

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0083
Prime Sponsor(s): Rep. Priola

Date: April 15, 2014
Bill Status: House Education
Fiscal Analyst: Josh Abram (303-866-3561)

SHORT TITLE: AVERAGE DAILY MEMBERSHIP FOR SCHOOL FINANCE

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-17
State Revenue			
State Expenditures	<u>\$954,833</u>	<u>\$1,439,453</u>	<u>\$1,303,392</u>
General Fund	933,103	1,373,525	1,165,594
Centrally Appropriated Costs**	31,370	65,928	137,300
FTE Position Change	2.0 FTE	4.0 FTE	8.3 FTE
Appropriation Required: \$933,103 - Colorado Department of Education (FY 2014-15)			

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

Under current law, funding for public schools under the School Finance Act is based on the number of pupils enrolled on a specified count date each year. Beginning with FY 2017-18, this bill directs the Colorado Department of Education (CDE) to calculate funding for schools based on average daily membership (ADM). ADM is calculated using the school district's or institute charter school's funded student membership combined with preschool, at-risk, on-line, and ASCENT student membership (collectively referred to as "membership") for the funding averaging period. The funding averaging period is the 4 quarters of the preceding budget year plus the first quarter of the current budget year.

School districts and the Charter School Institute (CSI) must create a data system in FY 2014-15 to calculate membership and begin reporting membership data to CDE beginning with FY 2015-16. For FY 2016-17, school funding will continue to be calculated based on pupil enrollment on a single count day, but the CDE must also calculate funding based on ADM for comparison purposes. Beginning with FY 2017-18 school finance funding will be based ADM, rather than single-day pupil enrollment.

Beginning with FY 2017-18, if a school district's membership during the first half of a fiscal year increases by a greater percentage than statewide membership increased over the preceding averaging period, the CDE must recalculate the school district's funding for the remainder of the fiscal year using that district's membership for the first half of the then-current budget year. A similar recalculation is used for district-authorized charter schools and for CSI schools that add grades, or increase membership faster than the statewide average during the applicable averaging period. The General Assembly must appropriate moneys for the mid-year increases in funding for district charter schools and institute charter schools.

State Expenditures.

The bill increases state expenditures for the CDE by about \$950,000 and 2.0 FTE in FY 2014-15, \$1.4 million and 4.0 FTE in FY 2015-16, and \$1.3 million and 8.3 FTE in FY 2016-17.

Average daily membership. Under current law, funding for school districts is based on a single student count date during the school year. This bill requires the department to calculate total program funding for school districts based on ADM starting in FY 2017-18, using membership data from the funding averaging period described earlier in the note. In FY 2016-17, the department is required to run parallel funding calculations based on both a single count date and ADM for comparison purposes. This effort will require the department to create data systems, processes, and procedures to collect the necessary information in FY 2014-15 and FY 2015-16. This work will involve information technology design, development, and testing; data collection and evaluation for funding purposes; monitoring and auditing ADM data for accountability; and ongoing training and technical assistance for school districts to meet the semi-annual requirement of providing ADM data to the department. Expenditure details are provided in Table 1.

Table 1. Expenditures Under HB 14-1139			
Cost Components	FY 2014-15	FY 2015-16	FY 2016-17
Personal Services	\$152,891	\$305,779	\$649,828
FTE	2.0	4.0	8.3
Operating Expenses and Capital Outlay Costs	11,306	3,800	13,206
Contract IT and Data Storage	713,690	1,041,040	489,060
Travel	27,000	13,500	13,500
Legal Services	18,216	0	0
Centrally Appropriated Costs*	31,730	65,928	137,798
TOTAL	\$954,833	\$1,439,453	\$1,303,392

* Centrally appropriated costs are not included in the bill's appropriation.

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 14-1139*			
Cost Components	FY 2014-15	FY 2015-16	FY 2016-17
Employee Insurance	\$12,313	\$24,627	\$51,131
Supplemental Employee Retirement Payments	10,617	27,701	50,367
Leased Space	8,800	17,600	36,300
TOTAL	\$31,730	\$65,928	\$137,798

*More information is available at: <http://colorado.gov/fiscalnotes>

School District Impact

Use of ADM in the school finance formula beginning FY 2018-19 may cause some districts and CSI schools to receive more funding, while other districts and CSI schools may lose funding due to the new student count system.

School districts and the CSI will incur new expenditures to meet the ADM requirements, although the bill specifies that the department must design data systems and processes in a manner that minimizes the financial and personnel costs for districts and the CSI. Because the bill requires school districts and the CSI to report membership up to 4 times each year, instead of once per year, there is the potential to increase existing staffing needs in this area, although the exact amount may depend on how the data system is designed and implemented by CDE. Based on data submitted by one large urban school district, the cost to implement new ADM systems could increase costs by up to \$1.2 million.

Pursuant to Section 22-32-143, C.R.S., school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>.

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2014-15, this bill requires an appropriation of \$933,103 General Fund and 2.0 FTE to the Colorado Department of Education.

State and Local Government Contacts

Education