



Legislative Council Staff
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Final Fiscal Note

Drafting Number: LLS 22-0710
Prime Sponsors: Rep. Woog

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Bill Status: Postponed Indefinitely
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Bill Topic: CHOICE IN LOW-PERFORMING SCHOOL DISTRICTS

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- School Districts

The bill would have required that chronically low-performing school districts establish a parent choice program, including an account for each student to be used by a parent for alternative educational options. The bill would have increased state expenditures and changed how certain districts must spend their funding.

Appropriation Summary: In FY 2022-23, the bill would have required an appropriation of \$1.4 million to the Colorado Department of Education.

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

Table 1
State Fiscal Impacts Under HB 22-1207

Table with 4 columns: Category, Budget Year FY 2022-23, Out Year FY 2023-24. Rows include Revenue, Expenditures (General Fund - School Finance), Transfers, and Other Budget Impacts (General Fund Reserve).

1 Expenditures for school finance may be from the General Fund or the State Education Fund. Expenditures from the State Education Fund do not impact the General Fund Reserve.

## **Summary of Legislation**

Under the bill, chronically low-performing school districts must establish a parent choice program. Districts must create an account for each student who resides in and is enrolled in the district and deposit in the account an amount equal to the district's per pupil state share of total program, plus the per pupil categorical funding for each categorical program in which the student is eligible. The district may also deposit an amount equal to the districts per pupil local share. A parent may withdraw money from the account for eligible expenses, which include the costs associated with:

- enrollment at a public school in a different district or an institute charter school, as long as the other district or school has a higher accreditation rating and is operating under an improvement or performance plan;
- a nonpublic school in Colorado;
- a home-based education program;
- tutoring by an approved supplemental educational services provider;
- instructional materials, including devices that allow a student to access instruction; and
- transportation to and from school.

The district is not required to deposit funds in an account for a student enrolled in a district school, and must maintain the program until it is rated accredited or higher. Low-performing districts must establish program procedures and notify eligible parents.

If a participating parent enrolls their child in a public school other than the low-performing one, the receiving school may require the parent to pay tuition, not to exceed the amount deposited in the parent's choice account.

**Misuse of funds.** If a district determines that a parent has misused money, the district must require the parent to reimburse the program. If a parent misuses money twice in one school year, the district must stop depositing money into the account. A parent may appeal the determination of misused funds to the school board, and, if the parent is not satisfied with the outcome, to the State Board of Education.

**Accountability.** Districts operating a parent choice program are subject to accountability requirements and must ensure that state assessments are administered to students who are enrolled in the district, regardless of whether students are attending a district school. Those test scores must be attributable to students as necessary to measure district accreditation and academic attainment.

**Student count.** A participating district must include in their enrollment each pupil who is enrolled in the district on the count day, regardless of whether the student attends a school or uses the parent choice account to purchase educational services.

## **Assumptions**

There are currently five school districts on performance watch that may be required to implement a parent choice program: Adams 14, Aguilar, Las Animas, Monte Vista, and Montezuma-Cortez. District accountability has been paused for the 2020-21 and 2021-22 school years due to the pandemic, and districts are currently using accreditation ratings from the 2019-20 school year.

It is unknown how many non-public school students will enroll; the estimates in the state expenditures section below reflect the cost if all students currently enrolled in private school or home-based education in those districts enroll in the district in order to participate in the program. These students would then be funded through the school finance formula, increasing the funded pupil count, the district's total program and state share.

The bill specifies that school districts must create an account for every student residing and enrolled in the district and deposit funding into that account, except that the district is not required to deposit money into an account for any month in which a student is enrolled in a district public school. The fiscal note assumes that districts will only transfer money into the accounts for students who participate in the program.

## State Expenditures

The bill increases state funding for school finance by up to \$1.4 million beginning in FY 2022-23. The state share of school finance is funded by the General Fund and State Education Fund. The fiscal note assumes that all students currently in private school or home-based education will choose to enroll in the district in order to participate in the program. These costs are shown in Table 2.

**Table 2**  
**Additional School Finance Expenditures**  
**Under HB 22-1207**

District	Home School <sup>2</sup>	Private School <sup>2</sup>	District Per Pupil Revenue <sup>1</sup>	New State Funding
Adams County 14	8	16	\$9,807	\$235,380
Aguilar Reorganized 6	0	0	\$17,774	\$0
Las Animas RE-1	19	0	\$9,652	\$183,385
Monte Vista C-8	16	0	\$9,597	\$153,546
Montezuma-Cortez RE-1	14	81	\$9,119	\$866,351
<b>Total</b>	<b>57</b>	<b>97</b>		<b>\$1,438,662</b>

<sup>1</sup> FY 2022-23, after the application of the budget stabilization factor. The fiscal note assumes the budget stabilization factor as set in HB22-1186, the midyear adjustment bill for school finance, for FY 2021-22.

<sup>2</sup> FY 2021-22 enrollment, data from Colorado Department of Education

**State Board of Education.** The bill increases workload for the State Board of Education to hear any appeals of local school board decisions related to misuse of parent choice account funds. No change in appropriations is required.

**Assessments.** Currently, a child enrolled in a nonpublic school or home-based educational programs may take state assessments, but are not required to do so. The fiscal note assumes that the bill will not significantly increase the number of students taking state assessments. Should additional appropriations for assessments be required, CDE will request them through the annual budget process.

## Other Budget Impacts

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by up to \$215,799 per year beginning in FY 2022-23, which will decrease the amount of General Fund available for other purposes. Should the increase in funding be appropriated from the State Education Fund, there will be no General Fund reserve impact.

## School District

**Eligible school districts.** There are currently five school districts on performance watch that would be required to implement a parent choice program. These districts will see an increase in district total program and state share from students in private and home school who enroll in the district to participate in the program, as shown in Table 2; however, a portion of funding for both current and new students who participate must be deposited in parent choice accounts.

It is not known how many total students will participate in the program, and the amount deposited into any student's parent choice fund will depend on which district the student is enrolled in and whether they receive services through any categorical program. Table 2 lists the per pupil amount for each district that must be deposited into student accounts; this represents a minimum amount, as student accounts must also include per pupil categorical funds, and may include per pupil local share funds. Whether participating students will be served through categorical programs is unknown.

*Administrative expenses.* Districts will also incur increased expenditures to operate the program. For smaller districts, this may be accomplished by 1.0 FTE of a program manager; for larger districts, multiple full time staff may be required to maintain the program. Duties include notifying parents of the program, creating enrollment procedures, establishing the parent choice accounts, developing systems for reconciliation, payments, audits, collections, and appeals, and tracking assessments and use of categorical funds. Professional salary and benefits for new program staff range from \$70,000 for small district programs to \$135,000 for large district programs.

**Other school districts.** To the extent that other districts receive students and charge tuition for those students, revenue to other school districts will increase.

## Effective Date

The bill was postponed indefinitely by the House Education Committee on March 3, 2022.

## State Appropriations

In FY 2022-23, the bill requires a General Fund appropriation of \$1,438,662 to the Colorado Department of Education.

**State and Local Government Contacts**

Education

Law

School Districts