# Colorado Legislative Council Staff Fiscal Note

# STATE and LOCAL FISCAL IMPACT

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**BILL TOPIC:** CURRENT YEAR ADJUSTMENTS SCHOOL FINANCE

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017		
State Revenue					
State Expenditures	(\$2,897,428)				
State Education Fund	(2,897,428)				
FTE Position Change					
Appropriation Required: (\$2,897,428) - Department of Education (FY 2014-15)					

<sup>\*</sup> This summary shows changes from current law under the bill for each fiscal year.

## **Summary of Legislation**

This bill, *recommended by the Joint Budget Committee*, makes mid-year adjustments to the 2014 School Finance Act necessary to maintain the total amount of state and local funding anticipated for public schools, based on the October 2014 student count and the 2014 certified property values. The bill reduces the state share of total program funding by \$2.9 million from the State Education Fund to account for a \$2.9 million increase in the local revenues available to support school finance. Maintaining total program funding at a constant level with reduced student counts and at-risk student counts allows for the reduction of the negative factor by \$14.0 million in FY 2014-15. These adjustments increase the statewide average per pupil funding after application of the negative factor by \$4.90 from \$7,020.70 to \$7,025.60.

#### Background

At the time that the Long Bill appropriation for school finance is established, many data are unknown. The initial appropriation is based on estimates of the funded pupil count, the number of at-risk students, and available property and specific ownership tax revenue. Subsequently, school districts conduct a student count in October, county assessors and the State Board of Equalization certify the total valuation for assessment of all taxable property, and school district boards certify the district's mill levy for school finance. By early January within the fiscal year, these data have been finalized by school districts and compiled by the Colorado Department of Education (CDE). CDE annually submits a supplemental request to make mid-year appropriation adjustments based on the actual data.

For FY 2014-15, the funded pupil count decreased by 590 compared with the forecasted enrollment. In addition, the at-risk student count was 4,562 lower than projected. These two impacts decreased overall school finance funding by \$14.0 million. In addition, actual local property tax revenue in 2014 was \$7.0 million lower than the estimates that were used for the initial

appropriation last spring, while actual specific ownership tax revenue came in \$9.9 million higher than forecast. Thus, the overall local share for total program increased by \$2.9 million. Table 1 details these adjustments.

Table 1. Changes in Pupil Count and Local Tax Revenue (Local Tax Revenue in Millions of Dollars)						
	FY 2013-14	FY 2014-15 (initial)	FY 2014-15 (actual)	Mid-Year Change		
Funded Pupil Count	830,833	845,136	844,546	(590)		
At-Risk Pupil Count	305,261	309,537	304,975	(4,562)		
Local Share of Total Program	\$1,938.8	\$1,979.9	\$1,982.8	\$2.9		
Property Tax	1,808.0	1,844.5	1,837.5	(7.0)		
Specific Ownership Tax	130.9	135.4	145.3	9.9		

#### **State Expenditures**

**School Finance.** This bill makes mid-year adjustments to school finance-related appropriations for FY 2014-15. Because local tax revenue for school finance increased more than was projected last spring, money available for the local share is \$2.9 million higher than anticipated. The \$2.9 million decrease in state aid for school finance in FY 2014-15 accommodates the \$2.9 million increase in the local share in order to leave total program unchanged. Table 2 details mid-year adjustments to the FY 2014-15 appropriations for school finance.

Table 2. Adjustments to FY 2014-15 Appropriations for School Finance						
Fund Source	Initial	Mid-Year	Adjusted			
	Appropriation	Adjustment	Appropriation			
Adjusted Total Program Funding	\$5,933,444,389	\$0	\$5,933,444,389			
State Share of Total Program	\$3,953,506,569	(\$2,894,086)	\$3,950,612,483			
General Fund	3,184,047,461	0	3,184,047,461			
State Education Fund	670,481,408	(2,894,086)	667,587,322			
State Public School Fund	98,977,700	0	98,977,700			

It should be noted that the statutory total program funding floor is not the same as the actual total program funding that appears in Table 2 above. The statutory total program funding floor (\$5,930,091,660 in FY 2014-15 under the bill) serves as a starting point for calculating the negative factor. The actual total program funding after application of the negative factor will be \$5,933,444,389, which is \$3,352,729 higher than the funding floor. This \$3.4 million difference is the amount of the negative factor reduction attributable to school districts that receive little or no state aid, and are thus not as impacted by the negative factor as other districts.

**Negative Factor**. The bill reduces the negative factor from 13.15 percent to 12.97 percent, or a total of \$14.0 million across all school districts. This reduction is possible due to the lower-than-expected student counts and at-risk student counts.

### **School District Impact**

Under this bill, school districts will receive a \$2.9 million decrease in state funding for school finance in FY 2014-15. This change offsets the \$2.9 million increase in the local share and leaves total program funding unchanged.

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

#### **Effective Date**

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

#### **State Appropriations**

For FY 2014-15, this bill contains an appropriation reduction of \$2,894,086 for the state's share of districts' total program funding from the State Education Fund. The bill also contains an appropriations reduction of \$3,342 for hold-harmless full-day kindergarten.

#### **State and Local Government Contacts**

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