



**Colorado
Legislative
Council
Staff**

SB17-296

**REVISED
FISCAL NOTE**

(replaces fiscal note dated April 25, 2017)

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

Drafting Number: LLS 17-1051
Prime Sponsor(s): Sen. Hill
Rep. Pettersen

Date: May 1, 2017
Bill Status: Senate Appropriations
Fiscal Analyst: Marc Carey (303-866-4102)

BILL TOPIC: FINANCING PUBLIC SCHOOLS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures*	\$10,762,348	
General Fund**	(33,619,398)	
Cash Funds	22,857,050	
Appropriation Required: See State Appropriations section.		
Future Year Impacts: None.		

* *This fiscal note does not assume passage of either Senate Bill 17-254 or House Bill 17-1349.*

** *This includes a \$15,180,602 appropriation to the Mill Levy Equalization Fund that is then reappropriated to CDE for distribution to CSI schools.*

Summary of Legislation

This bill, **as amended by the Senate Education Committee**, changes the "Public School Finance Act of 1994" by modifying the funding for K-12 public schools in FY 2017-18.

Total Program Funding. The bill increases base per pupil funding to \$6,546.20, to reflect a 2.8 percent inflation rate. The bill also makes the following changes in the calculation of total program:

- for FY 2017-18, holds the negative factor at the FY 2016-17 level of \$828.3 million.

Mill levy override revenue. Beginning with FY 2018-19, the bill requires that school districts share revenue from mill levy overrides with charter schools in increasing amounts over a 3-year phase-in period. For each student enrolled in an authorized charter school, the school district is required to calculate a per pupil mill levy share based on override revenue and the district's funded pupil count, and distribute at least:

- 33 percent of the per pupil share in FY 2018-19;
- 66 percent in FY 2019-20; and
- 100 percent by FY 2020-21 and subsequent years

A district that already exceeded these targets in FY 2016-17 must continue to distribute at least the FY 2016-17 amount during the phase-in period. Local school boards may also submit a ballot measure to voters in the next election regarding the sharing of mill levy override revenue authorized by voters before July 1, 2017. The bill specifies the wording of the measure, and allows the district to not be required to fully share the revenue if the measure fails.

The bill also includes several exemptions for districts in special circumstances. Specifically, the bill exempts districts from sharing override revenue generated from mills that a growing district may levy for capital construction, and mills any district may levy for bonded debt. Districts are not required to share override revenue if the revenue is authorized for specific purposes (e.g., full day kindergarten) and the charter school does not provide that specific program. In addition, districts are exempted from full compliance with the bill if they had:

- previously adopted a written policy explicitly earmarking a specified amount of mill levy override revenue for capital construction or maintenance; or
- specifically allocated a portion of mill levy override revenue for capital improvement projects.

Mill levy equalization. The bill creates the Mill Levy Equalization Fund in the state treasury to consist of any amount that the General Assembly may appropriate or transfer to the fund. Subject to annual appropriation, the CSI in the CDE must annually distribute all of the money appropriated or transferred to the fund to institute charter schools on an equal per-pupil basis. For FY 2017-18, the bill appropriates about \$15.2 million to the Mill Levy Equalization Fund from the General Fund.

Pledge to Uphold Constitution. Under current law, public school teachers and persons hired to teach at Colorado institutions of higher education are required to take an oath or affirmation swearing or affirming that they will uphold the United States and Colorado constitutions. The bill amends the law to permit teachers to instead sign a written pledge.

Supplemental Assistance from Contingency Reserve Fund. Beginning in FY 2017-18, the bill permits the state to provide supplemental assistance from the contingency reserve fund to help districts that, because of at least a 20 percent enrollment increase over projected levels, may experience an unusual financial burden in implementing or expanding a school program. The district is required to reimburse the state for such assistance following the adjustment in the district's distribution that results from the certification of assessed values and student enrollment.

State Expenditures

The bill increases state expenditures by \$10.8 million, by decreasing General Fund expenditures for school finance by \$33.6 million and increasing cash fund expenditures by \$22.9 million. The bill leaves the negative factor at the FY 2016-17 level of \$828.3 million, and thus does not affect total program relative to current law for FY 2017-18. The bill does not establish a negative factor for FY 2018-19.

Total Program Funding. Senate Bill 17-296 sets total program funding for FY 2017-18 at \$6.635 billion. This represents a 11.10 percent reduction from what funding levels would have been without the negative factor.

The \$6.635 billion in total program funding represents an estimated increase of \$261.8 million in FY 2017-18 compared with actual funding levels for FY 2016-17, and no change for FY 2017-18 relative to current law. State expenditures for school finance and local funding will increase by \$238.0 million and \$23.8 million, respectively, compared with FY 2016-17. Both are unchanged relative to current law. Since the negative factor is set at 11.10 percent, each district's total program funding will be reduced by 11.10 percent from the level set by the funding formula before application of the negative factor, provided the district receives at least an amount of state aid that is greater than this percentage reduction. Table 1 shows the estimate of school finance act funding under Senate Bill 17-296, relative to FY 2016-17.

Table 1. School Finance Act Funding under Senate Bill 17-296					
	Pupil Count	Per Pupil Funding	Total Program Funding	State Aid	Local Share
FY 2016-17 Act.	858,796	\$7,421	\$6,372,832,460	\$4,115,127,505	\$2,257,704,955
FY 2017-18 Est.	865,885	\$7,662	\$6,634,600,182	\$4,353,087,959	\$2,281,512,223
Percent change	0.83%	3.26%	4.11%	5.78%	1.05%
Increase	7,089	\$242	\$261,767,722	\$237,960,454	\$23,807,268

CSI Mill Levy Equalization. Beginning with FY 2017-18, this bill increases state expenditures to provide mill levy equalization payments to institute charter schools on a per-pupil basis. The precise amount of funding for these payments is at the discretion of the General Assembly, and the bill sets this amount at \$15,180,602 for FY 2017-18. In FY 2016-17, the funded pupil count for institute charter schools is 15,700, which translates to about \$967 allocated to CSI schools on a per pupil basis. For informational purposes only, if the mill levy equalization payment was based on the district-specific, mill levy override per pupil amount and the CSI funded pupil count for FY 2016-17, the total payment would be about \$13.9 million.

Contingency Reserve Fund. This bills allows districts to access money for loans from the Contingency reserve fund. Currently that fund has a balance of \$1.0 million.

School District Impact

Mill levy override revenue. School districts that are not already doing so will be required to allocate an increasing share of mill levy override revenue to charter schools based on each district's per pupil override calculation. Currently, 44 school districts have charter schools, and of these, 32 receive revenue from mill levy overrides. Based on FY 2016-17 data, the total amount of local revenue distributed to charter schools is estimated at about \$78.1 for FY 2017-18, \$94.3 for FY 2018-19, and \$112.3 million for FY 2019-20. Some of this revenue is restricted revenue, and will only be distributed to those charter schools that provide the applicable service for which the override was authorized.

Effective Date

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

Technical Note

This fiscal note does not reflect any changes contained in Senate Bill 17-254 (the Long Bill) or House Bill 17-1349, which establishes the residential assessment rate for FY 2017-18. The note will be updated as those bills are enacted by the General Assembly.

State Appropriations

For FY 2017-18, the bill contains the following cash funds appropriations:

- \$22,857,050 million from the State Education Fund to the Department of Education for the state's share of total program funding;
- \$25,942,950 million from the Marijuana Tax Cash Fund to the Department of Education for the state's share of total program funding.

For FY 2017-18, the bill contains a General Fund appropriation reduction of \$48.8 million to the Department of Education for the state's share of total program funding.

For FY 2017-18 the bill contains the following cash funds appropriation reductions:

- \$9,642,950 from the Marijuana Tax Cash Fund to the Department of Education for the school health professionals grant program;
- \$16,300,000 from the Marijuana Tax Cash Fund to the Department of Local Affairs for affordable housing construction grants and loans.

For FY 2017-18, the bill appropriates \$15,180,602 from the General Fund to the Mill Levy Equalization Fund and reappropriates this money to the Department of Education for distribution to the Charter School Institute.

State and Local Government Contacts

Education Legislative Council Staff Joint Budget Committee Staff