CONTENTS

• 2017 Colorado Legislature
• State Budget
  – FY16-17 Supplemental
  – FY17-School Finance Act
  – 18 State Budget Bills
  – Gallagher Amendment Update
• Funding Colorado:
  Hospital Provider Fee, Taxes,
  Rural Areas, Roads, & Schools
• Bills By Subject
• Looking Forward
2017 GENERAL ASSEMBLY
First Regular Session of the 71st General Assembly convened January 11th & adjourned May 10th

674 Bills Introduced
• 375 House / 299 Senate
• 294 bills signed into law
• 239 bills postponed indefinitely
House of Representatives
- 65 members (37 D / 28 R)
- Speaker: Crisanta Duran (D, Denver)

Senate
- 35 members (18 R / 17 D)
- President: Kevin Grantham (R, Canon City)

Joint Budget Committee (3 R / 3 D)
- Senators: Kent Lambert (Chair, R), Kevin Lundberg (R), Dominick Moreno (D)
- Representatives: Millie Hamner (D, VChair), Dave Young (D), Bob Rankin (R)
2017 Colorado Legislature

House Education Committee (7 D / 6 R)
• Chairs: Brittany Pettersen (D) & Janet Buckner (D)
• Jeff Bridges (D), Tony Exum (D), Alec Garnett (D), Pete Lee (D), Barbara McLachlan (D), Justin Everett (R), Tim Leonard (R), Paul Lundeen (R), Clarice Navarro (R), Lang Sias (R), Jim Wilson (R)

Senate Education Committee (4 R / 3 D)
• Chairs: Owen Hill (R) & Kevin Priola (R)
• Bob Gardner (R), Tim Neville (R), Mike Merrifield (D), Nancy Todd (D), Rachel Zenzinger (D)
STATE BUDGET REVIEW
FY2016-17 Budget Supplementals

SB17-173 School Finance Mid-Year Adjustments

• Statewide pupil count and at-risk enrollment lower than anticipated = $25.5M
• Local revenues lower than anticipated = ($23.1M)
• Final JBC decision held K12 funding constant and made no changes for FY16-17
• Negative factor amount reduced by $2.4M from $830.7M to $828.3M
FY2017-18 State Budget

SB17-254 Long Bill

State General Fund
Colorado Only
FY2017-18 State Budget

SB17-254 Long Bill

Federal & State All Funds
SB17-296 Financing Public Schools

- **Total Program:** $6.635B
- **Statewide Base Per Pupil:** $6,654.20
  - $242 increase over prior year
  - 2.8% inflation rate
- **Negative Factor:** $828,280,474 (no change)
- **Changes term** ‘negative factor’ in state statute to ‘budget stabilization factor’
Gallagher Amendment Update

Total state property tax collected = 45% residential + 55% commercial

Residential Assessment Rate (RAR) annually adjusted to hold 45/55 split constant

- Dec 2016 forecast reduced 2017 RAR from 7.96% to 6.85%
- April 2017 update increases 2017 RAR to 7.2%

- SB17-254 Long Bill expends $48.8M of the $129M in additional local RAR revenues to hold the FY17-18 negative factor constant
FUNDING COLORADO:

BI-PARTISAN CONVERSATIONS YIELD MAJOR COMPROMISES
HB17-1187 Excess State Revenues Cap Growth Factor

• Modified the TABOR excess state revenues cap by annually adjusting for an increase based on the average annual change of Colorado personal income over the last 5 years, rather than adjusting for inflation and population.

• Voter approval required
Transportation Funding

HB17-1242 New Transportation Infrastructure Funding Revenue
• Temporarily increased state sales and use taxes from 2.9% to 3.4% for 20 years beginning January 1, 2018 and authorized $3.5B in transportation bonds.
• Voter approval required

SB17-303 State Highway System Funding & Financing
• Increased increases the specific ownership tax for vehicles between 10 and 24 old starting July 1, 2018 and authorized $4.0B in transportation bonds.
• Voter approval required
SB17-267 Sustainability of Rural Colorado

- Reclassifies the Hospital Provider Fee as a TABOR-exempt enterprise
- Lease-purchase agreements and general fund allows up to $3B in state transportation and capital construction projects, with 25% of transportation expenditures to be in counties with under 50,000 population
- The annual state revenue limit as adjusted by Referendum C (the "Ref C cap") is reduced by $200M
- Increases MJ sales tax and makes a one-time appropriation to rural schools of $30M and in subsequent years to the State Education Fund of approx. $20M
## SB17-267 & TABOR Outlook

<table>
<thead>
<tr>
<th>Table 5. TABOR Impact of SB17-267*</th>
<th>FY 2017-18</th>
<th>FY 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State TABOR Situation under SB17-267</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Revenue Subject to TABOR</td>
<td>$13,272.1 million</td>
<td>$13,944.1 million</td>
</tr>
<tr>
<td>Referendum C Cap</td>
<td>13,684.6 million</td>
<td>14,327.8 million</td>
</tr>
<tr>
<td>Revenue (Below) Referendum C Cap</td>
<td>(412.5 million)</td>
<td>(383.7 million)</td>
</tr>
<tr>
<td><strong>Change from Current Law</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Revenue Subject to TABOR</td>
<td>($612.5 million)</td>
<td>($881.7 million)</td>
</tr>
<tr>
<td>Referendum C Cap</td>
<td>(200.0 million)</td>
<td>(209.4 million)</td>
</tr>
<tr>
<td>Revenue Relative to Referendum C Cap</td>
<td>(412.5 million)</td>
<td>(672.3 million)</td>
</tr>
</tbody>
</table>
BILLS BY SUBJECT
Mandatory Local Revenue Allocations to Charter Schools

SB17-061 Additional Funding Charter School Operating Costs

HB17-1375 Distributing Mill Levy Override Revenue to Schools

- Beginning FY19-20 requires all participating districts to either implement a plan for distributing MLO revenue to each charter and innovation school in the district or distribute to these schools 95% of the district's MLO per pupil revenue.

- Requires plans to ensure MLO revenue is used to equitably support the education of all district students, regardless of the type of school the student attends.
Legislative Review of K12 Education Funding

HB17-1287 Achieving a Vision for Education in Colorado
Sponsors: Reps Hamner & Rankin (JBC) / Sens Priola & Kerr
• Initiated a statewide effort to establish a vision and create a strategic statewide plan for public education in Colorado. Created a 12-member Strategic Planning Legislative Steering Committee, 7-member Executive Advisory Board and Statewide Constituency Advisory Board.

HB17-1340 Legislative Interim Committee on School Finance
Sponsors: Reps Garnett & Lundeen / Sens Hill & Moreno
• Creates a 10-member legislative interim committee and voluntary advisory committee to study school finance issues and make legislative recommendations concerning how to most accurately meet the educational needs of students through the funding of education in Colorado.
HB17-1201 STEM Diploma Endorsement

- Authorizes a district to grant a high school diploma endorsement in science, technology, engineering, and mathematics (STEM).

HB17-1294 Counting ASCENT Program Students in Graduation Rate

- Requires that an ASCENT student be counted as a high school graduate in the year in which the student completes a district’s minimum high school graduation requirements.
Postsecondary & Workforce Readiness (PWR)

SB17-272 Measures of PWR

• Current PWR performance indicator measures
  – high school graduation & dropout rates
  – percentage graduating with a PWR-endorsed diploma
  – student scores on statewide high school assessments
  – percentage of students who enroll in HE within one year of high school graduation

• Beginning academic year 2020-21, schools and districts are required to calculate the percentage of high school students who demonstrate college and PWR based on various demonstration options adopted by the State Board
Standardized Assessments

Bi-Partisan Compromise

HB17-1181 Required State Assessments for 9th Grade Students

- Replaces 9th grade state assessment requirement in Math and English with an assessment aligned to 10th grade college pre-entry and entrance exams
STILL TO COME IN 2017:

INTERIM COMMITTEE & GENERAL ELECTION
Legislative Interim Committee on School Finance

- 5 Reps & 5 Senators appointed by leadership
  - Reps. Alec Garnett (D, Chair), Janet Buckner (D), Millie Hamner (D), Paul Lundeen (R), Tim Leonard (R)
  - Sens. Owen Hill (R, VChair), Bob Gardner (R), Jerry Sonnenberg (R), Mike Merrifield (D), Rachel Zenzinger (D)

- Up to 5 meetings per interim period in 2017 & 2018
- Up to 5 bills per session in 2018 & 2019
- Legislative Council approval to intro bills not required
Upcoming General Elections

2018 (Nov 6th)

• Governor & All State Executives
• State: 17 Senate & 65 House
• Federal: 1 Senate & 7 Congress
LOOKING FORWARD
Ongoing Legislative Issues

• Education Savings Accounts (ESA’s)
• Statewide standard mill levy override
• Rural school district resources
• Teacher shortage, licensure & prep programs
• Colorado-designed assessments replace PARCC
• ESSA: accountability system flexibility & turnaround req’s for low performing schools
• Career Pathway systems integration
Comments & Questions

Stacey Lestina
Stacey@ColoradoConsulting.org