



**Colorado
Legislative
Council
Staff**

HB16-1253

FISCAL NOTE

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

Drafting Number: LLS 16-1015
Prime Sponsor(s): Rep. Hamner
Sen. Steadman

Date: February 8, 2016
Bill Status: House Appropriations
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BILL TOPIC: CURRENT YEAR ADJUSTMENTS TO SCHOOL FINANCE

Fiscal Impact Summary	FY 2015-2016	FY 2016-2017	FY 2017-2018
State Revenue			
State Expenditures	(\$133,492,226)	\$24,473,753	
General Fund	(93,542,173)	24,473,753	
State Education Fund	49,947		
State Public School Fund	(40,000,000)		
Appropriation Required: (\$133,542,173) - Department of Education (FY 2015-16)			

Summary of Legislation

This bill, **recommended by the Joint Budget Committee**, makes mid-year adjustments to the 2015 School Finance Act necessary to maintain the total amount of state and local funding anticipated for public schools, based on the October 2015 student count and the 2015 certified property values. The bill reduces the state share of total program funding by \$93.5 million from the General Fund and \$40.0 million from the State Public School Fund to account for a \$133.5 million increase in local revenue 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 \$24.5 million in FY 2015-16 and FY 2016-17. These adjustments increase the statewide average per pupil funding after application of the negative factor from \$7,294 anticipated in the original appropriation to \$7,313.

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 2015-16, the funded pupil count decreased by 2,139 compared with the forecasted enrollment. In addition, the at-risk student count was 1,845 lower than projected. These two impacts decreased overall school finance funding by \$24.5 million. In addition, actual local property tax revenue in 2015 was \$128.4 million higher than the estimates that were used for the initial appropriation last spring, and actual specific ownership tax revenue came in \$5.1 million higher than forecast. Thus, the overall local share for total program increased by \$133.5 million. Table 1 details these adjustments.

Table 1. Changes in Pupil Count and Local Tax Revenue			
	FY 2015-16 <i>(initial)</i>	FY 2015-16 <i>(actual)</i>	Mid-Year Change
Funded Pupil Count	855,391	853,251	(2,140)
At-Risk Pupil Count	309,985	308,140	(1,845)
Local Share of Total Program	\$2,126.2	\$2,259.8	\$133.5
Property Tax	1,976.6	2,105.0	128.4
Specific Ownership Tax	149.7	154.8	5.1

State Expenditures

School Finance. This bill makes mid-year adjustments to school finance-related appropriations for FY 2015-16. Because local tax revenue for school finance increased more than was projected last spring, money available for the local share is \$133.5 million higher than anticipated. The \$133.5 million decrease in state aid for school finance in FY 2015-16 accommodates the \$133.5 million increase in the local share in order to leave total program unchanged. Table 2 details mid-year adjustments to the FY 2015-16 appropriations for school finance.

Table 2. Adjustments to FY 2015-16 Appropriations for School Finance			
Fund Source	Initial Appropriation	Mid-Year Adjustment	Adjusted Appropriation
Adjusted Total Program Funding	\$6,239,564,775	\$0	\$6,239,564,775
State Share of Total Program	<u>\$4,113,321,146</u>	<u>(\$133,492,226)</u>	<u>\$3,979,828,920</u>
General Fund	3,392,837,348	(93,542,173)	3,299,295,175
State Education Fund	630,328,949	49,947	630,378,896
State Public School Fund	90,154,849	(40,000,000)	50,154,849

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 (\$6,233,835,044 in FY 2015-16 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 \$6,239,564,775, which is \$5,729,731 higher than the funding floor. This \$5.7 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 12.18 percent to 11.83 percent, or a total of \$24.5 million across all school districts in both FY 2015-16 and FY 2016-17. 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 \$133.5 million decrease in state funding for school finance in FY 2015-16. This change offsets the \$133.5 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 2015-16, this bill contains an appropriation reduction of \$93,542,173 for the state's share of districts' total program funding from the General Fund and a \$40 million appropriation reduction from the State Public School Fund. The bill also contains an appropriation increase of \$49,947 for hold-harmless full-day kindergarten.

State and Local Government Contacts

Education Joint Budget Committee