

**JBC STAFF FISCAL ANALYSIS
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING REIMBURSEMENT FOR SUPPLEMENTAL ON-LINE EDUCATION COURSES.

Prime Sponsors: Representative Massey
Senator Isgar

JBC Analyst: Carolyn Kampman
Phone: 303-866-2061
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Summary of Amendments Made to the Bill After the 01/12/06 Legislative Council Staff Fiscal Note was Prepared (Amended by the House Education Committee 01/24/06)

1. Modified the definition for "eligible charter school" to exclude an institute charter school that enrolls 3,000 or more students.
2. Modified the definition for "eligible school district" to exclude a district that exports an on-line education program to students receiving the program at a location outside the district's geographic boundaries.
3. Eliminated the definition for "on-line education course", and inserted a definition for "supplemental on-line education course".
4. Clarified language indicating that an eligible school district or eligible charter school may receive reimbursement only for courses purchased from providers that are not affiliated with the eligible school district or the eligible charter school.

The fiscal impact identified in the Legislative Council Staff Fiscal Note, dated 01/12/06, was predicated on the assumption that all districts that operate a full-time on-line education program would be ineligible for reimbursement for supplemental on-line courses. The above amendments, however, exclude only those districts that *export* an on-line education program (Baca-Vilas, Las Animas-Branson, and Rio Grande-Monte Vista). Thus, those districts that operate full-time on-line education programs but do not export such programs (Lincoln - Karval, Fremont-Cotopaxi, and Alamosa) would be eligible for reimbursement.

Based on updated information provided by the Department of Education, staff estimates that 139 districts (including the State Charter School Institute) would be eligible for reimbursement for student enrollments totaling 53,158.0, **requiring an appropriation of \$531,580 cash funds exempt from the State Education Fund for FY 2006-07.** Legislative Council Staff concurs with this assessment.

JBC Staff Concurrence with Legislative Council Staff Fiscal Note

Concurs **Does Not Concur** **Updated Analysis**

Reason for the Update

As indicated above, an updated analysis is required to include funding for three districts that were previously excluded. Staff estimates that the bill, as amended by the House Education Committee, would require an appropriation of \$531,580 cash funds exempt from the State Education Fund for FY 2006-07 (as well as authorization to spend \$531,580 from the Supplemental On-line Education Course Fund in FY 2006-07). The Department would be authorized to retain up to \$15,947 (three percent) of this amount to cover the direct and indirect costs of administering the program.

Amendments/Appropriation Status

The bill does not currently include an appropriation clause. Staff has prepared amendment **J.001** (attached) to insert a provision appropriating \$531,580 cash funds exempt from the State Education Fund to the newly created Supplemental On-line Education Course Fund for FY 2006-07. This amendment also provides the Department of Education with the authority to spend \$531,580 cash funds exempt from the Supplemental On-line Education Course Fund for FY 2006-07.

Sponsor Amendments

Sponsor amendment **J.002** (attached), would make the following changes to the bill:

- Strike language stating that subsidizing the cost of supplemental on-line courses is an appropriate use of moneys from the State Education Fund. Substitute a provision stating the General Assembly's intent that the funding required by the bill be appropriated annually from federal mineral leasing revenues transferred annually to the State Public School Fund.
- Eliminate the provision creating the Supplemental On-line Education Course Fund, as well as references to such fund.
- Eliminate a reference to the "Joint Budget Committee, or any successor committee", and simply reference the "Joint Budget Committee".
- Insert a provision to appropriate \$531,580 cash funds exempt from the State Public School Fund. Specify that this amount shall be from federal mineral leasing revenues.

Sponsor amendment J.002 does not affect the annual cost of administering the program created by the bill. However, it eliminates the need to make two appropriations each year (one appropriation to put money into the new cash fund and a second appropriation to authorize the Department to spend moneys in the new cash fund). It also changes the source of funding for the program from the State Education Fund to the State Public School Fund. Sponsor amendment J.002 includes the correct appropriation clause. **Either J.002 or J.001 should be adopted, but not both.**

Points to Consider

1. The bill currently requires an annual appropriation from the State Education Fund. The model that is used to assess the solvency of the State Education Fund indicates that the General Fund appropriation for public school finance will need to increase annually by at least 6.0 percent annually through FY 2023-24, to maintain the solvency of the Fund and comply with constitutional funding requirements for education in future years. To the extent that this bill increases spending from the State Education Fund, the required annual increase in the General Fund appropriation for public school finance for FY 2006-07 and future fiscal years will be greater than 6.0 percent.

2. Sponsor amendment J.002 would subsidize on-line education courses using federal mineral leasing revenues that are transferred to the State Public School Fund (SPSF). These federal funds are received by the state for sales, bonuses, royalties, and rentals of public lands within the state, and are primarily derived from coal, gas, and oil. Federal mineral lease revenues are distributed through a complex statutory formula for the benefit of public schools, local governments, and the Colorado Water Conservation Board Construction Fund [see Section 34-63-102, C.R.S.]. Federal mineral leasing revenues are one of several revenue sources that are currently credited to the SPSF, accounting for \$49 million of SPSF revenues in FY 2004-05.

The General Assembly currently appropriates federal mineral leasing revenues credited to the SPSF annually to fund a portion of the state share of districts' total program funding. If the General Assembly chooses to appropriate these moneys for another purpose, more General Fund will be required to fund the state share of districts' total program funding.