



**Colorado
Legislative
Council
Staff**

SB16-023

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0747

Date: January 19, 2016

Prime Sponsor(s): Sen. Kerr

Bill Status: Senate SVMA

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BILL TOPIC: FUNDING FOR FULL-DAY KINDERGARTEN

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
General Fund - conditional*	\$5.2 million	\$10.5 million
State Transfers		
General Fund - conditional*	(\$132.7 million)	(\$336.0 million)
SB 228 transfers to CCF - conditional*	\$26.5 million	\$112.0 million
SB 228 transfers to HUTF - conditional*	\$106.2 million	\$224.0 million
State Expenditures		
General Fund	\$35.3 million	\$35.3 million
General Fund - conditional*	up to \$191.6 million	up to \$384.2 million
TABOR Impact - conditional*	(\$191.6 million)	(\$384.2 million)
Appropriation Required: \$35,300,000 General Fund - Colorado Department of Education (FY 2016-17)		
Future Year Impacts: Ongoing revenue, transfer, and expenditure impacts.		

* These impacts are conditional, dependent on a vote of the electorate to retain and spend revenue in excess of constitutional limits.

Summary of Legislation

Under current law, students who are enrolled in kindergarten are counted as half-day students for purposes of school finance, and each school district receives an additional .08 of an enrolled kindergarten student, for a total funding factor of 0.58. Beginning with FY 2016-17, this bill increases the factor from 0.58 to 0.65.

The bill states the intent of the General Assembly to increase funding for full day kindergarten (full day K) by specific dollar amounts annually from FY 2017-18 through FY 2021-22.

Subject to a vote of the people, the bill refers a measure to the state ballot authorizing the state to retain and spend all additional excess revenue over the constitutionally allowed limit. If the voters approve, the General Assembly is required to appropriate the additional revenue first to pay for full day K, and second to fund school district total program under the School Finance Act.

Legislative Council is required to prepare an annual report concerning how the retained revenue was spent in each year.

Background

According to data collected by the Colorado Department of Education (CDE), 168 out of 178 school districts currently offer full-day K, but pay for the program in different ways. Some districts may use operating revenue from total program funding, a general mill levy override, or other funds available to the district; some districts have a fee-based program; and two districts (Brush and Summit) have a dedicated mill levy for full-day K.

The following school districts do not offer full-day K: Bennett 29J, Campo RE6, Kit Carson R-1, Big Sandy 100J, Primero Reorganized 2, Weldon Valley RE-20(J), Meeker RE1, Rangely RE-4, Silverton 1, and Prairie RE

State Revenue

General Fund revenue — conditional impact. Should voters approve this measure, General Fund revenue will increase by \$5.2 million in FY 2016-17 and \$10.5 million in FY 2017-18.

State law allows a portion of the *gross conservation easement tax credit* to be refundable when the state incurs a TABOR surplus.¹ In practice, this allows the credit to be partially refundable for tax years during which a TABOR surplus is refunded. The impact of this is expected to be a refund of \$10.5 million in tax years 2017 and 2018, or \$5.2 million in FY 2016-17 and \$10.5 million in FY 2017-18 on an accrual accounting basis. This bill, with voter approval, allows the state to retain and spend revenue in excess of its constitutional revenue limit, thereby eliminating this tax refund.

State Transfers

SB 09-228 Transfers — conditional impact. Senate Bill 09-228 requires transfers to the Highway Users Tax Fund (HUTF) and the Capital Construction Fund (CCF) to occur each year through FY 2019-20. When the TABOR surplus is between 1.0 percent and 3.0 percent of General Fund revenue, the transfers are cut in half; when the TABOR surplus exceeds 3.0 percent the transfers are eliminated for that year.

Should voters approve this measure, it will eliminate the TABOR surplus beginning in FY 2016-17, restoring the transfers in full. This will increase the amount of money transferred to the HUTF by \$106.2 million and \$224.0 million and to the CCF by \$26.5 million and \$112.0 million, respectively, in FY 2016-17 and FY 2017-18.

1. Section 39-22-522 (5) (b), C.R.S.

TABOR Impact

TABOR Refunds — conditional impact. Should voters approve this measure, refunds of money in excess of the TABOR Limit will not occur beginning in FY 2016-17. TABOR requires revenue collected in excess of the TABOR limit to be refunded to taxpayers.² Under current law, TABOR refunds of \$191.6 million and \$384.2 million are expected to occur in tax years 2017 and 2018, respectively, to refund excess revenue collected in FYs 2016-17 and 2017-18. Table 1 shows the projected impact on the mechanisms used to refund the TABOR surplus in current law. Revenue is refunded in the year following the year in which it is collected.

Table 1. Current Law Refunds of Money in Excess of the TABOR Limit Voter Approval of This Measure Would Eliminate These Refunds <i>Millions of Dollars</i>		
	FY 2016-17 Surplus FY 2017-18 Refund Tax Year 2017	FY 2017-18 Surplus FY 2018-19 Refund Tax Year 2018
Revenue above the TABOR limit	\$191.6 million	\$384.2 million
Income Tax Rate Reduction	\$0	\$232.9 million
Sales Tax Refund	\$191.6 million	\$151.3 million

Source: Legislative Council Staff Forecast, December 2015.

State Expenditures

For FY 2016-17 and subsequent years, this bill increases expenditures for school finance by \$35.3 million. For FY 2017-18, and only if approved by voters, this referred measure increases state expenditures for school finance by up to \$191.6 million.

Increase kindergarten factor in school finance — state fiscal impact. By raising the factor by which school districts count their kindergarten students from .58 to .65, the cost of school finance will increase by about \$35.3 million for FY 2016-17.

Retain and spend revenue over the TABOR limit — conditional fiscal impact. The bill refers a measure to the state ballot to request voter approval for the state to retain revenue in excess of its constitutional revenue limit, otherwise known as the "Taxpayer's Bill of Rights Limit" or the TABOR Limit.³ For FY 2016-17, the TABOR surplus is estimated at \$191.6 million. For FY 2016-17, the TABOR surplus is estimated at \$384.2 million. If approved by voters, the General Assembly is required to use the retained revenue to pay for full-day K. The surplus amount after paying for full-day K must be appropriated to fund school district total program under the School Finance Act. Since this expense is only required if the voters approve the referred measure, this impact is conditional.

2. Colo. Const. art. X, § 20 (7) (d).

3. Colo. Const. art. X, § 20.

Election expenditure impact (existing appropriations). The bill includes a referred measure that will appear before voters at the November 2016 general election. Although no additional appropriation is required in this bill to cover election costs associated with this ballot measure, certain election costs to the state are appropriated as part of the regular budget process. First, state law requires that the state reimburse counties for costs incurred conducting a ballot measure election, paid from the Department of State Cash Fund. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet (Blue Book) mailed to all registered voter households prior to the election paid from the Ballot Analysis Revolving Fund. As of this writing, there will be at least one citizen-initiated measure on the ballot at the 2016 election, which will trigger the ballot costs shown in Table 2 below for a single ballot measure. Costs in 2016 will increase by approximately \$100,000 per measure beyond this base amount for any additional referred or initiated measures placed on the ballot.

Cost Component	Amount
County Reimbursement for Statewide Ballot Measures	\$2,400,000
Ballot Information Booklet (Blue Book) & Newspaper Publication	\$670,000
TOTAL	\$3,070,000

School District Impact

In addition to providing more per-pupil revenue for kindergarten students, school districts will have increased expenses to provide full-day K, especially those not currently offering a full-day program. In addition to increased program costs (teachers, aides, transportation, etc.), these few school districts will have capital costs to expand their classroom capacity allowing them to expand the program. Generally, for districts without sufficient classroom space, the bill will increase capital expenses.

For information purposes, one large metro district reports that adding full-day K classroom space in 2011 was roughly \$500,000 per classroom added; however, construction costs have increased since 2011 so those estimates are now higher. Another large metro school district reports that current expenses to expand classroom facilities is roughly \$300 - \$600 per square foot of new construction, and a kindergarten classroom of 1,200 square feet will cost approximately \$360,000 to \$720,000. Since all of the districts not currently offering full-day K are small, rural districts, these estimates provide an upper limit for new construction costs. In addition, if approved by voters, school districts may receive more funding under the School Finance Act, beyond that needed to provide full day K.

Pursuant to Section 22-32-143, C.R.S., 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: <https://www.colorado.gov/cga-legislativecouncil>

Effective Date

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

State Appropriations

For FY 2016-17, this bill requires a General Fund appropriation of \$35,300,000 to the Colorado Department of Education.

State and Local Government Contacts

Education