



**Legislative
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FISCAL NOTE

Drafting Number:	LLS 19-0884	Date:	February 4, 2019
Prime Sponsors:	Sen. Moreno; Todd Rep. Esgar; McLachlan	Bill Status:	Senate Appropriations
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Bill Topic: SCHOOL FINANCE MID-YEAR ADJUSTMENTS

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> School District
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill makes mid-year adjustments to the 2018 School Finance Act in order to maintain the budget stabilization factor at the level anticipated in the original appropriation.

Appropriation Summary: For FY 2018-19, the bill requires both a General Fund appropriation reduction of \$77,590,425 for the state share of total program and a cash fund appropriation reduction of \$12,065 from the State Education Fund for hold-harmless full-day kindergarten. For FY 2018-19, the bill requires a General Fund appropriation of \$545,147 to the Department of Education to correct an underpayment of at-risk funding to the Charter School Institute.

Fiscal Note Status: This fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under SB 19-128**

		FY 2018-19	FY 2019-20	FY 2020-21
Total		-	-	-
Expenditures	General Fund - School Finance	(\$77,590,425)	-	-
	General Fund - CSI	\$545,147	-	-
	Cash Funds	(\$12,065)	-	-
	Total	(\$77,057,343)	-	-
Transfers		-	-	-
TABOR Refund		-	-	-

Summary of Legislation

This bill makes mid-year adjustments to the 2018 School Finance Act to reduce total program funding after application of the budget stabilization factor by \$21.5 million from the level anticipated by the original appropriation, based on the October 2018 student count and the 2018 certified property values. The reduction in both students and at-risk students reduces total program funding before application of the budget stabilization factor by \$21.5 million, while local revenue available to support school finance is \$56.1 million higher than anticipated. Maintaining the budget stabilization factor at its current level reduces total program funding by \$21.5 million and the state share of total program by \$77.6 million. These adjustments decrease the statewide average per pupil funding after application of the budget stabilization factor by \$14.83 to \$8,122.58 in FY 2018-19.

Background

At the time that the Long Bill appropriation for school finance is established, many data are unknown. The initial appropriation is based on forecasts of the funded pupil counts, the number of at-risk students, and property 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 each district's mill levy for school finance. By early January, these data are 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 actual data.

For FY 2018-19, the funded pupil count decreased by 1,056 compared with the forecasted enrollment. In addition, the at-risk student count was 9,893 lower than projected. These two impacts decreased overall school finance funding by \$21.5 million. In addition, actual local property tax revenue in 2018 was \$35.3 million higher than the estimates that were used for the initial appropriation last spring, and actual specific ownership tax revenue came in \$20.7 million higher than forecast. Thus, the overall local share for total program increased by \$56.1 million. Table 2 details these adjustments.

Table 2
Changes in Pupil Count and Local Tax Revenue

	FY 2018-19 (initial)	FY 2018-19 (actual)	Mid-Year Change
Funded Pupil Count	871,141	870,085	(1,056)
At-Risk Pupil Count	304,054	294,161	(9,893)
Local Share of Total Program (Million \$)	\$2,542.7	\$2,598.8	\$56.1
Property Tax (Million \$)	\$2,358.9	\$2,394.2	\$35.3
Specific Ownership Tax (Million \$)	\$183.8	\$204.5	\$20.7

State Expenditures

School Finance. This bill makes mid-year adjustments to school finance-related appropriations for FY 2018-19, reducing the state share of total program by \$77.6 million and maintaining the budget stabilization factor at the level anticipated by the original appropriation. The cost of total program funding prior to the application of the budget stabilization factor declined \$21.5 million due to lower than anticipated student and at-risk student counts. Because local tax revenue for school finance came in higher than was projected last spring, money available for the local share is \$56.1 million more than anticipated. Maintaining the budget stabilization factor at its current level implies reductions in both total program funding and the state share of total program. Table 3 details mid-year adjustments to the FY 2018-19 appropriations for school finance.

**Table 3
Adjustments to FY 2018-19 Appropriations for School Finance**

	Initial Appropriation	Mid-Year Adjustment	Adjusted Appropriation
Total Program Funding	\$7,761,227,845	(\$21,494,856)	\$7,739,732,989
Local Share of Total Program Funding	\$2,542,655,348	\$56,095,569	\$2,598,750,917
State Share of Total Program	\$4,546,175,603	(\$77,590,425)	\$4,468,585,178
Budget Stabilization Factor	(\$672,396,894)	\$0	(\$672,396,894)
Adjusted Total Program Funding	\$7,088,830,951	(\$21,494,856)	\$7,067,336,095

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 3 above. The statutory total program funding floor (\$7,066,050,970 in FY 2018-19 under the bill) serves as a starting point for calculating the budget stabilization factor. The actual total program funding after application of the budget stabilization factor will be \$7,067,336,095, which is \$1,285,125 higher than the funding floor. The difference is the amount of the budget stabilization factor reduction attributable to the three school districts that are fully locally funded, and are thus not impacted by the budget stabilization factor in FY 2018-19.

Budget Stabilization Factor. By holding the budget stabilization factor flat in dollar terms across all school districts, the bill increases the budget stabilization factor in percentage terms from 8.66 percent to 8.70 percent because total program is declining.

Hold-Harmless Funding. The bill reduces hold-harmless funding by \$12,065 in FY 2018-19 to align with the change in the funded pupil count and the reduction in the budget stabilization factor.

At-Risk Funding for Charter School Institute Schools. The bill appropriates \$545,147 to the Department of Education to correct an underpayment of at-risk funding to the Charter School Institute for FY 2015-16 and FY 2016-17.

School District Impact

Under this bill, total funding for school districts will be reduced by \$21,494,856 from the funding amount that was originally appropriated for school finance in FY 2018-19, although the funding for individual districts will vary, depending on changes in pupil counts and local share. The \$21.5 million reduction in the overall cost of total program combined with the \$56.1 million increase in the local share allows a \$77.6 million reduction in the state's share of total program.

Effective Date

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

State Appropriations

For FY 2018-19, this bill contains:

- a General Fund appropriation reduction of \$77,590,425 for the state share of total program;
- a General Fund appropriation of \$545,147 to the Department of Education for the technical correction to at-risk funding for Charter School Institute schools; and
- a cash fund appropriation reduction of \$12,065 for hold-harmless full-day kindergarten from the State Education Fund.

State and Local Government Contacts

Education Joint Budget Committee Staff