directly to the Department for the program?**