



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number: LLS 21-0467
Prime Sponsors: Sen. Lundeen

Date: July 19, 2021
Bill Status: Postponed Indefinitely
Fiscal Analyst: Josh Abram | 303-866-3561
Josh.Abram@state.co.us

Bill Topic: **STUDENT EQUITY EDUCATION FUNDING PROGRAMS**

Summary of Fiscal Impact:

- | | |
|---|---|
| <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input checked="" type="checkbox"/> School District |

The bill requires local education providers (LEPs) to implement a student equity funding program in the year following any year the LEP was closed to in-person learning for more than 30 days. The bill increases expenditures for school districts in FY 2021-22, and conditionally thereafter.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

Beginning with the 2021-22 school year, the bill requires that the school board of any district that closed one or more schools to in-person instruction for more than 30 days in the prior school year must implement a student equity education funding program. The board of any Charter School Institute (CSI) school that was similarly closed must also create a funding program.

The required funding program pays parents the state share portion of the LEP's per pupil revenue for each of the parent's eligible students. A parent is paid for each student that was either enrolled in the school district the prior year, or was not enrolled either in public or private school but resided in the geographic boundaries of the district in the prior year. The parent may choose that their eligible student does not receive educational services from the LEP, but the student is considered enrolled for the purposes of the LEP's funded pupil count.

Parents apply to the LEP where the student will be enrolled for the applicable year with a description of the educational services the parent will provide with state funding, which may include purchasing curriculum for use in a nonpublic home-based program or purchasing services from an individual or a private school. The parent must submit quarterly reports concerning the use of funding, including receipts for purchases.

By November 1 of each year a program is required, each LEP must audit a representative sample of participating parents to ensure program compliance and must commence legal action to recover any amounts illegally distributed or spent.

State Expenditures

In any year that school districts are required to implement a funding program, the bill could entice some parents of home-school students to participate, increasing the number of students funded through the school finance formula, and the state's share of total program funding. This fiscal note does not estimate the impacts of this behavior on school finance.

The bill also increases workload in the Colorado Department of Education to modify data systems to allow districts to track students who are enrolled and participating in a funding program, allowing these students to be excluded from accountability calculations. No change in appropriations is required.

School District

The bill impacts both the revenue and expenditures of local education providers. This fiscal note assumes that every LEP closed one or more schools for 30 days or more during the Covid-19 pandemic, and that every LEP will implement a student equity funding program in the 2021-22 school year. Parents may enroll their eligible children in a funding program and continue to receive services from the LEP, although they may choose not to.

School district revenue. The bill requires that LEPs pass through the state share portion of their per pupil revenue (PPR) to parents participating in the funding program. Almost every school district and all CSI schools receive a state share of their per pupil revenue. Eight school districts are 100 percent locally funded and receive no state share of PPR. The bill is silent on how these districts will implement the required funding program.

In the current FY 2020-21, the state portion of PPR ranges from a low of \$664 to a high of \$12,811, and the average amount of state share is \$4,741 per pupil. On average, districts will provide about \$4,741 for each eligible student. The total amount of revenue that will pass through an LEP is a function of the number of participants, and the LEP's state share value of PPR. This amount has not been estimated.

School district expenditures. Implementing a funding program increases expenditures for charter schools and school districts. Each LEP will require new program managers and administrative support staff. Costs also increase to print and mail payments and to process IRS tax form 1099 for each recipient. Finally, LEPs will have expenses for legal services and to conduct mandatory audits and pursue legal actions in cases of non-compliance.

Large school districts with enrollment above 10,000 students (about 24 districts) will need to add up to 3.0 FTE for a program manager and administrative support staff. For medium sized districts with enrollment between 2,000 and 10,000 students (about 20 districts) staffing is estimated at 2.0 FTE, and for the remaining small districts (about 134 districts) 0.5 FTE to 1.0 FTE will be necessary. Individual charter schools will also have a scaled cost to implement a funding program. Professional salary and benefits for new program staff range from \$70,000 for small district programs to \$135,000 for large district programs. These FTE are fixed costs that local education providers must expend to set up the required program. Other administrative and operational costs are a function of the number of participants in the program and are not estimated.

Effective Date

The bill was postponed indefinitely by the Senate Education Committee on March 10, 2021.

State and Local Government Contacts

Education School Districts