



**Colorado
Legislative
Council
Staff**

SB17-200

**REVISED
FISCAL NOTE**

(replaces fiscal note dated March 6, 2017)

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

Drafting Number: LLS 17-0525
Prime Sponsor(s): Sen. Priola

Date: March 9, 2017
Bill Status: Senate Education
Fiscal Analyst: Marc Carey (303-866-4102)

BILL TOPIC: REWARD EXCELLENCE WITH ANNUAL REDIRECTED DOLLARS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures	\$0	\$14,057
General Fund	0	12,956
Centrally Appropriated Costs	0	1,101
FTE Position Change		0.1 FTE
Appropriation Required: None required.		
Future Year Impacts: Ongoing School District Impact.		

This fiscal note is revised to reflect new information.

Summary of Legislation

This bill creates the Rewarding Excellence With Annual Redirected Dollars (REWARD) program to award funding to certain top performing school districts and the Charter School Institute. The program is funded through a 1 percent proportionate reduction of total program funding after application of the negative factor for all school districts, net of reasonable administrative costs.

Beginning in the 2018-19 academic year, the Colorado Department of Education (CDE) is required to annually identify peer school districts by:

- categorizing all districts as either rural or non-rural based on district size and distance from an urbanized area, and
- grouping districts based on demographic characteristics of students, including at a minimum, the percent of at-risk pupils.

Once peer districts have been determined, the CDE will compare the academic performance of these districts using annually determined metrics, and award excellence funding to the top 10 rural and top 10 non-rural districts. To be eligible for excellence funding, a district must be accredited and have at least a 95 percent participation rate on state assessments.

Beginning in the 2018-19 budget year, the CDE is required to award excellence funding to the top twenty performing school districts using the following allocation formula:

- 35 percent distributed to in equal shares to each identified district; and
- 65 percent distributed on a per-pupil basis based on the district's funded pupil count.

The bill requires school districts and the CSI to distribute any excellence funding received on a per pupil basis to both charter and non-charter schools.

State Expenditures

For FY 2018-19 only, this bill increases state expenditures by \$14,057 and 0.1 FTE. These expenses will be paid out of the funding set aside for the REWARD program.

Increased state expenditures are for the CDE to design a system for establishing peer districts based on demographic characteristics and establish criteria for determining the top performing districts as specified in the bill. These expenditures are displayed in Table 1.

Table 1. Expenditures Under Senate Bill 17-200	
Cost Components	FY 2018-19
Personal Services	\$5,956
FTE	0.1
Contract Services	\$7,000
Centrally Appropriated Costs*	\$1,101
TOTAL	\$14,057

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

REWARD program. The CDE will work in conjunction with the existing Technical Advisory Panel and outside consultants to determine relevant demographic characteristics for establishing peer districts and the objective measures to be used to identify the 10 highest performing districts for the rural and nonrural categories. For CDE staff, this will involve conducting analyses and facilitating meetings with the panel. The CDE will also contract with outside consultants to provide guidance on these criteria. These tasks will entail \$5,956 in personal service expenses and \$7,000 in contract costs. Costs are one-time only as once these methodologies are established, they will remain consistent from year to year.

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 Senate Bill 17-200	
Cost Components	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$567
Supplemental Employee Retirement Payments	\$534
TOTAL	\$1,101

School District Impact

This bill funds the REWARD program through a 1 percent proportionate reduction of total program funding after application of the negative factor for all school districts. As such, 158 school districts will receive a 1 percent funding reduction, while the top 10 performing districts in the rural and non-rural categories will receive additional funding based on the bill's allocation formula.

Based on estimates for FY 2017-18, the latest that are available, the REWARD program will receive approximately \$66.3 million dollars to be reallocated among 20 districts. Reductions in district total program to fund excellence payments will vary significantly by district. The median reduction will be just over \$50,000, but reductions will range from a maximum of \$6.9 million to a minimum of \$7,275. According to the bill's allocation formula, each of the top 20 performing districts will receive an equal payment of just under \$1.2 million in excellence funding. An additional \$43.1 million will be allocated among these 20 districts on a per pupil basis.

In most years, a few districts receive less than 1 percent of their total program from state aid, including those that are not fully able to implement the reduction from the negative factor. In FY 2017-18, only one district (Wiggins in Morgan County) is expected to receive less than 1 percent of their total program in state aid, and thus will not be fully able to make the required contribution to the funding pool for the REWARD program. In FY 2017-18, it is estimated that the funding deficit for the REWARD program from this district will total about \$48,000.

Since the REWARD program will not begin until FY 2018-19, these estimates are provided for informational purposes only.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Education School Districts