



**Colorado
Legislative
Council
Staff**

HB17-1340

FISCAL NOTE

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

Drafting Number: LLS 17-0436 **Date:** April 17, 2017
Prime Sponsor(s): Rep. Lundeen; Garnett **Bill Status:** House Education
Fiscal Analyst: Marc Carey (303-866-4102)

BILL TOPIC: LEGISLATIVE INTERIM COMMITTEE ON SCHOOL FINANCE

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures	<u>\$383,235</u>	<u>\$383,235</u>
General Fund	380,869	380,869
Centrally Appropriated Costs	2,366	2,366
FTE Position Change	0.4 FTE	0.4 FTE
Appropriation Required: \$380,869 - Legislative Branch (FY 2017-18)		
Future Year Impacts: \$380,869 - Legislative Branch (FY 2018-19)		

Summary of Legislation

This bill creates a legislative interim committee to study school finance issues and make legislative recommendations concerning how to most accurately meet the educational needs of students through the funding of K-12 education in Colorado. The bill specifies the members of the interim committee, who must be appointed by July 1, 2017. The committee will meet up to 5 times during both the 2017 and 2018 legislative interims, with the first meeting held no later than August 1, 2017. Legislative Council Staff and the Office of Legislative Legal Services will provide staff support for the committee. The committee may introduce up to 5 bills during each of the 2018 and 2019 legislative sessions that are exempt from normal bill limitations.

The bill specifies issues that the interim committee must study, which at a minimum include:

- the costs and benefits of requirements imposed on public schools and school districts and by state and federal laws;
- the total funding amount available for each district, in aggregate and per pupil, including federal, state, and local resources;
- the relative value of and return on resource investment across the time frame of a student's educational career;
- an appropriate, accurate method for identifying students who, because of life circumstances, are in greater need of support;
- various district-specific factors to be included in the funding formula;
- the distribution of categorical program moneys on a per pupil basis;

- strategies for including transportation funding within the funding formula;
- alternative methods for counting enrolled students;
- school district organization;
- the level of local education funding available, and its allocation to district charter schools and institute charter schools;
- the amount of property tax revenue that each district collects from total program mill levies and mill levy overrides; and
- the capital construction needs of each school district.

Subject to available appropriations, the interim committee is required to contract with a private entity to assist in gathering information for the study and analyzing these issues. The bill specifies that the private entity may not have previously contracted with the state or any political subdivision for a study of school finance in Colorado. Finally, the bill requires the chair and vice-chair of the committee to appoint a voluntary advisory committee of interested persons to provide recommendations on the issues that the committee will study. The bill is repealed July 1, 2019.

State Expenditures

For both FY 2017-18 and FY 2018-19, the bill increases state expenditures in the Legislative Branch by a minimum of \$383,235 and 0.3 FTE. Costs are displayed in Table 1 and described below.

Table 1. Expenditures Under HB-1340		
Cost Components	FY 2017-18	FY 2018-19
Personal Services	\$23,645	\$23,645
<i>Senior Research Assistant (0.3 FTE) and Staff Attorney (0.1 FTE)</i>	0.4	0.4
Committee Member Per Diem	7,224	7,224
Private Contractor Costs	350,000	350,000
Centrally Appropriated Costs	2,366	2,366
TOTAL	\$383,235	\$383,235

Personal Services. Legislative Council Staff will staff the interim committee, with assistance from the Office of Legislative Legal Services. Similar to other interim committee expenses, personal services are estimated at 0.3 FTE for Legislative Council Staff to assist the committee chairs with scheduling, communication, agendas and research and 0.1 FTE for Legislative Legal Services to draft legislation.

Private Contractor. This fiscal note assumes that a private contractor will assist the committee with research and analysis regarding each of the study elements specified in the bill. Based on preliminary estimates from organizations with experience in education research and analysis, contractor costs for the majority of the bill's requirements are estimated to be ***a minimum*** of \$250,000 annually. The cost of similar school finance studies in other states has ranged from about \$500,000 to \$600,000 depending on the scope of the study and the approach taken.

It should also be noted that other requirements in the bill, specifically the revenue analysis and the study of the capital construction needs of each district, district charter school, and institute charter school, are major drivers of additional costs. At a minimum, these two components will add another \$100,000 annually to the costs of the study, although the capital needs analysis could range up to \$500,000 annually, depending on the approach taken. This fiscal note assumes the lower end of the cost range will be sufficient at this time, and will be updated if more information becomes available.

It is currently not known if any other states have undertaken studies of two other of the bill's components (cost-benefit analysis of current federal and state laws and return on investment analysis). These components would likely add additional costs, and this fiscal note will be updated as more information becomes available.

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 HB 17-1340		
Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$44	\$44
Supplemental Employee Retirement Payments	2,322	2,322
TOTAL	\$2,366	\$2,366

Effective Date

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

State Appropriations

For FY 2017-18, the bill requires a General Fund appropriation of \$380,869 to the Legislative Branch, and an allocation of 0.4 FTE.

State and Local Government Contacts

Education
School Districts

Legislative Council Staff

Legislative Legal Services