

Colorado Legislative Council Staff Fiscal Note



STATE FISCAL IMPACT

Drafting Number: LLS 15-0351
Prime Sponsor(s): Rep. Hamner; Rankin
 Sen. Hill; Kerr

Date: April 6, 2015
Bill Status: House Education
Fiscal Analyst: Marc Carey (303-866-4102)

BILL TOPIC: LEGISLATIVE OVERSIGHT COMMITTEE ON SCHOOL FINANCE

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	<u>\$308,993</u>	<u>\$210,947</u>
General Fund	288,098	189,218
Centrally Appropriated Costs**	20,896	21,729
FTE Position Change	1.6 FTE	1.6 FTE
Appropriation Required:	\$242,635 - Legislative Department (FY 2015-16)*** \$26,886 - Department of Education (FY 2015-16)	

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

*** The Joint Budget Committee Staff can absorb all but travel expenses within existing resources.

Summary of Legislation

This bill creates a legislative oversight committee on school finance to study tax policy issues relating to school finance and the components of a new school finance formula. The bill specifies the membership of the oversight committee, and requires committee appointments be made by July 1, 2015. As with similar interim committees, Legislative Council Staff (LCS) and the Office of Legislative Legal Services are to provide staff support for the oversight committee.

The bill also requires the oversight committee to contract with an outside facilitator by August 15, 2015. The facilitator must provide research and expertise on:

- school finance issues and policies;
- the Colorado school finance system;
- school finance systems implemented in comparable states;
- innovative and proven policies for designing a new school finance system; and
- tax policies in other states.

The facilitator will provide technical support in designing a new school finance system and proposing tax policy changes.

The bill also creates a technical committee, and requires the chair and co-chair of the oversight committee and the Governor to jointly appoint members of the technical committee by August 1, 2015. Members of the technical committee serve without compensation, but will receive

reimbursement for reasonable expenses. LCS and the Joint Budget Committee (JBC) staff must provide primary staff support for the technical committee with the Office of Legislative Legal Services and the Department of Education (CDE) also assisting as necessary.

The oversight committee, the technical committee and the facilitator must meet up to 5 times from August to December 2015, and at least quarterly during 2016. The technical committee will meet as often as necessary to accomplish its responsibilities. The oversight committee may introduce legislation during the 2016 legislative session addressing the goals for funding public education and a method for determining the cost of maintaining the public education system.

Beginning June 2016, the technical committee and the facilitator must research and design one or more proposals for school finance systems. The technical committee must also design one or more tax policy proposals designed to ensure sufficient resources to fund a sustainable school finance system. The bill specifies a number of factors that must be considered by the technical committee in designing these proposals. During the 2017 legislative session, the oversight committee may introduce legislation based on these proposals.

State Expenditures

Expenditures for the legislative branch and the CDE will increase by \$308,994 and 1.6 FTE in FY 2015-16 and \$210,947 and 1.6 FTE in FY 2016-17 to implement this bill. These expenses are summarized in Table 1, and detailed below.

Table 1. Total Expenditures Under House Bill 15-1334		
Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$103,313	\$103,313
FTE	1.6 FTE	1.6 FTE
Operating Expenses and Capital Outlay Costs	9,045	9,045
Facilitator	144,000	60,000
Staff Travel	9,960	4,980
Committee Expense Reimbursement	21,780	11,880
Centrally Appropriated Costs*	20,896	21,729
TOTAL	\$308,994	\$210,947

* Centrally appropriated costs are not included in the bill's appropriation.

Assumptions. This analysis assumes the following:

- the oversight committee will meet five times with the technical committee in 2015, quarterly in 2016, and twice in the first half of 2017;
- the technical committee will meet five times in 2015 and ten times in 2016; and
- 60 percent of the technical committee's meetings will be located outside of the Denver area and involve staff travel.

Legislative Branch. General Fund expenditures for the legislative branch will increase by \$261,212 and 1.3 FTE in FY 2015-16 and \$163,577 and 1.3 FTE in FY 2016-17.

Legislative Council Staff. Expenses for LCS will increase by \$39,646 and 0.6 FTE in FY 2015-16 and \$38,401 and 0.6 FTE in FY 2016-17. LCS will provide staff support to the oversight committee to provide research memoranda and staff committee hearings. In addition, the bill requires LCS to provide at least one staff person with expertise in school finance to assist the technical committee in its meetings over the two year period. This fiscal note assumes an increased workload of 0.3 FTE in support for the oversight committee and 0.3 FTE in support for the technical committee. Expense totals also include reimbursement for travel expenses.

Joint Budget Committee Staff (JBC). Expenses for the JBC staff will increase \$21,067 and 0.3 FTE in FY 2015-16 and \$19,822 and 0.3 FTE in FY 2016-17. The bill requires the Director of the JBC staff to provide at least one staff person with expertise in school finance to assist the technical committee in its meetings over the two year period. This fiscal note assumes an increased workload of 0.3 FTE in support of the technical committee and in attending all technical committee meetings. However, the JBC staff has indicated all but travel expenses can be handled through existing appropriations..

Legislative Legal Services (OLLS). The OLLS will incur additional expenses of \$34,719 and 0.4 FTE in FY 2015-16 and \$33,474 and 0.4 FTE in FY 2016-17. The bill requires the OLLS to provide staff support to the oversight committee to draft legislation and answer legal questions from the committee. In addition, the OLLS is to provide staff support to the technical committee, as necessary. This fiscal note assumes an increased workload allocation of 0.1 FTE to support the oversight committee and 0.3 FTE to support the technical committee. Expenses include travel reimbursement.

Facilitator. Expenses from the Legislative Department Cash Fund will increase by \$144,000 in FY 2015-16 and \$60,000 in FY 2016-17 to cover the costs of the facilitator required by the bill. By August 15, 2015, the bill requires the selection of a facilitator to work with the oversight committee and the technical committee. At a minimum, the facilitator must have expertise in the Colorado school finance system, experience in designing and developing school finance systems, expertise in tax policy, and they must employ staff with the capacity to work with stakeholder groups and analyze exiting and proposed school finance systems. This fiscal note assumes that after its selection, the facilitator will require a month of up-front preparation time. In addition, the facilitator will require two weeks to prepare for and facilitate each technical committee meeting, and will charge \$150 per hour for its services. This estimate will be revised as further information becomes available. Facilitator expenses will be paid from the Legislative Department Cash Fund, which is continuously appropriated to the Executive Committee of Legislative Council.

Committee expense reimbursement. Ten members of the General Assembly will be appointed to the oversight committee. The bill requires the oversight committee to meet at least 5 times with the technical committee in 2015, and at least quarterly in 2016. Assuming all ten members attend each of these meetings during each of the next two fiscal years, per diem, benefits and travel payments for members will total \$13,860 in FY 2015-16 and \$7,920 in FY 2016-17. In addition, the bill specifies that members of the technical committee are eligible for reimbursement for reasonable expenses. Such reimbursement is expected to total \$7,920 in FY 2015-16 and \$3,960 in FY 2016-17.

Department of Education (CDE). Expenses for the School Finance Division within the CDE will increase by \$26,886 and 0.3 FTE in FY 2015-16 and \$25,641 and 0.3 FTE in FY 2016-17. The bill requires the division to provide additional support to the technical committee, as needed. This fiscal note assumes that, in addition to the head of the division serving on the technical committee, other division representatives will attend and actively support the technical committee at each committee meeting. Expenses include personal services costs and expense reimbursement for attending technical committee meetings.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under House Bill 15-1334*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$12,888	\$12,888
Supplemental Employee Retirement Payments	8,008	8,841
TOTAL	\$20,896	\$21,729

*More information is available at: <http://colorado.gov/fiscalnotes>

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2015-16, the bill requires General Fund appropriations of:

- \$98,635 and 1.3 FTE to the Legislative Department;
- \$144,000 to the Legislative Department Cash Fund; and
- \$26,886 and 0.3 FTE to the Colorado Department of Education.

State and Local Government Contacts

Legislative Council Staff
Joint Budget Committee Staff

Legislative Legal Services
Education