



- calculate the reduction for each district by multiplying the district's total program funding under current law by the district's budget stabilization factor; and
- reduce each district's state share of total program funding by the calculated reduction or the district's state share, whichever is less.

Districts that do not receive enough state aid to implement a 6.35 percent funding reduction will be required to achieve that reduction through a combination of the state aid they do receive, plus a temporary reduction in their override mill levy revenue. In districts that have enacted a mill levy override, the override revenue will be calculated based on the district's total program funding before the calculated budget stabilization reduction has been applied.

## **State Expenditures**

School finance in Colorado is governed both by the constitution (Amendment 23 - Article IX, Section 17) and statutes (the Public School Finance Act of 1994 - Title 22, Article 54, C.R.S.). Under current law, the program is estimated to cost \$5.80 billion in FY 2010-11, of which \$3.76 billion comes from state sources, mainly the state General Fund. Current law requirements are funded through the Long Bill; law changes require a separate appropriation.

***Budget Stabilization.*** This bill decreases state expenditures for K-12 education by an estimated \$365.3 million in FY 2010-11 compared to the requirements of current law. Based on current projections of student enrollment and property values, the budget stabilization factor is estimated to be approximately 6.35 percent. Thus, in FY 2010-11, each district's total program funding will be reduced by 6.35 percent from current law levels, provided the district receives at least an amount of state aid that is greater than this percentage reduction.

***Low State Aid Districts.*** Seven school districts do not receive enough state aid to fully implement a 6.35 percent reduction in total program funding. As a result, the total program cuts for those districts will be proportionally smaller -- equal to the amount of state aid that the district currently receives. However, as described in the School District Impact section, the reduction in state aid for these districts will be supplemented by a temporary decrease in their mill levy override revenue. The total reduction, loss of state aid combined with a decrease in mill levy override revenue, must equal the required 6.35 percent of total program.

***Full Day Kindergarten.*** In addition, the reduction in per pupil funding for school districts will result in a \$487,964 reduction in full-day kindergarten hold-harmless funding that some school districts would have received in FY 2010-11.

***Facility School Funding.*** The FY 2010-11 Long Bill will include an appropriation of \$17,900,000 from the State Education Fund for facility school funding. This appropriation assumes a payment of \$41.20 per day for 434,466 child-days, based on the total program amount under current law. Because HB 10-1369 reduces total program, the per day payment rate will fall to \$38.62, and the facility school funding line item will decrease by \$1,120,923 from the State Education Fund.

**Colorado School for the Deaf and Blind (CSDB).** The FY 2010-11 Long Bill will include an appropriation of \$1,362,690 reappropriated funds for the operation of the CSDB. This amount represents a transfer from the Facility Schools Funding line item. Because HB 10-1369 decreases this line item, the transfer to the CSDB will also decrease by \$85,334 (33,075 child days \* (\$41.20-\$38.62) = \$85,334). The General Fund appropriation for school operations will need to increase by this amount, as the General Fund supports any costs not supported by this transfer.

**Department of Human Services, Mental Health Institutes (MHIs).** The FY 2010-11 Long Bill will include an appropriation of \$214,611 reappropriated funds for the educational programs at the MHIs. This amount represents a transfer from the Facility Schools Funding line item. Because HB 10-1369 decreases this line item, the transfer to the MHIs will also decrease by \$13,439 (5,209 child days \* (\$41.20-\$38.62) = \$13,439). The General Fund appropriation for these educational programs will need to increase by this amount, as the General Fund supports any costs not supported by this transfer.

**State Public School Fund.** For FY 2010-11 and thereafter, the bill requires that the first \$11 million of interest earned on investment of moneys in the Public School Fund be transferred to the State Public School Fund. The bill also eliminates a similar requirement for money received from timber sales and rental payments on public school lands. While the net amount of money transferred between the funds is unchanged, this bill swaps \$11 million in timber sales and rental payments for \$11 million in interest earnings.

**School District Impact**

Table 1 shows the estimate of school finance act funding under HB 10-1369. The table compares FY 2010-11 funding levels with actual funding in the prior year, taking into consideration the \$130 million recision that was enacted by the General Assembly through SB10-065. It also assumes that HB 10-1318, enacted by the General Assembly, is signed by the Governor and becomes law.

<b>Table 1. School Finance Act Funding under HB 10-1369</b>					
	<b>Pupil Count</b>	<b>Per Pupil Funding</b>	<b>Total Program Funding</b>	<b>State Aid</b>	<b>Local Share</b>
FY 2009-10 Act.	789,511	\$7,077	\$5,587,572,021	\$3,518,892,780	\$2,068,679,241
FY 2010-11 Est.	797,439	\$6,820	\$5,438,295,823	\$3,399,806,762	\$2,038,489,062
Percent change	1.00%	-3.64%	-2.67%	-3.38%	-1.46%
Increase	7,927	(\$258)	(\$149,276,198)	(\$119,086,018)	(\$30,190,179)

In addition, seven school districts that do not receive enough state aid to enact a 6.35 percent reduction in total program, will see a loss of their existing state aid, plus a temporary reduction in their mill levy override revenue in an amount sufficient to achieve the required 6.35 percent reduction. Estimated reductions for these districts are presented in Table 2.

<b>County</b>	<b>District</b>	<b>State Aid Reduction</b>	<b>Override Mill Levy Reduction</b>	<b>Total Reduction</b>	<b>% Change in State and Local Funding</b>
Clear Creek	Clear Creek	\$102	\$442,989	\$443,091	6.35%
Grand	West Grand	\$137	\$249,558	\$249,695	6.35%
Gunnison	Gunnison	\$578,934	\$191,890	\$770,824	6.35%
Larimer	Estes Park	\$499,474	\$61,108	\$560,582	6.35%
Park	Park	\$81	\$279,076	\$279,157	6.35%
Pitkin	Aspen	\$149,884	\$832,656	\$982,540	6.35%
Summit	Summit	\$371,294	\$1,027,951	\$1,399,245	6.35%
<b>TOTAL</b>		<b>\$1,599,906</b>	<b>\$3,085,228</b>	<b>\$4,685,134</b>	

In FY 2010-11, 58 districts will see a reduction in full-day kindergarten hold-harmless funding, totaling \$487,964. Information on which districts are affected is available from Legislative Council Staff.

Finally, in FY 2010-11, the Facility School Funding line item will decrease by \$1,120,923. This reduction will be spread across 51 facility schools statewide.

**State Appropriations**

For FY 2010-11, the bill contains the following appropriation reduction for the Department of Education:

- (\$365,312,540) from the General Fund; and
- (\$1,608,887) from the State Education Fund.

**Departments Contacted**

Education                      Legislative Council Staff