

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2014-15 STAFF BUDGET BRIEFING  
DEPARTMENT OF EDUCATION**

**JBC Working Document - Subject to Change  
Staff Recommendation Does Not Represent Committee Decision**

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December 11, 2013**

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**TABLE OF CONTENTS**

Department Overview .....	1
Department Budget: Recent Appropriations.....	3
Department Budget: Graphic Overview .....	4
General Factors Driving the Budget .....	6
Summary: FY 2012-13 Appropriation and FY 2013-14 Request.....	15
Issues:	
<i>Lobato v. Colorado</i> Supreme Court Decision.....	20
School Finance Act Funding Projections.....	25
Core Network and Information Technology Decision Item .....	44
State Support for English Language Learners .....	49
Early Literacy Assessment Tool Funding.....	60
Standardized Assessment Update .....	67
Building Excellent Schools Today Funding and Status.....	75
Appendices:	
A - Numbers Pages	
B – Recent Legislation Affecting Department Budget	
C - Update on Long Bill Footnotes and Requests for Information	
D – Indirect Cost Assessment Methodology	
E – Change Requests’ Relationship to Measures	

## DEPARTMENT OF EDUCATION

### Department Overview

The Commissioner of Education, who is appointed by the State Board of Education, is the chief state school officer and executive officer of the Department of Education. The Commissioner and department staff, under the direction of the elected members of the State Board of Education, have the following responsibilities:

- Supporting the State Board in its duty to exercise general supervision over public schools and K-12 educational programs operated by state agencies, including appraising and accrediting public schools, school districts, and the State Charter School Institute (Institute);
- Developing and maintaining state model content standards, and administering the associated Colorado student assessment program;
- Annually accrediting school districts and the Institute and making education accountability data available to the public;
- Administering the public school finance act and distributing federal and state moneys appropriated or granted to the Department for public schools;
- Administering educator licensure and professional development programs;
- Administering education-related programs, including services for children with special needs, services for English language learners, the Colorado preschool program, public school transportation, adult basic education programs, and various state and federal grant programs;
- Supporting the State Board in reviewing requests from school districts for waivers of state laws and regulations and in serving as the appellate body for charter schools;
- Promoting the improvement of library services statewide to ensure equal access to information, including providing library services to persons who reside in state-funded institutions and to persons who are blind and physically disabled; and
- Maintaining the Colorado virtual library and the state publications library.

The Department also includes three “type 1”<sup>1</sup> agencies:

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<sup>1</sup> Pursuant to Section 24-1-105 (1), C.R.S., a type 1 agency exercises its prescribed powers and duties independently of the head of the department.

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- A seven-member Board of Trustees that is responsible for managing the Colorado School for the Deaf and the Blind, located in Colorado Springs;
- A nine-member State Charter School Institute Board that is responsible for authorizing and monitoring the operations of “institute charter schools” located within certain school districts; and
- A nine-member Public School Capital Construction Assistance Board that is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization and allocation of state financial assistance for school construction projects.

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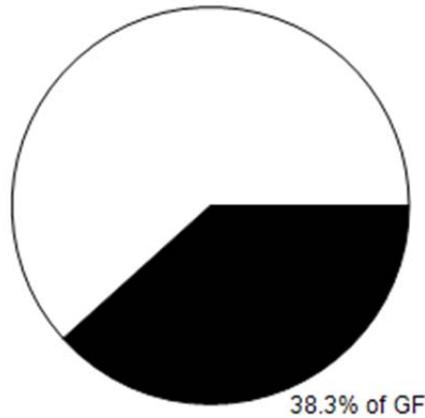
## Department Budget: Recent Appropriations

Funding Source	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15 *
General Fund	\$2,833,702,613	\$3,015,441,352	\$3,100,516,167	\$3,179,412,322
Cash Funds	857,596,308	767,189,974	893,700,039	1,062,310,066
Reappropriated Funds	23,645,698	24,078,570	28,629,576	30,284,667
Federal Funds	<u>625,903,566</u>	<u>628,704,003</u>	<u>625,524,834</u>	<u>635,996,698</u>
<b>Total Funds</b>	<b>\$4,340,848,185</b>	<b>\$4,435,413,899</b>	<b>\$4,648,370,616</b>	<b>\$4,908,003,753</b>
Full Time Equiv. Staff	541.6	565.7	563.8	575.8

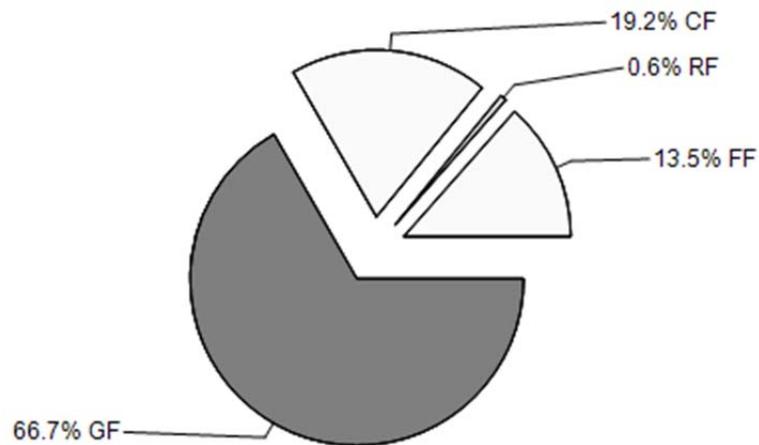
\*Requested appropriation.

## Department Budget: Graphic Overview

**Department's Share of Statewide  
General Fund**

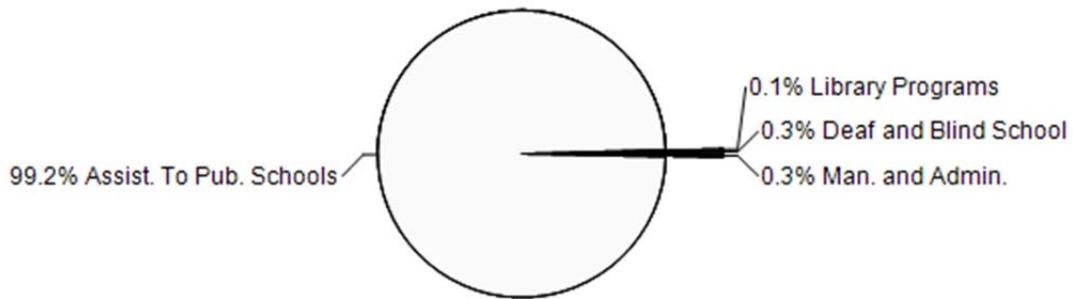


**Department Funding Sources**

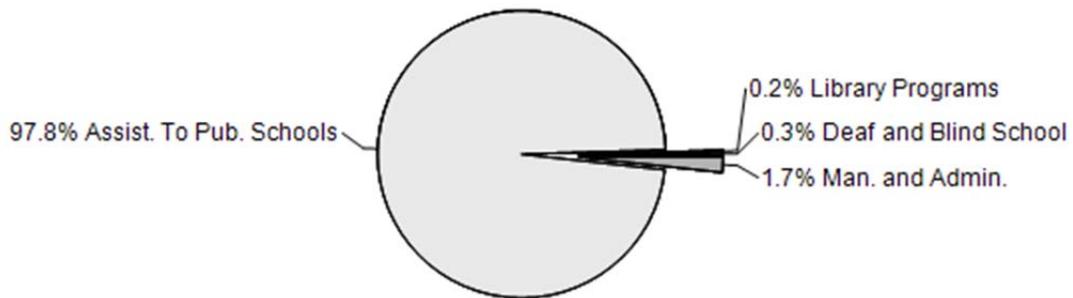


All charts are based on the FY 2013-14 appropriation.

**Distribution of General Fund by Division**



**Distribution of Total Funds by Division**



All charts are based on the FY 2013-14 appropriation.

## **General Factors Driving the Budget**

The Governor’s FY 2014-15 request for the Department of Education consists of 64.8 percent General Fund, 21.6 percent cash funds, 13.0 percent federal funds, and 0.6 percent reappropriated funds. Although local government revenues provide a significant source of funding for K-12 education in Colorado (the Governor’s request assumes \$2.0 billion in FY 2014-15), local funds are not reflected in the State’s annual appropriations to the Department of Education. The following three sections discuss major factors driving the Department’s budget: public school finance, categorical programs, and legislative education reform.

### **Public School Finance**

Section 2 of Article IX of the State Constitution requires the General Assembly to provide for the “establishment and maintenance of a thorough and uniform system of free public schools throughout the state”. To comply with this provision, the General Assembly has established a statutory public school finance formula that takes into consideration the individual characteristics of each school district in order to provide thorough and uniform educational opportunities throughout the state. The school finance formula allocates funds among school districts by calculating a per-pupil level of funding for each school district, as well as a specific state and local share of funding for each district.

The formula provides the same *statewide base per-pupil funding* amount for every school district (\$5,954 per pupil for FY 2013-14). The formula then adds to this statewide base per-pupil funding amount for each district based on *factors* that affect districts’ costs of providing educational services. Thus, per-pupil funding allocations vary for each district. For FY 2013-14, per-pupil funding allocations are anticipated to range from \$6,205 to \$15,472, with a statewide average of \$6,652 per pupil. Each district’s per-pupil funding allocation is multiplied by its funded-pupil count to determine its *total program funding*, which includes state and local funds. For FY 2013-14, pursuant to the formula, a total of \$5.5 billion in state and local funds will be allocated among school districts.

### Constitutional Inflationary Requirement (Amendment 23)

Section 17 of Article IX of the Colorado Constitution requires the General Assembly to provide annual inflationary increases in the statewide base per-pupil funding amount. For FY 2001-02 through FY 2010-11, this amount was required to increase annually by at least the rate of inflation plus one percent; for FY 2011-12 and subsequent fiscal years, this amount must increase annually by at least the rate of inflation. For example, for FY 2013-14, the General Assembly was required to increase the statewide base per-pupil funding amount by at least \$111 (from \$5,843 to \$5,954, or 1.9 percent), based on the actual 1.9 percent increase in the Denver-Boulder consumer price index in calendar year 2012. Given an estimated funded-pupil count of more than 828,000, the General Assembly was thus required to provide a minimum of \$4.9 billion in state and local funds for base per pupil funding in FY 2013-14, equal to 89.5 percent of the \$5.5 billion in total program funding.

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Factors Considered in Public School Finance Formula

The remaining 10.5 percent of state and local funds that will be allocated among school districts in FY 2013-14 is driven by other factors in the statutory school finance formula that add to the base per-pupil funding for each district by varying amounts to account for individual district characteristics. The formula includes three primary factors.

- *Cost of Living Factor* - Recognizes that the cost of living in a community affects the salaries required to attract and retain qualified personnel.
- *Size Factor* – Compensates districts lacking enrollment-based economies of scale.
- *At-risk Factor* – Provides additional funding for districts serving students who may be at risk of failing or dropping out of school. The formula utilizes a proxy to estimate the number of at-risk students: the number and concentration (percentage) of students who are either eligible for free lunch under the federal school lunch program or English language learners.

In addition, the school finance formula requires a *minimum level of per-pupil funding* (\$6,311 per pupil in FY 2013-14<sup>2</sup>), regardless of the impact of the above factors. For FY 2013-14, 14 districts are anticipated to receive funding based on this minimum level of per-pupil funding. The School Finance Act also provides a *fixed amount of funding per pupil* (established at \$6,068<sup>3</sup> for FY 2013-14) *for two types of students*:

- students receiving full-time, on-line instruction through a multi-district program; and
- students in their fifth year of high school who are participating in the Accelerating Students Through Concurrent Enrollment (ASCENT) Program.

Finally, since FY 2010-11 the formula has included a *negative factor* designed to reduce districts' total program funding to a specified total amount. For example, in FY 2013-14, this factor is estimated to be -15.5 percent, requiring a \$1.0 billion reduction in the total program funding that would otherwise be provided under the School Finance Act. Thus, the Department is calculating total program funding for each district based on the formula and factors described above (statewide base per-pupil funding, cost of living, size, and at-risk factors) and then reducing each district's resulting total program funding by 15.5 percent<sup>4</sup>. Because Amendment 23 (discussed above) prohibits reductions in base per-pupil funding, the negative factor effectively reduces the funding attributed the other formula factors, as illustrated in the graphic on the next page.

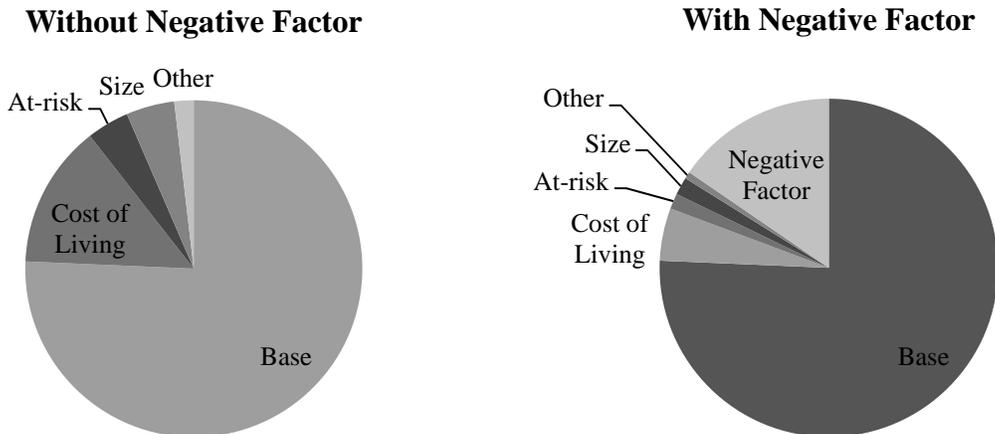
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<sup>2</sup> This amount is calculated after the application of the negative factor (discussed in the next paragraph).

<sup>3</sup> This amount is calculated after the application of the negative factor (discussed in the next paragraph).

<sup>4</sup> Please note that for some districts, this reduction exceeds the state share of total program funding. In such cases, the reduction in total program funding is limited to the state share of funding.

**Total Program Funding by Component: FY 2013-14**



Determining the State and Local Shares of Funding

Once the total program funding amount is determined for each district, the state and local share of such funding is calculated for each district. Local property and specific ownership taxes provide the first source of revenue for each district’s total program funding. Property taxes are based on each district’s tax rate (the mill levy) and the portion of property that is taxable (the assessment rate)<sup>5</sup>. Specific ownership taxes are paid when registering a motor vehicle. Because each school district collects and expends local property and specific ownership taxes, the revenues are not reflected in the state budget. Rather, estimated local revenues are used to calculate the necessary state share of funding for each district because the General Assembly appropriates state funding to fill the gap between local tax revenues and each district’s total program funding. The state budget reflects only the state funding. The FY 2013-14 appropriation assumes that \$2.0 billion in local tax revenues will be available to support public schools pursuant to the statutory school finance formula. Thus, the General Assembly appropriated \$3.5 billion in state funding for FY 2013-14 to provide a total of \$5.5 billion for school district operations.

Two constitutional provisions, combined with a statutory provision in the School Finance Act of 1994, have limited property tax revenues available for public school operations:

- In 1982, voters approved a property tax reform measure that included a provision (generally called the “Gallagher amendment”<sup>6</sup>) which initially reduced the residential assessment rate from 30.0 percent to 21.0 percent, and capped the residential share of property taxes.

<sup>5</sup> One “mill” equals one-tenth of one percent (0.001). For example, for a property with an actual value of \$100,000 and an assessed value of \$7,960 (based on the 7.96 percent assessment rate for residential property), each mill of tax raises \$7.96.

<sup>6</sup> See Article X, Section 3 (1) (b) of the State Constitution.

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- In 1992, voters approved the Taxpayer’s Bill of Rights (TABOR<sup>7</sup>). Prior to TABOR, local governments could generally collect and spend the same amount of property tax revenue each year by periodically increasing or decreasing mill levies. With respect to school district property taxes, TABOR: (1) imposes a property tax revenue limit based on inflation and changes in student enrollment; (2) prohibits districts from increasing a mill levy without voter approval; and (3) requires voter approval for any increase in the assessment rate for a class of property.

As a result of the combined impact of the Gallagher amendment and TABOR, the residential assessment rate has declined from 30.00 percent to 7.96 percent (to keep the residential share of property tax revenues at about 47.0 percent); school district mill levies have declined from the uniform mill of 40.080 (established by the General Assembly in 1988) to disparate mill levies that currently range from 1.680 to 27.000. These reductions, in combination with the inflationary spending increases required by Amendment 23, have caused the local share of total program funding to increase at a slower rate than overall funding, requiring the State's relative share of funding to increase. Specifically, from CY 1988 to FY 2006-07, the state share of funding rose from 43 percent to 64 percent, while the local share fell from 57 percent to 36 percent.

Senate Bill 07-199 changed the method for calculating school district property taxes, thereby allowing property tax revenues to increase at a rate more commensurate with overall funding. Due to the passage of S.B. 07-199 and increases in assessed valuation, the state share of funding (as a percentage of the total program) decreased in FY 2007-08 (to 62.2 percent). Subsequently, due to declines in assessed valuation, the state share has increased and is projected to provide 64.1 percent of total program funding in FY 2013-14.

In summary, several factors affect the amount of state funding appropriated for public school finance, including:

- The number of pupils enrolled in public schools, including: children attending state-supported preschool programs; students enrolled in full-time on-line programs; and students participating in the ASCENT program;
- The rate of inflation;
- Changes in the relative cost-of-living in various regions of the state;
- The number of at-risk students enrolled in public schools;
- Fluctuations in local property and specific ownership tax revenues, as well as constitutional and statutory provisions that limit property tax revenues; and

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<sup>7</sup> See Article X, Section 20 of the State Constitution.

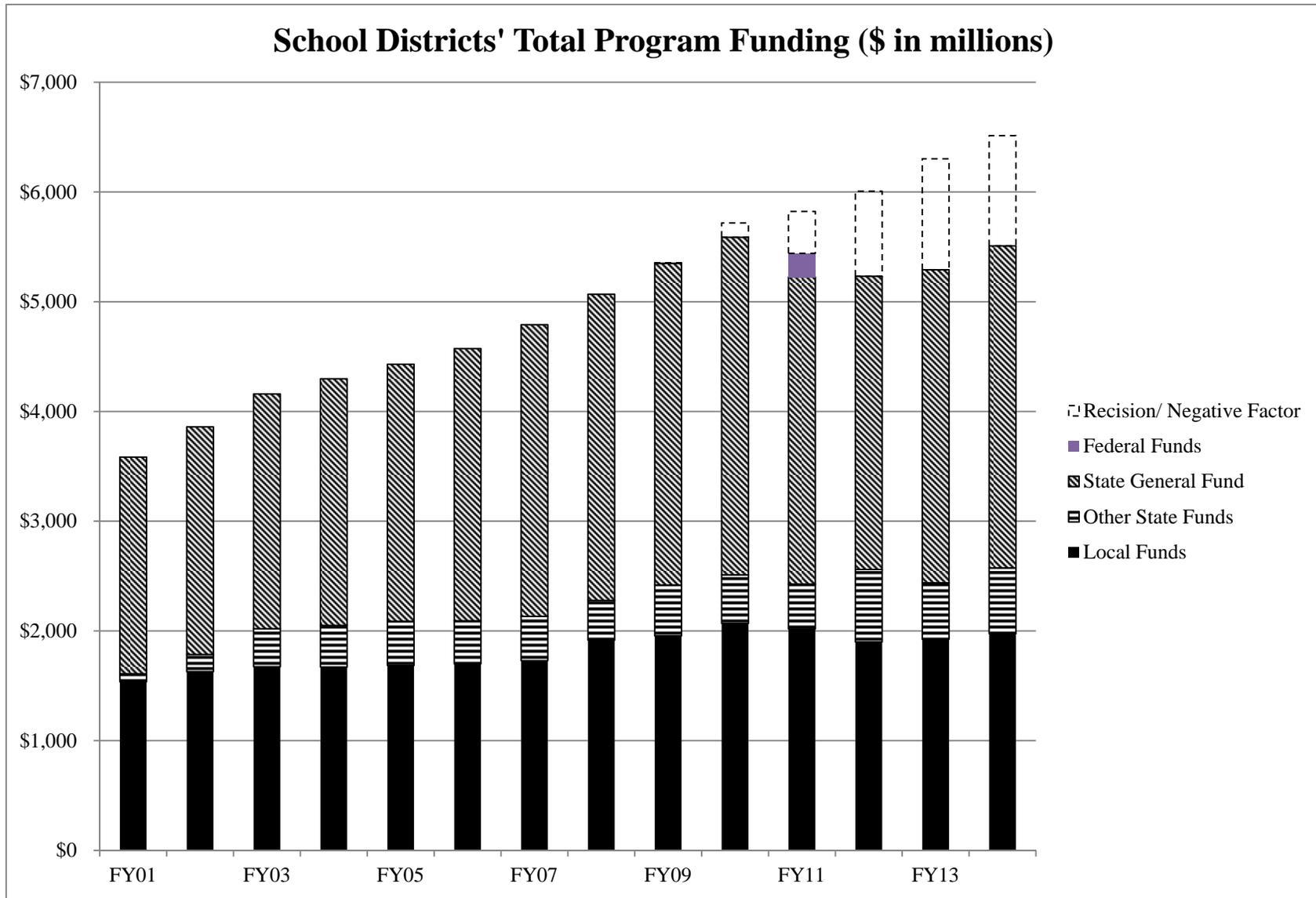
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- Changes in statutory definitions, procedures, or mathematical factors that impact the calculation of per-pupil funding or state-aid for each district.

The graphic below illustrates school districts' total program funding, by fund source, from FY 2000-01 through FY 2013-14. The stacked bar segments outlined with a dotted line illustrate the mid-year recisions required in FY 2008-09 and FY 2009-10 due to insufficient state funds, as well as the impact of the negative factor in subsequent fiscal years. The graphic is followed by key data related to school finance funding for the last five fiscal years, as well as appropriations for FY 2013-14.

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<b>School Districts' Total Program Funding: Key Data</b>						
<b>Description</b>	<b>FY 2008-09 Actual</b>	<b>FY 2009-10 Actual</b>	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Approp.</b>
<b>Funded Pupil Count</b>	<b>778,108</b>	<b>789,497</b>	<b>798,600</b>	<b>808,139</b>	<b>817,645</b>	<b>828,045</b>
<i>Annual Percent Change</i>	<i>2.3%</i>	<i>1.5%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.3%</i>
<i>Change in Denver-Boulder Consumer Price Index for Previous Calendar Year</i>	<i>2.2%</i>	<i>3.9%</i>	<i>-0.6%</i>	<i>1.9%</i>	<i>3.7%</i>	<i>1.9%</i>
Statewide <u>Base</u> Per Pupil Funding	<b>\$5,250</b>	<b>\$5,508</b>	<b>\$5,530</b>	<b>\$5,635</b>	<b>\$5,843</b>	<b>\$5,954</b>
<i>Annual Percent Change</i>	<i>3.2%</i>	<i>4.9%</i>	<i>0.4%</i>	<i>1.9%</i>	<i>3.7%</i>	<i>1.9%</i>
Statewide <u>Average</u> Per Pupil Funding	<b>\$6,874</b>	<b>\$7,078</b>	<b>\$6,814</b>	<b>\$6,474</b>	<b>\$6,479</b>	<b>\$6,652</b>
<i>Annual Percent Change</i>	<i>3.2%</i>	<i>3.0%</i>	<i>-3.7%</i>	<i>-5.0%</i>	<i>0.1%</i>	<i>2.7%</i>
<b>Total Program Funding/1</b>	<b>\$5,349,019,294</b>	<b>\$5,587,765,303</b>	<b>\$5,441,412,219</b>	<b>\$5,232,445,847</b>	<b>\$5,297,963,176</b>	<b>\$5,508,386,124</b>
<i>Annual Percent Change</i>	<i>5.5%</i>	<i>4.5%</i>	<i>-2.6%</i>	<i>-3.8%</i>	<i>1.3%</i>	<i>4.0%</i>
<u>Local Share</u> of Total Program Funding	\$1,956,083,870	\$2,068,895,672	\$2,018,856,003	\$1,900,524,532	\$1,918,248,885	\$1,975,723,359
<i>Annual Percent Change</i>	<i>2.1%</i>	<i>5.8%</i>	<i>-2.4%</i>	<i>-5.9%</i>	<i>0.9%</i>	<i>3.0%</i>
Federal Funds allocated based on School Finance Act formula			\$216,358,164			
<b><u>State Share</u> of Total Program Funding</b>	<b>\$3,392,935,424</b>	<b>\$3,518,869,631</b>	<b>\$3,206,198,052</b>	<b>\$3,331,921,314</b>	<b>\$3,379,714,291</b>	<b>\$3,532,662,765</b>
<i>Annual Percent Change</i>	<i>7.6%</i>	<i>3.7%</i>	<i>-8.9%</i>	<i>3.9%</i>	<i>1.4%</i>	<i>4.5%</i>
<i>State Share as Percent of Districts' Total Program Funding</i>	<i>63.4%</i>	<i>63.0%</i>	<i>58.9%</i>	<i>63.7%</i>	<i>63.8%</i>	<i>64.1%</i>

1/ For FY 2008-09 and FY 2009-10, these figures exclude amounts that were rescinded mid-year due to insufficient funds (\$5,777,656 and \$129,813,999, respectively). For FY 2010-11 through FY 2012-13, figures reflect total program funding after application of the negative factor.

## Categorical Programs

Categorical programs serve particular groups of students (*e.g.*, students with limited proficiency in English) or particular student needs (*e.g.*, transportation). Unlike public school finance funding, there is no legal requirement that the General Assembly increase funding commensurate with the number of students eligible for any particular categorical program.

However, Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase *total state funding* for all categorical programs (in aggregate) annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, in calendar year 2012 the percentage change in the Denver-Boulder consumer price index was 1.9 percent, so the General Assembly was required to increase state funding for categorical programs by at least that amount (\$4,640,166) for FY 2013-14.

The General Assembly determines on an annual basis how to allocate the required increase among the various categorical programs. Since FY 2000-01, the General Assembly has increased annual state funding for categorical programs by \$126.7 million. In certain fiscal years, the General Assembly elected to increase state funding by more than the minimum, constitutionally-required amount, resulting in appropriations that are now \$57.8 million higher than the minimum amount that would have otherwise been required. The following table details the allocation of the \$126.7 million increase since FY 2000-01 among categorical programs.

<b>Increases in State Funding for Categorical Programs Since FY 2000-01</b>				
<b>Long Bill Line Item</b>	<b>FY 2000-01 Appropriation</b>	<b>FY 2013-14 Appropriation</b>	<b>Total Increase in Annual Appropriation of State Funds Since FY 2000-01</b>	
Special education - children with disabilities	\$71,510,773	\$157,221,408	\$85,710,635	119.86%
English Language Proficiency Program	3,101,598	15,240,040	12,138,442	391.36%
Public school transportation	36,922,227	52,811,338	15,889,111	43.03%
Career and technical education programs	17,792,850	24,528,307	6,735,457	37.85%
Special education - gifted and talented children	5,500,000	9,600,000	4,100,000	74.55%
Expelled and at-risk student services grant program	5,788,807	7,493,560	1,704,753	29.45%
Small attendance center aid	948,140	959,379	11,239	1.19%
Comprehensive health education	600,000	1,005,396	405,396	67.57%
<b>Total</b>	<b>\$142,164,395</b>	<b>\$268,859,428</b>	<b>\$126,695,033</b>	<b>71.80%</b>

## Legislative Education Reform

Legislative reforms can also drive changes in the Department's budget by: (1) adding responsibilities for the Department, requiring additional staff or resources; and/or (2) forcing change in the Department's operations. Reform legislation enacted in recent years, including S.B. 08-212 (CAP4K), S.B. 09-163 (Accountability and Improvement), S.B. 10-191 (Principal and Teacher Effectiveness), and H.B. 12-1238 (Early Literacy), among other bills, have driven change and additional costs at the Department.

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For example, the FY 2013-14 appropriation includes the following increases building on previous appropriations associated with legislative reforms:

- \$15.2 million cash funds from the Early Literacy Fund (funds originally from either Tobacco Settlement moneys or the State Education Fund) for implementation of H.B. 12-1238.
- \$4.2 million cash funds (from the State Education Fund) for additional development and administration expenses associated with new assessments adopted pursuant to S.B. 08-212.
- \$0.6 million General Fund and 3.2 FTE (annualizing to \$1.0 million General Fund and 3.5 FTE in FY 2014-15) to support accountability and improvement planning activities pursuant to S.B. 09-163.

For FY 2014-15, the Governor's request includes a total increase of \$6.9 million in additional funding directly associated with the implementation of recent bills, including:

- \$3.8 million total funds (including \$75,600 General Fund and \$3.8 million cash funds from the State Education Fund) to address additional costs associated with administering the new statewide assessments adopted pursuant to S.B. 08-212.
- \$2.8 million cash funds from the State Education Fund and 1.0 FTE to provide ongoing funding for the early literacy assessment tool (ELAT) originally approved through H.B. 12-1345 (FY 2012-13 School Finance Bill) and associated with H.B. 12-1238 (READ Act).
- \$234,606 General Fund and 1.8 FTE (annualizing to \$245,290 and 2.0 FTE) to provide additional technical support to school districts regarding recent college and career readiness education reforms.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

**Summary: FY 2013-14 Appropriation & FY 2014-15 Request**

<b>Department of Education</b>						
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>FY 2013-14 Appropriation</b>						
SB 13-230 (Long Bill)	\$4,562,558,440	\$3,100,348,494	\$808,055,536	\$28,629,576	\$625,524,834	561.6
SB 13-260 (School Finance)	85,524,410	0	85,524,410	0	0	0.0
Other legislation	<u>287,766</u>	<u>167,673</u>	<u>120,093</u>	<u>0</u>	<u>0</u>	<u>2.2</u>
<b>TOTAL</b>	<b>\$4,648,370,616</b>	<b>\$3,100,516,167</b>	<b>\$893,700,039</b>	<b>\$28,629,576</b>	<b>\$625,524,834</b>	<b>563.8</b>
<b>FY 2014-15 Requested Appropriation</b>						
FY 2013-14 Appropriation	\$4,648,370,616	3,100,516,167	\$893,700,039	\$28,629,576	\$625,524,834	563.8
R1 Increase total program	222,301,498	73,600,000	148,701,498	0	0	0.0
R2 Categorical programs increase	6,990,344	0	6,990,344	0	0	0.0
R3 Core network and IT refresh	3,070,988	3,070,988	0	0	0	4.6
R4 State assessments	3,845,283	75,600	3,769,683	0	0	0.0
R5 College and career readiness	234,606	234,606	0	0	0	1.8
R6 Educator recognition and perception	124,800	124,800	0	0	0	0.0
R7 State support for English language learners	429,345	429,345	0	0	0	4.1
R8 Early literacy assessment tool	2,819,373	0	2,819,373	0	0	1.0
R9 Start smart nutrition program	397,505	250,000	(102,495)	250,000	0	0.0
R10 BEST gross debt appropriation	8,000,000	0	8,000,000	0	0	0.0
R11 Salary increase for CSDB teachers	126,671	126,671	0	0	0	0.0
Non-prioritized requested changes	86,160	86,160	0	0	0	0.0
Annualize prior year funding	12,492,310	492,143	(2,287,631)	(5,644)	14,293,442	0.5
Centrally appropriated line items	2,076,987	373,592	429,255	195,718	1,078,422	0.0
Statewide IT common policy adjustments	32,250	32,250	0	0	0	0.0
Fund source adjustments	0	0	0	0	0	0.0
Informational funds adjustment	<u>(3,394,983)</u>	<u>0</u>	<u>290,000</u>	<u>1,215,017</u>	<u>(4,900,000)</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$4,908,003,753</b>	<b>\$3,179,412,322</b>	<b>\$1,062,310,066</b>	<b>\$30,284,667</b>	<b>\$635,996,698</b>	<b>575.8</b>
<b>Increase/(Decrease)</b>	\$259,633,137	\$78,896,155	\$168,610,027	\$1,655,091	\$10,471,864	12.0
Percentage Change	5.6%	2.5%	18.9%	5.8%	1.7%	2.1%

**Issue Descriptions**

**R1 Increase total program:** The request includes a net increase of \$222.3 million total funds (including \$73.6 million General Fund, \$147.1 million cash funds from the State Education

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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Fund, and \$1.6 million cash funds from the State Public School Fund) for school finance. The Request includes an increase of \$222.0 million total funds for the State Share of Districts' Total Program line item and \$242,050 cash funds from the State Education Fund for the Hold-harmless Full-day Kindergarten Funding line item. The request would maintain the negative factor at a constant dollar amount from FY 2013-14 (\$1.0 billion), providing \$40.2 million above the amount necessary to increase statewide average per pupil funding by the rate of inflation anticipated in the Office of State Planning and Budgeting (OSPB) September 2013 Revenue Forecast. See the issue paper beginning on page 25 for further discussion of school finance projections for FY 2014-15 and the Governor's request.

**R2 Categorical programs increase:** Categorical programs serve particular groups of students or particular student needs. The General Assembly is constitutionally required to increase *total state funding* for all categorical programs (in aggregate) by at least the rate of inflation in FY 2014-15. The request includes additional appropriations from the State Education Fund to increase state funding for categorical programs by 2.6 percent, based on the OSPB projected rate of inflation for CY 2013. The request specifies the allocation of the additional funds among the following five categorical programs: \$3,859,359 for special education for children with disabilities; \$1,297,875 for English Language proficiency programs; \$1,221,295 for public school transportation; \$419,708 for vocational education; and \$192,107 for educational services for gifted and talented children. See Appendix C for a discussion of the Department's response to a request for information associated with categorical program funding.

**R3 Core network and IT refresh:** The request includes an increase of \$3.1 million General Fund and 4.6 FTE (annualizing to \$1.7 million and 5.0 FTE in FY 2015-16) to improve the Department's information technology systems. The request includes: (1) \$1.4 million for one-time costs to replace outdated computing hardware and network equipment; (2) \$583,638 and 4.6 FTE (annualizing to \$613,299 and 5.0 FTE) to add information technology staff; (3) \$558,316 for ongoing hardware maintenance and software licensing; and (4) \$507,000 to purchase additional contract services. See the issue paper beginning on page 44 for further discussion of this request.

**R4 State assessments:** The request includes an increase of \$3.8 million total funds (including \$75,600 General Fund and \$3.8 million cash funds from the State Education Fund) to address additional costs associated with administering the new statewide student assessment program. The request includes: (1) \$3.4 million cash funds for the implementation of new consortium-based assessments in mathematics and English language arts; (2) \$189,000 cash funds to support an anticipated increase in the number of students and taking the ACT and an increased cost per pupil; (3) \$140,438 cash funds to support an anticipated increase in the number of students taking the English language proficiency assessment (ACCESS); and (4) \$75,600 General Fund for one-time costs to purchase consulting services to align the Colorado Growth Model and the Department's accountability systems with the new assessments. See the issue paper beginning on page 67 for additional discussion of statewide assessments and the Department's request.

**R5 College and career readiness:** The request includes an increase of \$234,606 General Fund and 1.8 FTE (annualizing to \$245,290 and 2.0 FTE in FY 2015-16) to provide additional technical support to school districts regarding recent college and career readiness education

reforms. The Department is requesting the creation of a new line item called “College and Career Readiness” to support the appropriation. The request responds to school districts’ increased demand for technical assistance related to the following recent reforms: Individual Career and Academic Plans (ICAPs); concurrent enrollment programs; innovation status; and new statewide graduation guidelines.

**R6 Educator recognition and perception:** The request includes an increase of \$124,800 General Fund to support educator recognition programs and a biennial educator perception survey. Specifically, the request includes \$24,800 to support four educator recognition programs, including: (1) Colorado Teach of the Year; (2) the John Irwin Award School; (3) the Governor’s Distinguished Improvement Awards; and (4) Centers of Excellence awards. In addition, the request includes \$100,000 to conduct the Teaching, Empowering, Leading, and Learning (TELL) survey in FY 2014-15. Because the survey is biennial, the request annualizes to \$24,800 in FY 2015-16. Neither the awards nor the survey currently receive state funding. The Department reports difficulty securing sponsors for these programs in recent years and is seeking a stable source of state funding.

**R7 State support for English language learners:** The request includes an increase of \$423,345 General Fund and 4.1 FTE (annualizing to \$441,612 and 4.5 FTE in FY 2015-16) to provide additional support and technical assistance for school districts’ English language learner (ELL) programs to respond to growth in the ELL population and persistent achievement gaps between ELL students and other student subgroups. See the issue paper beginning on page 49 for further discussion of this request and ELL programs.

**R8 Early literacy assessment tool:** The request includes \$2.8 million cash funds from the State Education Fund and 1.0 FTE to provide ongoing funding for the early literacy assessment tool (ELAT) originally approved through H.B. 12-1345. The ELAT assesses reading proficiency in students from kindergarten through third grade (as required by H.B. 13-1238 (the READ Act)), providing rapid assessment, reporting, and instructional guidance for teachers based individual assessment results. In FY 2013-14, 121 of 178 school districts and the State Charter School Institute are using the ELAT. The request includes: (1) \$2.7 million for the ongoing contract to provide the ELAT (including software licenses, implementation assistance, and reporting) to districts using the tool; and (2) \$124,700 and 1.0 FTE to support the Department’s administration of the contract and provide additional technical assistance to districts and schools using the tool. See the issue paper beginning on page 60 for further discussion of this request.

**R9 Start smart nutrition program:** The request includes an increase of \$397,505 total funds (including \$250,000 General Fund) to support anticipated growth in the Start Smart program in FY 2014-15. The request would increase the appropriation of General Fund into the Start Smart Nutrition Program Fund from \$700,000 (the current FY 2013-14 appropriation) to \$950,000 in FY 2014-15 and beyond. The request reappropriates those funds through the Start Smart Nutrition Program line item, increasing the reappropriated funds appropriation by \$250,000. The increase is partially offset by a reduction of \$102,495 cash funds, reflecting an anticipated reduction in the available fund balance in the Start Smart Nutrition Program Fund.

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

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**R10 BEST gross debt appropriation:** The request includes an increase of \$8.0 million cash funds from the Public School Capital Construction Assistance Fund to cover lease purchase payments for the Building Excellent Schools Today (BEST) program in FY 2014-15. The program has already committed the State to the additional payment amounts for FY 2014-15. See the issue paper beginning on page 75 for further discussion of this request and the current status of the BEST Program.

**R11 Salary increase for CSDB teachers:** The request includes an increase of \$126,671 General Fund for salary increases for teachers employed at the Colorado School for the Deaf and the Blind (CSDB). Statute (Section 22-80-106.5, C.R.S.) requires CSDB to compensate teachers based on the El Paso District 11 salary schedule and salary policy from the previous school year. El Paso District 11 teachers received a one-time 4.0 percent pay increase and ongoing educational increases (based on additional educational attainment for the teachers) in the 2013-14 school year. Thus, the Department is requesting \$110,315 to support a 4.0 percent one-time, non-base building increase for all teachers and \$16,356 in ongoing funding to fund anticipated educational increases in FY 2014-15. CSDB has indicated that the salary increase is critical to the school, particularly given difficulties in hiring teachers of the deaf because of a shortage of qualified personnel.

**Non-prioritized requested changes:** The request includes the annual fleet vehicle change from the Department of Personnel, and the following changes from the Office of Information Technology: secure Colorado phase II and Capitol Complex network resiliency.

**Annualize prior year funding:** The request includes adjustments related to prior year legislation and budget actions. Major adjustments include: an increase of \$14.5 million (\$172,111 General Fund and \$14.3 million federal funds) to annualize H.B. 13-1006 (Breakfast After the Bell); an increase of \$407,123 General Fund and 0.3 FTE to annualize FY 2013-14 decision item R3 (accountability and improvement planning); and a reduction of \$2.0 million cash funds from the State Education Fund to eliminate one-time funding provided through FY 2013-14 decision item R4 (Assessments).

**Centrally appropriated line items:** The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; and Capitol complex leased space.

**Statewide IT common policy adjustments:** The request includes adjustments to line items appropriated for: purchase of services from the computer center; Colorado state network; communication services payments, information technology security, and COFRS modernization.

**Fund source adjustment:** The request includes an increase of \$1.5 million cash funds from the State Education Fund offset by a decrease of the same amount of cash funds from the State Public School Fund to reflect revenues anticipated to be available in the State Public School Fund.

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

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**Informational funds adjustment:** The request includes adjustments to funding shown in the Long Bill for informational purposes only. Major adjustments include: an increase of \$1.3 million total funds to better reflect anticipated expenditures from continuous appropriations to the State Charter School Institute pursuant to S.B. 12-121; a reduction of \$4.9 million federal funds to reflect the elimination of federal funding supporting the longitudinal growth model.

## **Informational Issue: *Lobato v. Colorado* Supreme Court Decision**

In May, 2013, the Colorado Supreme Court overturned the district court ruling in the *Lobato* case and ruled that the State’s school finance system is constitutional. The ruling affirms the authority of the General Assembly to establish educational funding and policy.

### **SUMMARY:**

- The State Constitution includes two provisions directly relevant to public school finance. The Education Clause (Article IX, Section 2) requires the General Assembly to “provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state, wherein all residents of the state, between the ages of six and twenty-one years, may be educated gratuitously”. The Local Control Clause (Article IX, Section 15) states that local school boards “shall have control of instruction in the public schools of their respective districts”.
- Originally filed in Denver district court in 2005, *Anthony Lobato, et al., v. the State of Colorado, et al.*, alleged that the State’s current school financing system violates both relevant clauses of the State Constitution. In December 2011, the district court ruled for the plaintiffs, finding the school financing system unconstitutional.
- In May 2013, the Colorado Supreme Court overturned the district court ruling and determined that the State’s school financing system is constitutional, is rationally related to the Education Clause, and does not violate the Local Control Clause. The Supreme Court ruling gives deference to the authority of the General Assembly in establishing education funding and policy.

### **DISCUSSION:**

#### **Background**

##### *Lobato Complaint*

Originally filed in Denver district court in 2005, *Anthony Lobato, et al., v. the State of Colorado, et al.*, alleged that the State’s current system of funding public schools is unconstitutional. The plaintiffs asked the court to declare the system unconstitutional and compel the State to design and implement a new system. The original complaint was filed on behalf of taxpayers, parents, and children in eight school districts, as well as 14 school districts. The defendants included the State of Colorado, State Board of Education, the Commissioner of Education, and the Governor.

The complaint was subsequently amended, and additional plaintiffs joined the case. In addition, in March 2010, a complaint was filed in intervention on behalf of parents of children who are low-income students and/or English language learners who are enrolled in property-poor school districts. In the end, a total of 21 school districts participated in the lawsuit as plaintiffs although

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

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other districts provided financial support for the case. In addition, several education and other advocacy groups submitted briefs as “friends of the court.”

The amended complaint alleged that Colorado’s statutory school finance structure violates two constitutional provisions:

1. *Article IX, Section 2 (Education Clause)*: This provision requires the General Assembly to “provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state, wherein all residents of the state, between the ages of six and twenty-one years, may be educated gratuitously”. The complaint argued that this mandate is a substantive guarantee of an adequate, quality education for all school age residents and that the current system does not provide sufficient funding and does not allocate funding among school districts in a manner that is rationally related to this mandate.
2. *Article IX, Section 15 (Local Control Clause)*: This provision states that the elected directors of local boards of education “shall have control of instruction in the public schools of their respective districts”. The complaint argues that the finance system violates this provision because it does not provide sufficient funding for district boards to exercise local control.

The complaint also alleged that education reform legislation adopted since the early 1990’s helps define the qualitative mandate of the Education Clause and provides indicators of whether the State has fulfilled its constitutional responsibilities. Pointing to areas where schools are not meeting the stated goals, the complaint alleged that the school funding system is not “rationally related to the accomplishment of the purposes, methods, and requirements of education reform legislation” [second amended complaint, ¶94]. The plaintiffs argued that the formula’s base per pupil funding amount does not represent the actual costs of providing an adequate education as defined by the standards and that the factors applied to increase the base per pupil amount do not accurately reflect the costs of meeting differential pupil needs. The complaint also alleged that the State provides inadequate funding for categorical programs and school districts’ capital construction needs.

The plaintiffs asked the court to declare the existing public school finance system (including the School Finance Act, categorical funding programs, and capital construction funding) unconstitutional and to compel the State to design, enact, and fund a new system. Although the plaintiffs did not seek a specific monetary judgment, the plaintiffs’ evidence included a study indicating that an increase of \$4.15 billion in annual school funding was necessary.

*Court Actions*

The Attorney General’s Office filed a motion to dismiss the original complaint, and the district court granted the motion, ruling that the plaintiffs failed to state a claim upon which relief could be granted. The district court determined that Amendment 23 sets minimum standards for educational funding and that the question of whether Amendment 23 levels of funding are adequate is a non-justiciable political question under the sole authority of the General Assembly. The district court also ruled that the plaintiffs lacked standing. The Court of Appeals affirmed

the district court's ruling. However, the Colorado Supreme Court reversed that judgment and remanded the case to the Court of Appeals to be returned to the district court.

Following the Supreme Court decision, additional plaintiffs joined the lawsuit, plaintiffs amended the complaints, and the court made pre-trial rulings (notably denying the defendants' request that plaintiffs be required to prove their case beyond a reasonable doubt and approving plaintiffs' motion to exclude evidence and arguments concerning appropriations for programs and services other than education as well as TABOR's revenue restrictions).

The Denver district court conducted a five week trial in August and September 2011. The district court ruled in favor of the plaintiffs in December 2011, finding that the school finance system was not rationally related to the mandate of the Education Clause and fell short of the amount of funding necessary to meet the requirements of the Education Clause and support standards-based education. The court also ruled that the financing system violated the Local Control Clause. The ruling would have required the State to "design, enact, fund, and implement a system of public school finance that provides and assures that adequate, necessary, and sufficient funds are available in a manner rationally related to accomplish the purposes of the Education Clause and the Local Control Clause". However, the district court stayed enforcement of the ruling pending final action by the Colorado Supreme Court.

### **Supreme Court Ruling**

The defendants appealed the case directly to the Colorado Supreme Court, which heard oral arguments in March 2013. In May 2013, the Supreme Court overturned the district court decision in a 4-2 ruling.<sup>8</sup> Justice Rice wrote the majority opinion, joined by Justices Boatright, Eid, and Coats. Chief Justice Bender and Justice Hobbs dissented, and Justice Marquez recused herself from the case. The majority opinion states:

"The supreme court holds that the public school financing system complies with the Colorado Constitution. It is rationally related to the constitutional mandate that the General Assembly provide a 'thorough and uniform' system of public education. It also affords local school districts control over locally-raised funds and therefore over 'instruction in the public schools.' Accordingly, the supreme court reverses the trial court's finding that the public school financing system is unconstitutional" [Supreme Court opinion, headnote].

The Supreme Court opinion: (1) defines the phrase "thorough and uniform" for the first time and concludes that the public school financing system is rationally related to the mandate to provide a thorough and uniform system (as defined in the opinion); (2) concludes that the system does not violate the Local Control Clause because school districts maintain control over locally-raised funds; and (3) gives deference to the General Assembly's authority to set education funding and policy.

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<sup>8</sup> The opinion is available on-line at:  
[http://www.courts.state.co.us/userfiles/file/Court\\_Probation/Supreme\\_Court/Opinions/2012/12SA25.pdf](http://www.courts.state.co.us/userfiles/file/Court_Probation/Supreme_Court/Opinions/2012/12SA25.pdf)

*“Thorough and Uniform”*

The phrase “thorough and uniform” is not defined in the Constitution and is not defined in statute. According to the Office of Legislative Legal Services (OLLS), Colorado courts have interpreted this phrase in previous cases but have never actually defined it.<sup>9</sup> Using the plain English definition of both words, the Supreme Court opinion defines the phrase for the first time and concludes that it “describes a free public school system that is marked by completeness, is comprehensive, and is consistent across the state” [Supreme Court opinion, ¶16].

After reviewing the statutory school finance formula, state and local resources for funding education, funding for programs outside of the school finance formula (e.g., categorical programs), and the districts’ ability to obtain bonded indebtedness, the court concluded that the State’s funding system is rationally related to the thorough and uniform mandate because it “funds a public school system that is of a quality marked by completeness, is comprehensive, and is consistent across the state. It does so using a multi-faceted statutory approach that applies uniformly to all of the school districts in Colorado” [Supreme Court opinion, ¶29].

In effect, the Court is considering the consistency of the system of policies and laws across the State. The opinion does not explain how the system is “marked by completeness” and is “comprehensive” but simply states that the system is both. The *Lobato* plaintiffs, and the dissenting opinions, argue that inconsistent outcomes (in terms of both funding and educational outcomes) violate the concept of a “thorough and uniform system”. The Court disagrees and indicates that a consistent system of policies is sufficient.

*Local Control*

Building on precedent, the Court assumes that a system that complies with the Local Control Clause “affords local school districts control over locally-raised funds and therefore over ‘instruction in the public schools’” [Supreme Court opinion ¶35]. The plaintiffs argued that the current school funding system violates the Local Control Clause because the General Assembly has imposed statutory requirements on districts without providing the funding necessary to meet those mandates, thereby reducing school districts’ control of locally raised funds. The Court disagrees and finds that, “the public school financing system does not affirmatively require school districts to use their locally-raised revenue in any particular manner. Even if school districts use a substantial portion of their locally-raised funds to help their students achieve state standards – as the trial court found they do – nothing in the public school financing system itself requires a particular allocation of local funds” [Supreme Court opinion, ¶43].

The Court also considers mill levy override and bonded indebtedness mechanisms, stating: “These mechanisms afford school districts the opportunity to exert additional local control over instruction by generating and using supplemental local funds. While we recognize that ‘disparities in wealth’ may impair a low-wealth district’s ability to pass mill levy overrides and bonded indebtedness, such a ‘result, by itself, does not strike down the entire school finance

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<sup>9</sup> For an Office of Legislative Legal Services discussion of the opinion, see: <http://legisource.net/2013/06/27/supreme-court-upholds-general-assemblys-authority-as-education-policymaker/>

***JBC Staff Budget Briefing: FY 2014-15***  
***Staff Working Document – Does Not Represent Committee Decision***

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system’ on Local Control grounds, just as the same result did not strike down the entire school finance system for equal protection purposes in Lujan” [Supreme Court opinion, ¶44].

*Deference to General Assembly*

The Court’s opinion, including the definition of “thorough and uniform” and the analysis of a rational relationship give deference to the General Assembly in establishing education funding and policy. According to the court, “While the trial court’s detailed findings of fact demonstrate that the current public school financing system might not be ideal policy, this Court’s task is not to determine whether a better financing system could be devised, but rather to determine whether the system passes constitutional muster” [Supreme Court opinion, ¶45].

The Court goes on to say that, “Our holding today that the current public school financing system complies with the Education and Local Control Clauses of the Colorado Constitution satisfies the Court’s duty to ‘say what the law is,’ without unduly infringing upon the policy-making powers of the General Assembly. It thereby affords the General Assembly an opportunity to reform Colorado’s education policy, including the public school financing system, consistent with this opinion” [Supreme Court opinion, ¶46].

*Staff Conclusion*

The details of the Court’s opinion, including the definition of “thorough and uniform” and the analysis of a rational relationship to that mandate, give considerable deference to the General Assembly. In focusing on disparities in funding and educational outcomes across the State, the dissenting opinions interpreted “through and uniform” differently and argued that the current school funding system is short of that standard. However, by focusing on the consistency of the system of policies, the majority opinion does not appear to create a particularly high threshold (in terms of funding) to meet the requirements of a “thorough and uniform” system. Thus, the ruling continues to provide discretion to the General Assembly regarding the establishment and funding of such a system.

**RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:**

The School Finance Act provides and allocates state and local resources for all public school operations in Colorado. As a result, this issue paper relates at some level to virtually all of the goals and objectives in the Department’s performance plan.

## **Issue: School Finance Act Funding Projections**

The General Assembly faces two basic decisions with respect to school finance appropriations in FY 2014-15 and beyond. First, how much should Colorado spend on school finance in FY 2014-15 and beyond? Second, given the anticipated availability of one-time funding from the State Education Fund, how should the General Assembly manage the State Education Fund and support potential increases in appropriations? The Governor is proposing a total increase of \$222.1 million in state spending on total program (including \$73.6 million General Fund and \$148.5 million cash funds from the State Education Fund). The Governor is proposing to maintain the negative factor as a constant dollar amount and to maintain a long-term fund balance in the State Education Fund of \$400 million to provide an additional reserve for K-12 education.

### **SUMMARY:**

- Current law, as enacted in S.B. 13-108, requires the General Assembly to provide sufficient total program funding in FY 2014-15 to increase statewide average per pupil funding by the rate of inflation, an increase of \$196.5 million based on the Legislative Council Staff September 2013 Revenue Forecast (LCS Forecast) inflation rate of 2.9 percent. The Office of State Planning and Budgeting September 2013 Revenue Forecast (OSPB Forecast) would require an increase of \$179.7 million because of a lower forecast inflation rate. Staff anticipates that this baseline scenario will determine the Long Bill appropriation for school finance, which the General Assembly may adjust through the annual school finance bill.
- Under the baseline scenario, the negative factor would remain the same percentage of total program spending (15.5 percent in FY 2013-14) but would grow each year in dollar terms, increasing from \$1.005 billion in FY 2013-14 to \$1.177 billion by FY 2017-18, based on the LCS Forecast.
- Maintaining a constant negative factor in dollar terms would require between \$222.1 million (OSPB Forecast) and \$241.8 million (LCS Forecast) in additional state funding in FY 2014-15 (above the FY 2013-14 appropriation). Thus, based on current revenue forecasts, any increases above those amounts would reduce the negative factor.
- Anticipated one-time transfers of General Fund revenues to the State Education Fund (SEF) in December 2013 and December 2014 provide a variety of options for the General Assembly to fund increases for education in coming years to balance the use of General Fund and SEF revenues.
- The Governor's FY 2014-15 request includes \$222.1 million in additional state funding for total program (including \$73.6 million General Fund and \$148.5 million cash funds from the State Education Fund). Based on OSPB's current revenue assumptions, the proposal is designed to: (1) maintain the negative factor at a constant dollar amount; (2) retain at least \$700 million in the State Education Fund at the end of FY 2014-15; and (3) sustain a long-

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

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term fund balance of at least \$400 million in the State Education Fund to provide an additional reserve for education funding.

**RECOMMENDATION:**

Based on the current statutory school finance formula, staff's school finance funding projections, and the Governor's proposed budget for FY 2014-15, staff recommends that the Joint Budget Committee discuss public school funding with legislative leadership, the Education Committees, and the Governor's Office. Specifically:

1. How does the General Assembly intend to meet the key constitutional requirements concerning education (Amendment 23 and the thorough and uniform requirement)? What is an adequate total program amount? Does the General Assembly intend to increase, decrease, or maintain the value of the negative factor in FY 2014-15 and beyond?
2. The use of one-time funding (such as year-end transfers of General Fund to the State Education Fund (SEF)) can delay the need for General Fund increases but can also require larger General Fund increase in future years. How should the General Assembly plan for the use of General Fund for education in the coming years? Should the General Assembly plan for a larger fund balance in the SEF to provide an additional reserve for education funding (as requested by the Governor and recommended by staff below)?
3. Following the failure of Amendment 66, should the General Assembly pursue changes to the statutory school finance formula, changes to Amendment 23, and/or changes to increase the revenues available to support school finance to ensure the State's ability to continue to provide for the maintenance of a thorough and uniform system of public schools?

With respect to the FY 2014-15 appropriation, staff makes the following specific recommendations:

1. Set the Long Bill appropriation for school finance to increase statewide average per pupil funding by the rate of inflation.
2. Provide additional total program funding through the school finance bill, as revenues allow, to minimize the growth of (or reduce) the negative factor in FY 2014-15.
3. Plan the use of General Fund and SEF revenues over multiple years to avoid spikes in the amount of General Fund needed for school finance.
4. Maintain a balance of at least \$400 million in the SEF to provide an additional reserve for education spending, as requested by the Governor.

## **DISCUSSION:**

### **Background – Changes in Funding Projection Assumptions**

Annual projections of education funding have generally included funding for two program areas: (1) public school finance; and (2) categorical programs. Following the passage of Amendment 23<sup>10</sup>, the annual projections of funding for these two areas were fairly straightforward. To reflect current law, staff based the projections on the existing statutory public school finance formula<sup>11</sup>, plus compliance with the requirements of Amendment 23 to provide annual increases in the "base per pupil funding" component of the statutory formula and in state funding for categorical programs. Staff then calculated the General Fund share of required state funding based on:

- Anticipated local funding from local property and specific ownership tax revenues;
- Anticipated funding from the State Public School Fund;
- Ensuring compliance with the General Fund maintenance of effort requirement in Amendment 23; and
- The amount of General Fund necessary to maintain the “solvency” of the State Education Fund (SEF) based on avoiding the need for a significant increase or “jump” in General Fund appropriations in future years.

Since 2010, the annual projections have changed in three ways.

- First, the projections now must incorporate the negative factor (which the General Assembly extended indefinitely during the 2011 Session) on an ongoing basis. Thus, the “current law” amount is no longer generated through the statutory school finance formula. Prior to the 2013 Session, the General Assembly had to specify a “current law” amount for school finance to inform the Long Bill appropriation.
- Second, S.B. 13-108 set a “current law” amount for use in the annual Long Bill appropriation by requiring the General Assembly to provide sufficient funding to adjust statewide average per pupil funding by the rate of inflation. The General Assembly may then adjust that amount through the annual school finance bill.
- Finally, the concept of SEF “solvency” changed because of declines in the SEF fund balance. Specifically, the projections now assume a minimum SEF balance (\$100 million in recent years) to account for income tax revenue forecast error and to avoid requiring the State Treasurer to liquidate long-term investments. (Staff is recommending that the General Assembly revisit the topic of SEF fund balances in planning for the FY 2014-15 appropriation and establish a minimum long-term fund balance of \$400 million.)

### **2013 Projection Assumptions**

As discussed above, S.B. 13-108 enacted a statutory change to set a baseline (or current law) school finance funding amount *for the Long Bill appropriation*, requiring statewide average per

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<sup>10</sup> See Article IX, Section 17 of the State Constitution.

<sup>11</sup> See Article 54 of Title 22, C.R.S.

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

---

pupil funding to increase by the rate of inflation. Thus, in a change from prior years, staff is no longer including projections for scenarios below that baseline funding amount (e.g., maintaining a constant total program amount or funding enrollment to maintain a constant statewide average per pupil funding amount).<sup>12</sup>

In addition, the General Assembly has taken multiple actions to make one-time funds available for school finance in recent years. Two recent bills impact the projection period (FY 2013-14 through FY 2017-18).

- House Bill 12-1338 transfers an estimated \$1.1 billion in FY 2012-13 General Fund revenues above the required statutory reserve to the SEF (based on both September 2013 revenue forecasts).
- Senate Bill 13-260 transfers 75.0 percent of FY 2013-14 General Fund revenues above the statutory reserve (and after a \$30 million transfer to the Colorado Water Conservation Board Construction Fund) to the State Education Fund. Please note that while the LCS Forecast projects a transfer of \$435.1 million, the Governor's Office is not currently anticipating any transfer to the SEF under S.B. 13-260.<sup>13</sup>

Consistent with previous analyses, staff's 2013 funding projections assume the following:

- The General Assembly will not change existing appropriations for FY 2013-14 mid-year.
- Based on S.B. 13-108, the *baseline* projection assumes that statewide average per pupil funding will increase by the projected rate of inflation for the next five fiscal years.
- The General Assembly will increase state funding for categorical programs by inflation annually, as required by Amendment 23. Consistent with recent legislative actions, staff assumes the General Assembly will use SEF moneys to comply with this provision.
- The General Assembly will continue to appropriate SEF moneys to support a variety of programs and functions other than school finance and categorical programs (totaling \$63.2 million in FY 2013-14). The projections do not currently include additional increases that may be required to fully implement recent education reform legislation, including S.B. 08-212 (preschool to postsecondary alignment), S.B. 09-163 (education accountability system), or S.B. 10-191 (principal and teacher effectiveness).

In a change from prior years, staff is including options based on different minimum year-end fund balances in the SEF. For the past three years (2011 Session through 2013 Session), the General Assembly has assumed a minimum year-end balance of \$100 million in the SEF to

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<sup>12</sup> As discussed in prior years, both of those scenarios presented problems in future years, as the statewide base per pupil funding amount would approach and eclipse the statewide average per pupil funding amount, effectively eliminating any differentiation between districts based on the factors in the school finance formula.

<sup>13</sup> The OSPB September 2013 Forecast projected a transfer of \$99.5 million to the SEF in December 2014 but the Governor's Office has indicated that it no longer expects any transfer at that time.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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account for income-tax forecast error and to avoid requiring the State Treasurer to liquidate long-term investments. This year, staff includes options based on long-term fund balances of \$100 million and staff's recommendation to set a minimum balance of \$400 million.

Finally, staff will update these projections again based on the Legislative Council Staff and Office of State Planning and Budgeting December 2013 revenue forecasts (including adjustments for inflation, SEF revenues, pupil enrollment, and property tax revenues), as well as actual pupil count information for the current school year that will be available in January 2014

**2013 Projections (FY 2014-15 through FY 2017-18)**

The General Assembly faces two basic decisions regarding school finance in FY 2014-15:

- How much should the State spend on total program in FY 2014-15?
- Second, how should the State balance the use of the General Fund and the SEF, given anticipated transfers of one-time funds to the State Education Fund? Should the State maintain a larger fund balance in the State Education Fund to provide an additional reserve for K-12 education?

***Question 1: How much should the state spend on total program in FY 2014-15?***

The General Assembly faces a menu of options regarding expenditures for total program, ranging from reducing appropriations below FY 2013-14 levels (within constitutional constraints) to eliminating the negative factor and “fully funding” the formula (if possible within available revenues). Pursuant to S.B. 13-108, staff recommends that the *Long Bill* appropriation reflect the requirement to adjust statewide average per pupil funding by the rate of inflation. The following projections (other than the baseline scenario) are for discussion purposes as the General Assembly plans for the overall budget and the annual School Finance Bill.

Similar to recent years, this year's projections include four incremental scenarios to illustrate potential answers to question of how much to spend on total program. As discussed above, the specific scenarios have changed because staff has not included scenarios below the baseline amount required by S.B. 13-108. This year's scenarios include:

- *Baseline/ Current Law:* Annually increase statewide average per pupil funding by the rate of inflation as required by S.B. 13-108. Staff's *figure setting* recommendation will use the *actual* inflation rate (Denver-Boulder Consumer Price Index) from 2013 – the following projections use the September 2013 revenue forecasts.
- *Constant Negative Factor:* Maintain the negative factor at a constant dollar amount (\$1,005,854,377) in FY 2014-15 and beyond.
- *Reduce Negative Factor by \$50 Million Annually:* Reduce the negative factor by \$50 million per year (below the prior year amount), starting in FY 2014-15.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

- *Policy Option:* “Fully fund” the statutory school finance formula and eliminate the negative factor beginning in FY 2014-15.

Table 1 below shows the *total state funding* necessary to support each scenario depending on the revenue forecast used. The two forecasts (LCS September 2013 and OSPB September 2013) produce different scenarios for total funding simply based on differences in the projected inflation rates. Because LCS is currently projecting higher inflation rates for each year than OSPB, the LCS forecast requires more funding under each scenario than the OSPB forecast. For example, the LCS forecast requires an increase of \$196.5 million for the baseline scenario in FY 2014-15, compared to \$179.7 million under the OSPB forecast.

Conversely, as discussed in the following section, the OSPB Forecast actually requires *more General Fund* investment under each scenario because of reduced projections of the revenues available in the SEF.

<b>TABLE 1: Total State Share Funding Scenarios by Revenue Forecast</b>					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<i>Projected Pupil Count</i>	828,045	838,725	848,169	859,290	873,996
Local Share of Funding	\$1,975,723,359	\$2,012,106,659	\$2,080,518,285	\$2,134,611,760	\$2,245,611,572
<i>Annual Percent Change</i>	3.0%	1.8%	3.4%	2.6%	5.2%
<b>State Share of Funding - Legislative Council Staff September 2013 Forecast</b>					
<i>Forecast Inflation Rate</i>	1.9%	2.9%	3.2%	3.3%	3.3%
<b>Increase Average Per Pupil Funding by Inflation (Current Law Baseline)</b>	\$3,532,662,765	\$3,729,118,940	\$3,911,144,550	\$4,135,927,366	\$4,342,707,117
Annual Increase in State Share	n/a	196,456,175	182,025,610	224,782,816	206,779,751
Statewide Average Per Pupil	6,652	6,845	7,064	7,297	7,538
Negative Factor	(1,005,854,377)	(1,051,217,851)	(1,097,073,030)	(1,148,131,602)	(1,206,323,690)
<b>Maintain Negative Factor as a Dollar Amount (Governor's Request)</b>	\$3,532,662,765	\$3,774,482,414	\$4,002,363,202	\$4,278,204,591	\$4,543,176,430
Annual Increase in State Share	n/a	241,819,649	227,880,788	275,841,389	264,971,839
Statewide Average Per Pupil	6,652	6,899	7,172	7,463	7,768
Negative Factor	(1,005,854,377)	(1,005,854,377)	(1,005,854,378)	(1,005,854,377)	(1,005,854,377)
<b>Reduce Negative Factor by \$50 Million Annually</b>	\$3,532,662,765	\$3,824,482,414	\$4,102,363,202	\$4,428,204,591	\$4,743,176,430
Annual Increase in State Share	n/a	291,819,649	277,880,788	325,841,389	314,971,839
Statewide Average Per Pupil	6,652	6,959	7,290	7,637	7,996
Negative Factor	(1,005,854,377)	(955,854,377)	(905,854,378)	(855,854,377)	(805,854,377)
<b>Eliminate Negative Factor in FY 2014-15</b>	\$3,532,662,765	\$4,780,336,791	\$5,008,217,580	\$5,284,058,968	\$5,549,030,807
Annual Increase in State Share	n/a	1,247,674,026	227,880,789	275,841,388	264,971,839
Statewide Average Per Pupil	6,652	8,099	8,358	8,633	8,918
Negative Factor	(1,005,854,377)	0	0	0	0

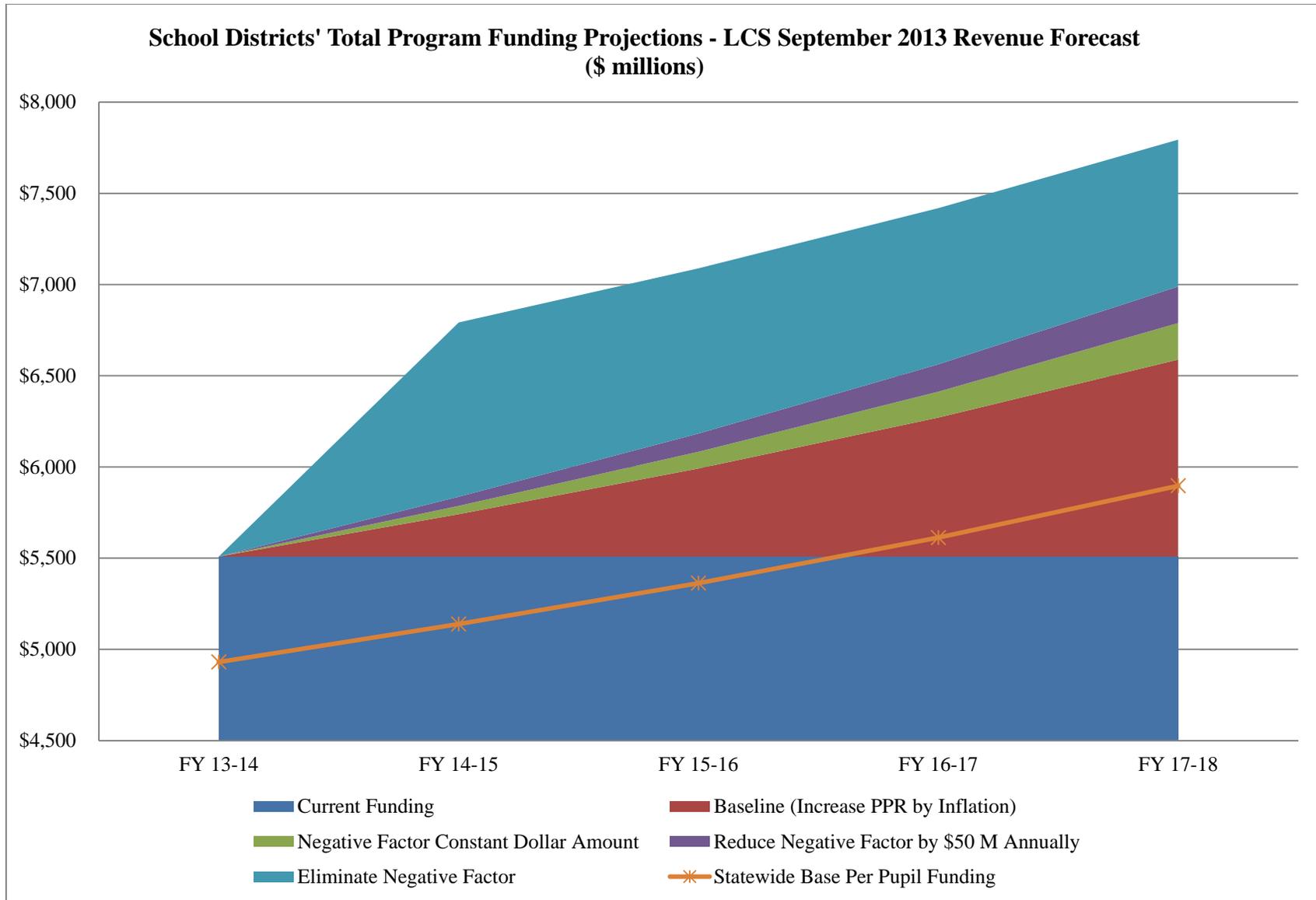
**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>TABLE 1: Total State Share Funding Scenarios by Revenue Forecast</b>					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>State Share of Funding - Office of State Planning and Budgeting September 2013 Forecast</b>					
<i>Forecast Inflation Rate</i>	<i>1.9%</i>	<i>2.6%</i>	<i>2.4%</i>	<i>2.6%</i>	<i>2.6%</i>
<b>Increase Average Per Pupil Funding by Inflation (Current Law Baseline)</b>	\$3,532,662,765	\$3,712,392,078	\$3,847,379,184	\$4,027,158,451	\$4,184,557,613
Annual Increase in State Share	<i>n/a</i>	179,729,313	134,987,106	179,779,267	157,399,162
Statewide Average Per Pupil	6,652	6,825	6,989	7,171	7,357
Negative Factor	(1,005,854,377)	(1,048,153,246)	(1,085,393,739)	(1,128,213,263)	(1,177,359,476)
<b>Maintain Negative Factor as a Dollar Amount (Governor's Request)</b>	\$3,532,662,765	\$3,754,690,946	\$3,926,918,545	\$4,149,517,336	\$4,356,062,711
Annual Increase in State Share	<i>n/a</i>	222,028,181	172,227,599	222,598,791	206,545,375
Statewide Average Per Pupil	6,652	6,876	7,083	7,313	7,553
Negative Factor	(1,005,854,377)	(1,005,854,378)	(1,005,854,378)	(1,005,854,378)	(1,005,854,378)
<b>Reduce Negative Factor by \$50 Million Annually</b>	\$3,532,662,765	\$3,804,690,947	\$4,026,918,545	\$4,299,517,335	\$4,556,062,711
Annual Increase in State Share	<i>n/a</i>	272,028,182	222,227,598	272,598,790	256,545,376
Statewide Average Per Pupil	6,652	6,935	7,201	7,488	7,782
Negative Factor	(1,005,854,377)	(955,854,377)	(905,854,378)	(855,854,379)	(805,854,378)
<b>Eliminate Negative Factor in FY 2014-15</b>	\$3,532,662,765	\$4,760,545,324	\$4,932,772,923	\$5,155,371,714	\$5,361,917,089
Annual Increase in State Share	<i>n/a</i>	1,227,882,559	172,227,599	222,598,791	206,545,375
Statewide Average Per Pupil	6,652	8,075	8,269	8,484	8,704
Negative Factor	(1,005,854,377)	0	0	0	0

Thus, based on the most recent revenue forecasts, the baseline scenario requires an average increase of 162.9 million per year through FY 2017-18 under the OSPB Forecast and \$202.5 million per year under the LCS Forecast. Maintaining the negative factor at a constant dollar amount would require an average of \$205.9 million per year (above the current appropriation) under the OSPB Forecast and \$252.6 million per year under the LCS Forecast. Additional increases above those amounts would reduce the negative factor from the FY 2013-14 amount.

As a different view, the graphic on the following page shows staff's funding projections of total program funding (including both state and local funds) based on these four incremental scenarios under the LCS Forecast. Each layer of the area chart represents additional funding required under each scenario. The graphic also includes a line to identify the costs of simply providing base per pupil funding, keeping pace with projected enrollment increases and providing the constitutionally required inflationary increases in base per pupil funding. The area above that line reflects the amount of funding available for the school finance formula "factors" under each scenario. As shown in the chart, if total program funding remained constant at FY 2013-14 levels, the appropriation would not support the constitutionally required appropriation for statewide base per pupil funding by FY 2016-17.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**



***Question 2: How should the State balance the use of General Fund and the SEF for school finance in FY 2014-15 and beyond?***

As discussed above, the September 2013 LCS and OSPB Revenue Forecasts both anticipate a transfer of \$1.1 billion in FY 2012-13 General Fund revenues to the SEF in December 2013. The Legislative Council Staff Revenue Forecast also anticipates a transfer of \$435.1 million in FY 2013-14 General Fund revenues to the SEF in December 2014, while the Office of State Planning and Budgeting is not currently assuming any transfer in December 2014. Given the magnitude of the anticipated transfers, the General Assembly has a range of options if members wish to increase school finance appropriations, from using exclusively General Fund to support potential increases to drawing exclusively on the anticipated SEF balance in the short-term. Each financing option creates different near- and long-term consequences for the General Fund.

In planning for school finance appropriations, staff recommends that the Committee and the General Assembly consider the following.

- *General Fund Stability:* Staff’s projections assume that the General Assembly would prefer to avoid large “spikes” in General Fund spending over the forecast period. Thus, in an effort to “smooth out” increases in General Fund appropriations, staff adjusts the use of SEF moneys in each of the four scenarios and has created the projections to produce consistent percentage increases in General Fund expenditures wherever possible. Please note that significant changes in the amounts transferred to the SEF would require adjustments to these projections.
- *SEF Balance:* As mentioned above, in recent years, the General Assembly has assumed a \$100 million minimum SEF balance to cover income tax forecast error. The Governor’s FY 2014-15 budget proposes to increase the assumed long-term balance of the SEF to \$400 million to provide an additional reserve for education spending. **Staff recommends that the Committee adopt the proposal and retain a minimum balance of \$400 million in the SEF. In FY 2013-14, that amount equates to approximately 7.3 percent of total program funding (including state and local funds) and 11.3 percent of the state share.** Increasing the minimum SEF balance requires additional General Fund appropriations under each scenario. The projections below include both scenarios (\$100 million and \$400 million minimum balances) for discussion purposes.
- *Forecast Differences:* The choice of revenue forecast directly affects the school finance appropriations necessary under each scenario. As discussed above, differences in inflation rates affect the *total* funding necessary for each scenario. For the purposes of this section, differences in revenue assumptions, and specifically anticipated SEF revenues, directly impact the amount of General Fund necessary under each scenario. While the OSPB Forecast requires smaller total increases than the LCS Forecast (because of lower inflation projections), the OSPB Forecast actually requires larger General Fund increases because of lower anticipated SEF revenues (particularly the December 2014 transfer). Based on the Committee’s precedent of balancing to the more conservative forecast in recent years, and

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

because these projections are for discussion purposes, staff has only included detailed projections for the OSPB forecast.

*General Fund Impact*

The following tables detail the incremental changes in General Fund appropriations under each scenario and each minimum SEF balance using the OSPB forecast. Staff has built the projections to provide consistent General Fund growth (in percentage terms) in all scenarios except fully funding the school finance formula in FY 2014-15 (where consistent General Fund growth is not possible).

Table 2 shows the changes in General Fund appropriations necessary to support each scenario based on the current assumption of a \$100 minimum balance over the forecast period.

<b>TABLE 2: Projection of General Fund Need for Public School Finance (OSPB Forecast with \$100 Million Minimum SEF Balance)</b>				
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Base Appropriation	\$2,933,673,790	\$3,706,864,360	\$4,425,222,701	\$4,631,502,800
Increase Average Per Pupil Funding by Inflation (4.5 percent annual GF growth)	131,313,747	137,191,462	143,332,270	149,747,945
Maintain Negative Factor as a Dollar Amount (5.8 percent annual GF growth)	37,618,808	41,468,898	45,616,061	50,080,779
Reduce Negative Factor by \$50 Million Annually (7.26 percent annual GF growth)	44,183,233	49,937,156	56,255,578	63,187,944
Eliminate Negative Factor in FY 2014-15	560,074,782	489,760,825	(38,923,810)	(73,350,670)
Adjusted GF Appropriation to "Fully Fund" Formula (Eliminating Negative Factor)	\$3,706,864,360	\$4,425,222,701	\$4,631,502,800	\$4,821,168,798
Total Annual GF Change	\$773,190,570	\$718,358,341	\$206,280,099	\$189,665,998
Total Annual Percent Change	26.4%	19.4%	4.7%	4.1%

Table 3 shows the changes in General Fund appropriations necessary with a \$400 million minimum SEF balance over the forecast period. Each scenario requires some additional General Fund to accommodate the increased minimum fund balance.

<b>TABLE 3: Projection of General Fund Need for Public School Finance (OSPB Forecast with \$400 Million Minimum SEF Balance)</b>				
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Base Appropriation	\$2,933,673,790	\$3,706,864,444	\$4,522,315,261	\$4,724,275,630
Increase Average Per Pupil Funding by Inflation (5.3 percent annual GF growth)	156,647,681	165,012,107	173,823,163	183,104,698
Maintain Negative Factor as a Dollar Amount (6.6 percent annual GF growth)	37,009,154	41,428,348	46,244,780	51,490,307

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>TABLE 3: Projection of General Fund Need for Public School Finance (OSPB Forecast with \$400 Million Minimum SEF Balance)</b>				
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Reduce Negative Factor by \$50 Million Annually (8.08 percent annual GF growth)	43,423,080	49,798,675	56,878,721	64,732,639
Eliminate Negative Factor in FY 2014-15	536,110,739	559,211,687	(74,986,295)	(114,806,427)
Adjusted GF Appropriation to "Fully Fund" Formula (Eliminating Negative Factor)	\$3,706,864,444	\$4,522,315,261	\$4,724,275,630	\$4,908,796,847
Total Annual GF Change	\$773,190,654	\$815,450,817	\$201,960,369	\$184,521,217
Total Annual Percent Change	26.4%	22.0%	4.5%	3.9%

Tables 4 and 5 (below) include detail on all of applicable fund sources for school finance, putting the state share and General Fund projections above in broader context. Table 4 includes total program funding and the average per pupil funding level associated with each scenario, as well as the associated state and local funding components, based on a \$100 million minimum SEF balance. Table 5 includes the same detail based on a \$400 minimum SEF balance.

<b>TABLE 4: Fund Source Detail Corresponding to General Fund Projections (OSPB Forecast - \$100 Million Minimum SEF Fund Balance)</b>					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<i>Projected Pupil Count</i>	828,045	838,725	848,169	859,290	873,996
<b>Baseline - Increase Average Per Pupil Funding By Inflation</b>					
General Fund	\$2,933,673,790	\$3,064,987,537	\$3,202,178,999	\$3,345,511,269	\$3,495,259,214
State Education Fund	523,620,586	576,520,842	572,547,180	606,408,532	611,370,678
State Public School Fund	<u>75,368,389</u>	<u>70,883,699</u>	<u>72,653,005</u>	<u>75,238,650</u>	<u>77,927,721</u>
Subtotal: State Share of Funding	\$3,532,662,765	\$3,712,392,078	\$3,847,379,184	\$4,027,158,451	\$4,184,557,613
<i>Annual Percent Change</i>	4.5%	5.1%	3.6%	4.7%	3.9%
Local Share of Funding	\$1,975,723,359	\$2,012,106,659	\$2,080,518,285	\$2,134,611,760	\$2,245,611,572
<i>Annual Percent Change</i>	3.0%	1.8%	3.4%	2.6%	5.2%
Total Program Funding	\$5,508,386,124	\$5,724,498,737	\$5,927,897,469	\$6,161,770,211	\$6,430,169,185
<i>Annual Percent Change</i>	4.0%	3.9%	3.6%	3.9%	4.4%
Average Funding Per Pupil	\$6,652	\$6,825	\$6,989	\$7,171	\$7,357
<i>Annual Percent Change</i>	2.7%	2.6%	2.4%	2.6%	2.6%
<b>Maintain Negative Factor as a Constant Dollar Amount</b>					
General Fund	\$2,933,673,790	\$3,102,606,345	\$3,281,266,705	\$3,470,215,036	\$3,670,043,760
State Education Fund	523,620,586	581,200,902	572,998,835	604,063,650	608,091,230
State Public School Fund	<u>75,368,389</u>	<u>70,883,699</u>	<u>72,653,005</u>	<u>75,238,650</u>	<u>77,927,721</u>
Subtotal: State Share of Funding	\$3,532,662,765	\$3,754,690,946	\$3,926,918,545	\$4,149,517,336	\$4,356,062,711
<i>Annual Percent Change</i>	4.5%	6.3%	4.6%	5.7%	5.0%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>TABLE 4: Fund Source Detail Corresponding to General Fund Projections (OSPB Forecast - \$100 Million Minimum SEF Fund Balance)</b>					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Local Share of Funding	\$1,975,723,359	\$2,012,106,659	\$2,080,518,285	\$2,134,611,760	\$2,245,611,572
<i>Annual Percent Change</i>	3.0%	1.8%	3.4%	2.6%	5.2%
Total Program Funding	\$5,508,386,124	\$5,766,797,605	\$6,007,436,830	\$6,284,129,096	\$6,601,674,283
<i>Annual Percent Change</i>	4.0%	4.7%	4.2%	4.6%	5.1%
Average Funding Per Pupil	\$6,652	\$6,876	\$7,083	\$7,313	\$7,553
<i>Annual Percent Change</i>	2.7%	3.4%	3.0%	3.3%	3.3%
<b>Reduce Negative Factor by \$50 Million Annually</b>					
General Fund	\$2,933,673,790	\$3,146,789,578	\$3,375,387,094	\$3,620,591,003	\$3,883,607,671
State Education Fund	523,620,586	587,017,669	578,878,446	603,687,683	594,527,319
State Public School Fund	<u>75,368,389</u>	<u>70,883,699</u>	<u>72,653,005</u>	<u>75,238,650</u>	<u>77,927,721</u>
Subtotal: State Share of Funding	\$3,532,662,765	\$3,804,690,946	\$4,026,918,545	\$4,299,517,336	\$4,556,062,711
<i>Annual Percent Change</i>	4.5%	7.7%	5.8%	6.8%	6.0%
Local Share of Funding	\$1,975,723,359	\$2,012,106,659	\$2,080,518,285	\$2,134,611,760	\$2,245,611,572
<i>Annual Percent Change</i>	3.0%	1.8%	3.4%	2.6%	5.2%
Total Program Funding	\$5,508,386,124	\$5,816,797,605	\$6,107,436,830	\$6,434,129,096	\$6,801,674,283
<i>Annual Percent Change</i>	4.0%	5.6%	5.0%	5.3%	5.7%
Average Funding Per Pupil	\$6,652	\$6,935	\$7,201	\$7,488	\$7,782
<i>Annual Percent Change</i>	2.7%	4.3%	3.8%	4.0%	3.9%
<b>Fully Fund Statutory Formula and Eliminate Negative Factor Beginning in FY 2014-15</b>					
General Fund	\$2,933,673,790	\$3,706,864,360	\$4,425,222,701	\$4,631,502,800	\$4,821,168,798
State Education Fund	523,620,586	982,797,265	434,897,217	448,630,264	462,820,570
State Public School Fund	<u>75,368,389</u>	<u>70,883,699</u>	<u>72,653,005</u>	<u>75,238,650</u>	<u>77,927,721</u>
Subtotal: State Share of Funding	\$3,532,662,765	\$4,760,545,324	\$4,932,772,923	\$5,155,371,714	\$5,361,917,089
<i>Annual Percent Change</i>	4.5%	34.8%	3.6%	4.5%	4.0%
Local Share of Funding	\$1,975,723,359	\$2,012,106,659	\$2,080,518,285	\$2,134,611,760	\$2,245,611,572
<i>Annual Percent Change</i>	3.0%	1.8%	3.4%	2.6%	5.2%
Total Program Funding	\$5,508,386,124	\$6,772,651,983	\$7,013,291,208	\$7,289,983,474	\$7,607,528,661
<i>Annual Percent Change</i>	4.0%	23.0%	3.6%	3.9%	4.4%
Average Funding Per Pupil	\$6,652	\$8,075	\$8,269	\$8,484	\$8,704
<i>Annual Percent Change</i>	2.7%	21.4%	2.4%	2.6%	2.6%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>TABLE 5: Fund Source Detail Corresponding to General Fund Projections (OSPb Forecast - \$400 Million Minimum SEF Fund Balance)</b>					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<i>Projected Pupil Count</i>	828,045	838,725	848,169	859,290	873,996
<b>Baseline - Increase Average Per Pupil Funding By Inflation</b>					
General Fund	\$2,933,673,790	\$3,090,321,471	\$3,255,333,578	\$3,429,156,741	\$3,612,261,438
State Education Fund	523,620,586	551,186,907	519,392,600	522,763,060	464,368,454
State Public School Fund	<u>75,368,389</u>	<u>70,883,699</u>	<u>72,653,005</u>	<u>75,238,650</u>	<u>77,927,721</u>
Subtotal: State Share of Funding	\$3,532,662,765	\$3,712,392,077	\$3,847,379,183	\$4,027,158,451	\$4,154,557,613
<i>Annual Percent Change</i>	4.5%	5.1%	3.6%	4.7%	3.2%
Local Share of Funding	\$1,975,723,359	\$2,012,106,659	\$2,080,518,285	\$2,134,611,760	\$2,245,611,572
<i>Annual Percent Change</i>	3.0%	1.8%	3.4%	2.6%	5.2%
Total Program Funding	\$5,508,386,124	\$5,724,498,736	\$5,927,897,468	\$6,161,770,211	\$6,400,169,185
<i>Annual Percent Change</i>	4.0%	3.9%	3.6%	3.9%	3.9%
Average Funding Per Pupil	\$6,652	\$6,825	\$6,989	\$7,171	\$7,323
<i>Annual Percent Change</i>	2.7%	2.6%	2.4%	2.6%	2.1%
<b>Maintain Negative Factor as a Constant Dollar Amount</b>					
General Fund	\$2,933,673,790	\$3,127,330,625	\$3,333,771,080	\$3,553,839,023	\$3,788,434,028
State Education Fund	523,620,586	556,476,622	520,494,460	520,439,663	489,700,962
State Public School Fund	<u>75,368,389</u>	<u>70,883,699</u>	<u>72,653,005</u>	<u>75,238,650</u>	<u>77,927,721</u>
Subtotal: State Share of Funding	\$3,532,662,765	\$3,754,690,946	\$3,926,918,545	\$4,149,517,336	\$4,356,062,711
<i>Annual Percent Change</i>	4.5%	6.3%	4.6%	5.7%	5.0%
Local Share of Funding	\$1,975,723,359	\$2,012,106,659	\$2,080,518,285	\$2,134,611,760	\$2,245,611,572
<i>Annual Percent Change</i>	3.0%	1.8%	3.4%	2.6%	5.2%
Total Program Funding	\$5,508,386,124	\$5,766,797,605	\$6,007,436,830	\$6,284,129,096	\$6,601,674,283
<i>Annual Percent Change</i>	4.0%	4.7%	4.2%	4.6%	5.1%
Average Funding Per Pupil	\$6,652	\$6,876	\$7,083	\$7,313	\$7,553
<i>Annual Percent Change</i>	2.7%	3.4%	3.0%	3.3%	3.3%
<b>Reduce Negative Factor by \$50 Million Annually</b>					
General Fund	\$2,933,673,790	\$3,170,753,705	\$3,426,992,835	\$3,703,939,499	\$4,003,267,143
State Education Fund	523,620,586	563,053,542	527,272,705	520,339,186	474,867,847
State Public School Fund	<u>75,368,389</u>	<u>70,883,699</u>	<u>72,653,005</u>	<u>75,238,650</u>	<u>77,927,721</u>
Subtotal: State Share of Funding	\$3,532,662,765	\$3,804,690,946	\$4,026,918,545	\$4,299,517,335	\$4,556,062,711
<i>Annual Percent Change</i>	4.5%	7.7%	5.8%	6.8%	6.0%
Local Share of Funding	\$1,975,723,359	\$2,012,106,659	\$2,080,518,285	\$2,134,611,760	\$2,245,611,572
<i>Annual Percent Change</i>	3.0%	1.8%	3.4%	2.6%	5.2%
Total Program Funding	\$5,508,386,124	\$5,816,797,605	\$6,107,436,830	\$6,434,129,095	\$6,801,674,283
<i>Annual Percent Change</i>	4.0%	5.6%	5.0%	5.3%	5.7%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>TABLE 5: Fund Source Detail Corresponding to General Fund Projections (OSPB Forecast - \$400 Million Minimum SEF Fund Balance)</b>					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Average Funding Per Pupil	\$6,652	\$6,935	\$7,201	\$7,488	\$7,782
<i>Annual Percent Change</i>	2.7%	4.3%	3.8%	4.0%	3.9%
<b>Fully Fund Statutory Formula and Eliminate Negative Factor Beginning in FY 2014-15</b>					
General Fund	\$2,933,673,790	\$3,706,864,444	\$4,522,315,261	\$4,724,275,629	\$4,908,796,846
State Education Fund	523,620,586	982,797,181	337,804,657	355,857,434	375,192,522
State Public School Fund	<u>75,368,389</u>	<u>70,883,699</u>	<u>72,653,005</u>	<u>75,238,650</u>	<u>77,927,721</u>
Subtotal: State Share of Funding	\$3,532,662,765	\$4,760,545,324	\$4,932,772,923	\$5,155,371,713	\$5,361,917,089
<i>Annual Percent Change</i>	4.5%	34.8%	3.6%	4.5%	4.0%
Local Share of Funding	\$1,975,723,359	\$2,012,106,659	\$2,080,518,285	\$2,134,611,760	\$2,245,611,572
<i>Annual Percent Change</i>	3.0%	1.8%	3.4%	2.6%	5.2%
Total Program Funding	\$5,508,386,124	\$6,772,651,983	\$7,013,291,208	\$7,289,983,473	\$7,607,528,661
<i>Annual Percent Change</i>	4.0%	23.0%	3.6%	3.9%	4.4%
Average Funding Per Pupil	\$6,652	\$8,075	\$8,269	\$8,484	\$8,704
<i>Annual Percent Change</i>	2.7%	21.4%	2.4%	2.6%	2.6%

**Governor’s FY 2014-15 Request**

The Governor’s budget request proposes a \$222.1 million increase in state funding for school districts’ total program in FY 2014-15, including \$73.6 million General Fund and \$148.5 million cash funds from the SEF. When combined with an anticipated \$36.3 million increase in local revenues, the Governor’s proposal provides an increase of \$258.4 million for total program spending.

The proposal, based on the OSPB forecast, is designed to:

- Maintain the negative factor as a constant dollar amount (\$1,005,854,377) in FY 2014-15, reducing the negative factor from 15.44 percent of FY 2013-14 total program funding to 14.85 percent in FY 2014-15. Statewide average per pupil funding would grow from \$6,652 in FY 2013-14 to an estimated \$6,876 in FY 2014-15 (an increase of 3.4 percent).
- Maintain a balance of at least \$700 million in the SEF at the end of FY 2014-15.
- Maintain a long-term balance of at least \$400 million in the SEF to provide an additional reserve for education funding.

While the assumptions driving the specific amounts will change with the December 2013 revenue forecasts and actual pupil count data from the current year, the Department has indicated that the parameters outlined above define the overall proposal.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

The Department is also requesting an increase in the authorized number of participants in the Accelerating Students Through Concurrent Enrollment (ASCENT) program. The FY 2013-14 Long Bill authorizes up to 450 participants; the Department is requesting an increase to 708 students in FY 2014-15 (an increase of 258 students). Based on the FY 2013-14 cost of \$6,068 per ASCENT student, the additional 258 students would require \$1,565,544 of total program funding.

*Staff Analysis of Request*

Staff is concerned about the proposed balance between General Fund and SEF revenues in the Governor’s request. The request includes an increase of \$73.6 million General Fund in FY 2014-15, and the Governor’s letter accompanying the FY 2014-15 budget request indicates that maintaining a constant negative factor with a \$400 million SEF balance in FY 2015-16 would require an increase of \$214 million General Fund in FY 2015-16.

The request reduces the General Fund impact in FY 2014-15 (relative to staff’s projections for the “constant negative factor” scenario with the same minimum SEF balance), making more General Fund available for other uses. However, the Governor’s proposal effectively spends the SEF down to approximately \$400 million by the end of FY 2015-16, whereas staff’s projections do so over two more years (through FY 2017-18). Accelerating spending from the SEF reduces the General Fund impact in FY 2014-15 but increases the magnitude of increases in General Fund appropriations in subsequent years.

Table 6 compares the projected General Fund appropriations under the Governor’s proposal and staff’s projections for FY 2014-15 through FY 2017-18. Maintaining the same parameters in FY 2016-17 under the Governor’s proposal would require an increase of \$514 million General Fund that year, compared to \$220 million under staff’s projection of the same scenario.

<b>TABLE 6: General Fund Impact of Governor's Proposal vs. Staff Projections</b>				
<b>(OSPB Forecast with Constant Negative Factor and \$400 Million Minimum SEF Balance)</b>				
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>Governor's FY 2014-15 Budget Request</b>				
Base General Fund Appropriation	\$2,933,673,790	\$3,007,273,790	\$3,221,023,942	\$3,735,014,107
Increase to Maintain Constant Negative Factor	<u>73,600,000</u>	<u>213,750,152</u>	<u>513,990,165</u>	<u>198,101,656</u>
Total Projected General Fund Appropriation	\$3,007,273,790	\$3,221,023,942	\$3,735,014,107	\$3,933,115,763
<b>JBC Staff Projections</b>				
Base General Fund Appropriation	\$2,933,673,790	\$3,127,330,625	\$3,333,771,080	\$3,553,839,023
Increase to Maintain Constant Negative Factor	<u>193,656,835</u>	<u>206,440,455</u>	<u>220,067,943</u>	<u>234,595,005</u>
Total Projected General Fund Appropriation	\$3,127,330,625	\$3,333,771,080	\$3,553,839,023	\$3,788,434,028

Reducing the short-term General Fund impact creates flexibility in FY 2014-15 and FY 2015-16 but will require additional planning if the General Assembly intends to avoid reductions to school finance appropriations in future years. If the General Assembly elects to use that flexibility for one-time uses, making the General Fund available for school finance in FY 2016-17, then the spike in General Fund need would be more manageable. However, if the General

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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Assembly uses the flexibility to support ongoing costs, then the necessary increase in FY 2016-17 could be particularly problematic.

**Staff Conclusions and Concerns**

As noted above, staff will revise these projections based on upcoming revenue forecasts, pupil counts from the Department of Education, and updated information regarding local revenues available for school finance. The scenarios and specific costs outlined above will inherently change based on that information. Thus, rather than focusing on specific dollar amounts at this point in the process, staff recommends that the Committee and the General Assembly focus early discussions on the broader questions of how much to pay, how to finance any increases in appropriations, and whether to increase the minimum balance in the SEF. Staff recommends that the Committee initiate discussions with legislative leadership, the Education Committees, and the Governor's Office concerning those broader questions.

Staff recommends the following specific topics for discussion with leadership and the Education Committees:

1. How does the General Assembly intend to meet the key constitutional requirements concerning education (Amendment 23 and the thorough and uniform requirement)? What is an adequate total program amount? Does the General Assembly intend to increase, decrease, or maintain the value of the negative factor in FY 2014-15 and beyond?
2. The use of one-time funding (such as year-end transfers of General Fund to the State Education Fund (SEF)) can delay the need for General Fund increases but can also require larger General Fund increase in future years. How should the General Assembly plan for the use of General Fund for education in the coming years? Should the General Assembly plan for a larger fund balance in the SEF to provide an additional reserve for education funding (as requested by the Governor and recommended by staff below)?
3. Following the failure of Amendment 66, should the General Assembly pursue changes to the statutory school finance formula, changes to Amendment 23, and/or changes to increase the revenues available to support school finance to ensure the State's ability to continue to provide for the maintenance of a thorough and uniform system of public schools?

**School District and Stakeholder Concerns**

Based on discussions with various school districts and education stakeholders, the Committee is likely to hear a variety of concerns about school finance appropriations in FY 2014-15 and beyond. Below is a brief discussion of some of those concerns.

1. *Negative Factor:* The stakeholders remain concerned about the magnitude of the negative factor as both a dollar amount (\$1.0 billion) and as a percentage of total program appropriations (15.5 percent in FY 2013-14). The stakeholders highest priority is reduction of the negative factor going forward. The stakeholders are seeking predictability for their budgets and would prefer to see a plan to reduce or eliminate the negative factor over time.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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*Staff Response:* Staff recommends that the General Assembly reduce the negative factor as resources allow. Given uncertainty about available resources, and the amount of General Fund required to simply maintain the negative factor as a constant dollar amount (or reduce it by \$50 million annually as shown above), providing additional predictability may be difficult (see following discussion of S.B. 13-108).

2. *S.B. 13-108 Baseline:* Some school districts and other stakeholders oppose the baseline for Long Bill appropriations created by S.B. 13-108. The districts are concerned that it changes the school finance calculations, moves the process from a policy discussion to a new formula, and does not create an ambitious enough target for future appropriations. Some school districts have expressed concern that it creates a ceiling for school finance appropriations.

*Staff Response:* Staff disagrees. The baseline created by S.B. 13-108 creates a “current law” amount to inform the annual Long Bill appropriation and to set a minimum amount for the appropriation going forward. As demonstrated by the 2013 Session and S.B. 13-260, the process allows the General Assembly to adjust the school finance appropriation upward (or downward if necessary by changing the statute) based on available resources. The detailed “policy discussion” of school finance appropriations will remain in the School Finance Bill. Staff understands the school districts’ interest in a higher baseline. The General Assembly could consider changing the baseline but doing so would increase the risk of needing to *reduce* the Long Bill appropriation through the School Finance bill.

3. *General Fund Contribution to K-12:* Some stakeholders have expressed concern about the share of General Fund devoted to education, particularly as revenues have rebounded, and argue that education is not getting its “fair share” of General Fund revenues.

*Staff Response:* The overall share of General Fund appropriations devoted to K-12 education has varied over time but has generally hovered around 40 percent since FY 1994-95. The graphs on page 43 show education’s percentage of annual General Fund appropriations from FY 1994-95 through FY 2013-14. The first graph *excludes appropriations from the SEF*, and under that analysis education has received an average of 41.6 percent of General Fund appropriations over that time period. The second graph *includes SEF appropriations*, and shows education’s percentage of total appropriations from the General Fund and the SEF (starting in FY 2001-02 with the creation of the SEF). Under that analysis, education has received an average of 43.8 percent over the entire time period and an average of 45.5 percent since the creation of the SEF in FY 2001-02.

Staff does not believe there is an “analytical” response to the idea of a fair share for education but has included the graphs for informational purposes. Staff also notes that the graphs focus on the share of appropriations rather than revenues.

4. *Federal Funding:* School districts are also facing budget reductions and uncertainty regarding federal funds, as a result of sequestration and ongoing federal budget reductions. The combination of the negative factor and federal budget cuts further complicates districts’ planning and operations.

***JBC Staff Budget Briefing: FY 2014-15***  
***Staff Working Document – Does Not Represent Committee Decision***

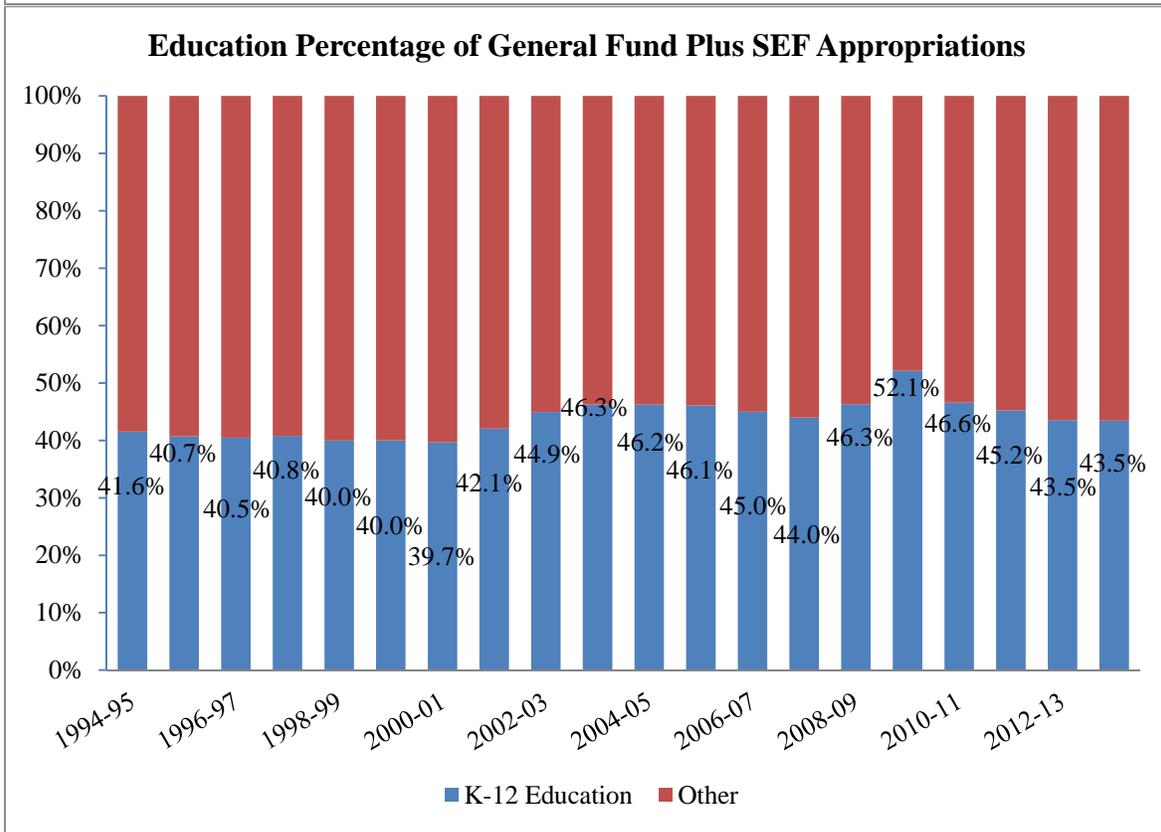
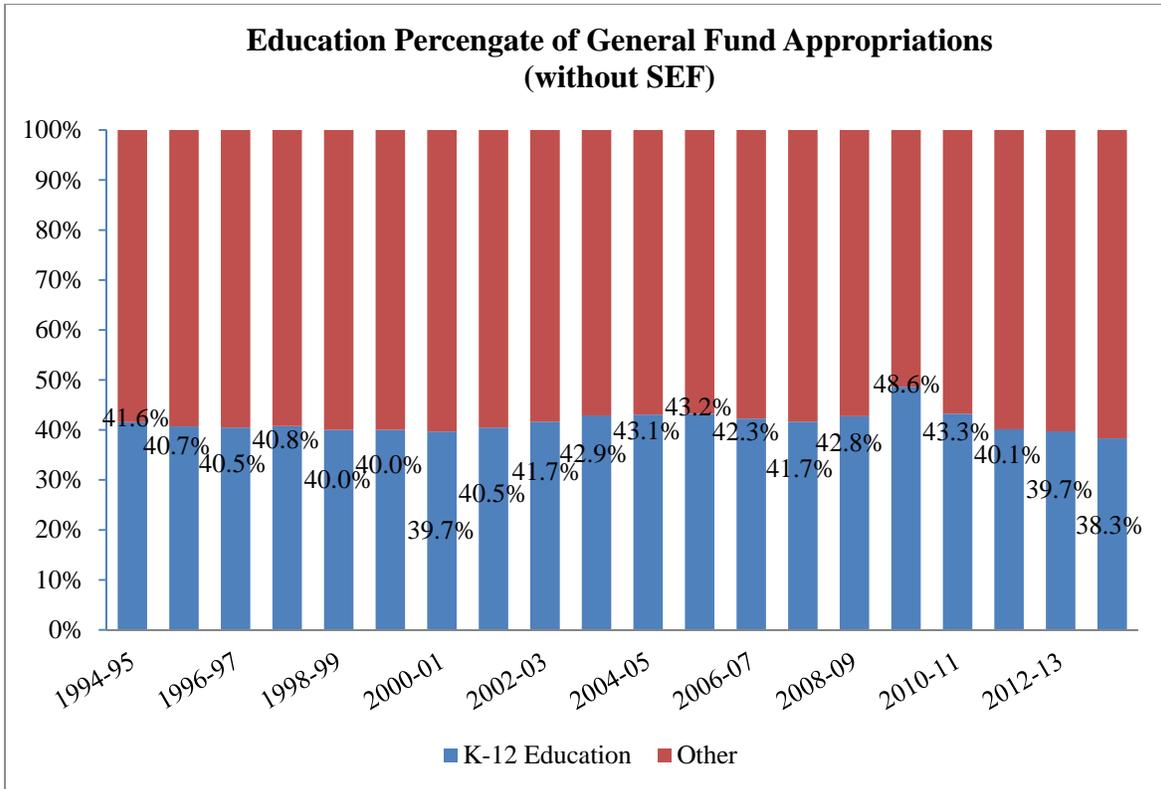
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*Staff Response:* Reductions in federal funding and continuing uncertainty about federal funding are problematic for both school districts and the Department. The outlook for FY 2014-15 and beyond is highly uncertain, which complicates planning for the school districts and the Department. Staff agrees that such concerns contribute to arguments to reduce the negative factor as resources allow.

**RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:**

The School Finance Act provides and allocates state and local resources for all public school operations in Colorado. As a result, this issue paper relates at some level to virtually all of the goals and objectives in the Department's performance plan.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**



## **Issue: Core Network and Information Technology Decision Item**

The Department is requesting \$3.1 million General Fund and 4.6 FTE in FY 2014-15, with ongoing costs of \$1.7 million General Fund and 5.0 FTE in FY 2015-16 and beyond, to update and improve the Department's information technology systems. The FY 2014-15 request includes \$1.4 million in one-time costs for hardware and software purchases; and \$1.6 million for ongoing costs associated with the requested FTE, ongoing hardware and software maintenance, and contract services. The Department reports that the combination of outdated and obsolete equipment and increasing data needs associated with recent reform legislation make the request a critical priority for FY 2014-15.

### **SUMMARY:**

- The Department is requesting \$3.1 million General Fund and 4.6 FTE in FY 2014-15, with ongoing costs of \$1.7 million General Fund and 5.0 FTE in FY 2015-16 and beyond, to update and improve the Department's information technology systems. The request includes \$1.4 million in one-time costs for hardware and software purchases driven by outdated and obsolete equipment. Ongoing costs include: \$0.6 million and 4.6 FTE (annualizing to 5.0 FTE in FY 2015-16) for additional information technology staff at the Department; \$0.6 million for ongoing hardware and software upgrades and maintenance; and \$0.5 million for contract services.
- The Department reports that the current equipment's risk of failure and the Department's increasing data requirements, driven in large part by recent education reform legislation, make this request an critical priority for the Department in FY 2014-15.
- Pursuant to a memorandum of understanding with the Governor's Office of Information Technology (OIT), the Department of Education is not part of the statewide OIT consolidation. As a result, OIT has agreed to work with the Department in a consultative role but does not have oversight of the request and has not provided an opinion regarding the necessity of the request.

### **RECOMMENDATION:**

Staff recommends that the Committee discuss this request with the Department at the upcoming hearing. Given the magnitude of the request, staff also recommends that the Committee discuss the request with members of the Joint Technology Committee.

### **DISCUSSION:**

#### **Background**

The Department's Information Management Services (IMS) Unit manages the Department's information technology (IT) resources. Because the Department is not part of the statewide

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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Office of Information Technology (OIT) consolidation (pursuant to a memorandum of understanding between the Department and OIT), the IMS Unit manages all of the Department's IT resources internally. OIT provides consultative support and certain centrally appropriated services to the Department but does not oversee IT systems or management. As a result, OIT has not provided an opinion regarding the necessity of the Department's request.

Recent reform legislation, including particularly S.B. 09-163 (Accountability) and S.B. 10-191 (Educator Effectiveness) have increased data requirements for the Department's IT systems.

- *S.B. 09-163*: The accountability system requires the IMS Unit to collect and process timely and accurate information about the quality and performance of the State's schools and districts. The IMS Unit maintains systems that collect, synthesize, and report student, financial, and performance information for schools and school districts throughout the State.
- *S.B. 10-191*: Full implementation will require the Department (through the IMS Unit) to collect data and electronically match over 60,000 teachers statewide, increasing workloads for the collection, movement, validation, warehousing, and overall processing of data associated with educator effectiveness.

**FY 2014-15 Request**

The Department is requesting \$3,070,988 General Fund and 4.6 FTE in FY 2014-15, with ongoing costs of \$1,678,615 General Fund and 5.0 FTE in FY 2015-16 and beyond, to update and improve the Department's information technology systems. The request includes four basic components: (1) \$1,422,034 in one-time costs for IT infrastructure (hardware and software) purchases; (2) \$583,638 and 4.6 FTE (annualizing to \$613,299 and 5.0 FTE in FY 2015-16) for additional IT staff; (3) \$558,316 for ongoing hardware and software upgrades and maintenance; and (4) \$507,000 annually for additional contract services. Each component is discussed in greater detail below.

*IT Infrastructure*

The Department reports that its current IT infrastructure is outdated and in danger of failing. For example, the hardware used for district student count and district financial data collections is no longer supported by the vendor due to obsolescence. The Department also reports that database and network hardware is at the end of its useful life and not maintainable beyond FY 2013-14. The Department is requesting \$1,422,034 in FY 2014-15 for one-time expenses to replace outdated hardware and network equipment, including:

- \$659,322 for database hardware and server devices, increased processor capacity, and associated license upgrades;
- \$375,424 for network equipment replacement and connectivity upgrades to respond to increased internal and external demand;
- \$263,559 for information security costs, including security firewalls, intrusion protection, and data access monitoring tools; and
- \$123,729 for wireless network equipment and improved access points.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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The Department has requested these funds as additions to the Information Technology Services line item. However, staff and the Department agree that any appropriations for IT infrastructure would be more appropriate for the Information Technology Asset Maintenance line item.

*Additional IT Staff*

The request includes an increase of \$583,638 and 4.6 FTE in FY 2014-15 (annualizing to \$613,299 and 5.0 FTE in FY 2015-16 and beyond) to add IT staff to the Department. According to the Department, the need for additional staff is driven by: (1) growth in Department staff (other than IT) requiring improved IT assistance and management services; and (2) data requirements due in large part to recent reform legislation creating additional workload in: system development; programming; data collection, processing, and reporting; and information security. The Department is proposing to add the following five positions (5.0 FTE):

- 1.0 FTE to implement, maintain, and manage a multi-tiered help-desk. The Department reports that wait times for the current help desk have become problematic and is proposing to hire a help desk/customer service manager in an effort to reduce wait times (the goal is a 50 percent reduction) and improve efficiency.
- 1.0 FTE to provide programming and reporting support for the School/District Performance Frameworks and Unified Improvement Planning reports by enabling reporting on mobile devices and app-based tools.
- 1.0 FTE to implement and monitor security processes to ensure the confidentiality of student and educator data and to reinforce security protocols for all data systems;
- 1.0 FTE to develop, integrate, and support new data systems supporting preschool, educator effectiveness, and dropout prevention. This position would also support data system integration with the Departments of Human Services, Higher Education, Labor and Employment, and Corrections.
- 1.0 FTE to develop and support data collection and reporting related to new on-line student assessments, including statewide broadband support.

The Department is requesting annual (full year) salaries for the new positions ranging from \$70,800 for the help desk manager to \$106,557 for the systems integration position. According to the Department, although the positions are non-classified, the requested salaries are based on Department of Personnel and Administration salary survey information and the amount necessary to attract personnel with the necessary expertise. The following table summarizes the components of the Department’s request associated with the requested FTE.

<b>Summary of Calculations for Requested IMS FTE</b>				
Cost Component	FY 2014-15	FTE	FY 2015-16	FTE
<b>Personal Services</b>				
Salaries	\$436,794	4.6	\$476,537	5.0
PERA (10.15 percent)	44,335		48,369	
Medicare	<u>6,334</u>		<u>6,910</u>	
Subtotal - Personal Services	\$487,463	4.6	\$531,816	5.0
<b>Centrally Appropriated Items</b>				

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>Summary of Calculations for Requested IMS FTE</b>				
<b>Cost Component</b>	<b>FY 2014-15</b>	<b>FTE</b>	<b>FY 2015-16</b>	<b>FTE</b>
Health-Life-Dental	\$22,105		\$22,105	
AED	17,473		20,968	
SAED	16,381		20,254	
STD	<u>831</u>		<u>906</u>	
Subtotal - Centrally Appropriated Items	\$56,790		\$64,233	
<b>Operating Expenses</b>				
Regular FTE Operating Expenses \$500 per FTE	\$2,300		\$2,500	
Telephone Expenses \$450 per FTE	2,070		2,250	
Personal Computer (one-time - \$1,230 per FTE)	6,150		0	
Office Furniture (one-time - \$3,473 per FTE)	17,365		0	
Rent - Leased Space	<u>11,500</u>		<u>12,500</u>	
Subtotal - Operating Expenses	\$39,385		\$17,250	
<b>Total Request</b>	<b>\$583,638</b>	<b>4.6</b>	<b>\$613,299</b>	<b>5.0</b>

Please note that the request includes all of the above costs in the Information Technology Services line item. Pursuant to Joint Budget Committee common policy, staff would not generally recommend adding the centrally appropriated items for the first year, and those costs would appear in the appropriate centrally appropriated line items in the following year.

*Ongoing Hardware and Software Upgrades and Maintenance*

The request includes \$558,316 in FY 2014-15 and subsequent years for ongoing hardware maintenance and software licensing needs. The request includes:

- \$255,966 for annual replacement and maintenance costs for IT infrastructure (calculated as 18.0 percent of the estimated purchase price of the infrastructure discussed above);
- \$187,094 for annual increases in data storage capability (the Department reports that data storage needs are doubling every 10 to 12 months); and
- \$115,256 for necessary license expansions, including mobile device supports and data quality components.

The Department has requested these funds as additions to the Information Technology Services line item. However, as with the one-time infrastructure costs discussed above, staff and the Department agree that any appropriations for IT infrastructure would be more appropriate for the Information Technology Asset Maintenance line item.

*Contract Services*

The request includes \$507,000 in FY 2014-15 and subsequent years to purchase additional IT contract service hours. The Department is seeking funds for contract service hours to provide additional flexibility when managing IT projects, supports, and infrastructure needs and allow the Department to absorb temporary increases in workload through contract services. The Department intends to use the funds, as necessary, for the following IT services:

- System migrations and upgrades;
- Application development support and consulting;
- LEAN process efficiency analysis and implementation;
- Data visualization and dashboards;
- User experience/application interface design and redesign;
- Mobile device support and help desk augmentation;
- External security audits;
- Performance optimization and troubleshooting;
- Emergency technology support and services;
- Server/network architecture auditing and recommendations; and
- Project management and coordination.

### **Staff Conclusion**

The collection, processing, storage, and reporting of data is critical to the Department's role. Staff agrees that an efficient and stable infrastructure is necessary to allow the Department to work effectively with schools and districts and meet requirements for the analysis and reporting of a variety of data. Staff also agrees that information security is of utmost importance, particularly as the Department collects increasing amounts of teacher and student information.

Based on the available information, additional resources appear to be necessary. Staff recommends that the Committee discuss this request with the Department at the upcoming hearing. Given the magnitude of the request, staff also recommends that the Committee seek the input of members of the Joint Technology Committee.

### **RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:**

The school, district, educator, and student data associated with this request are directly related to the goals and measures included in the Department's performance plan.

## **Issue: State Support for English Language Learners**

The Department is requesting an increase of \$429,345 General Fund and 4.1 FTE to provide additional support to school districts for their English Language Learner (ELL) programs in FY 2014-15 (increasing to \$441,612 and 4.5 FTE in FY 2015-16 and beyond). The request seeks to improve training and technical assistance for schools serving ELL students. The request does not include statutory changes to the English Language Proficiency Act and does not include additional funding for schools and districts serving ELL students.

### **SUMMARY:**

- Colorado’s English Language Proficiency Act (ELPA), enacted in 1981, creates the State’s English Language Proficiency Program (one of the State’s categorical funding programs).
- Federal law also requires school districts to identify and provide programs to allow students with limited English proficiency to overcome barriers to participation in education. The Office for Civil Rights (within the U.S. Department of Education) and the U.S. Department of Justice oversee state and local implementation of the federal requirements. Historically, federal enforcement in Colorado has focused on local school districts. However, as the population of ELL students has grown Colorado, the Department of Justice has expanded its focus to the state level, increasing potential legal exposure for the State.
- Colorado has seen increases in achievement among ELL students and some narrowing of achievement gaps between ELLs and other student subgroups. However, achievement gaps persist, as measured by academic proficiency as well as measures of college and career readiness.
- The General Assembly considered two bills affecting ELPA and ELLs during the 2013 Session. Senate Bill 13-213 and H.B. 13-1211 both included changes to ELPA. However, S.B. 13-213 will not take effect because of the failure of Amendment 66 in the November, 2013 election. House Bill 13-1211 failed in the Senate.
- The Department’s FY 2014-15 request includes an increase of \$429,345 General Fund and 4.1 FTE for the English Language Proficiency categorical program to support additional technical assistance and support for school districts’ ELL programs (annualizing to \$441,612 and 4.5 FTE in FY 2015-16 and beyond).
- Although the Department may pursue statutory changes to ELPA during the 2014 Session, the budget request does not include any statutory changes to the program and does not include additional funding for distribution to districts outside of the annual decision item distributing inflationary increases among the categorical programs.

### **RECOMMENDATION:**

Staff recommends that the General Assembly enact legislation to change the ELPA program to: (1) increase the Department’s oversight and technical assistance regarding ELL programs; (2) increase the number of years that districts may receive funding for services provided to ELL students; and (3) provide additional funding to school districts serving ELL students, either through the categorical program or by incorporating ELL students directly into the school finance formula. Staff also recommends that the Committee discuss this request and the potential need for additional legislation with the Department at the upcoming hearing and with members of the Education Committees.

## **DISCUSSION:**

### **Background**

#### *English Language Proficiency Program*

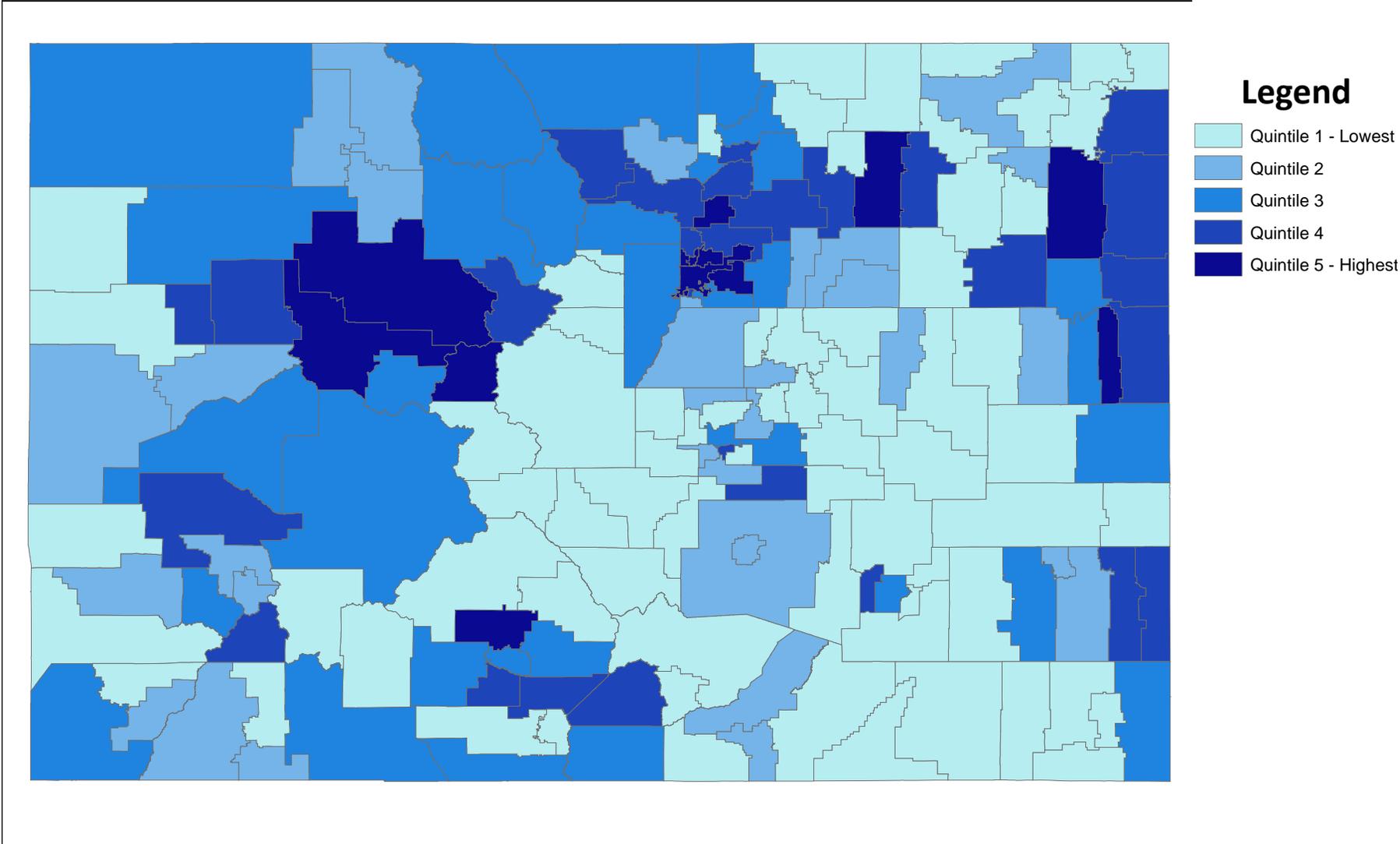
Both state and federal law require school districts to identify and provide programs for students with limited English proficiency. At the state level, the English Language Proficiency Act (ELPA) [Article 24 of Title 22, C.R.S.], enacted in 1981, establishes the English Language Proficiency Program and defines requirements for school districts and the Department. Section 22-24-105, C.R.S., requires local school districts to: (1) identify ELLs based on a common statewide assessment; (2) report data regarding the ELL students and the number of languages spoken by those students to the Department annually; and (3) administer and provide programs for students with limited English proficiency. The statute largely defers program design and implementation to local school districts.

Section 22-24-106, C.R.S., requires the Department to: (1) approve a single statewide assessment for the identification of ELL students; (2) set thresholds (cut points) to determine proficiency; (3) assist districts, upon request, with the identification and assessment of ELLs; (4) audit districts’ identification and testing procedures and evaluate the effectiveness of programs; (5) determine which students are counted for additional funding through the State’s categorical program and allocate funds accordingly; and (6) disaggregate testing data to track the academic progress of students with limited English proficiency.

#### *ELL Population Growth and Distribution*

The population of ELL students in Colorado is growing, and ELL students are found throughout the State. The map on the following page, provided by the Department, shows the relative distribution of ELL students statewide. According to the Department, ELLs comprise more than 20 percent of the population of 30 school districts in Colorado, including both urban and rural districts.

Colorado English learner (EL) students are not limited to the Metro area districts; rural districts also have some of the highest proportions of EL enrollment.



Source: CDE Student October Count

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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The following table shows changes in the ELL student population from FY 2002-03 through FY 2012-13. The ELL population has grown both in terms of the number of students and as a percentage of the total student population. In FY 2012-13, one in seven students in Colorado were ELL.

<b>ELL Enrollment Growth Relative to Overall Student Enrollment</b>					
School Year	Total Student Population	Total ELL Population	Statewide Percent ELL	Number of Districts with ELLs	Number of Districts without ELLs
2002-03	751,862	86,129	11.5%	Not Available	Not Available
2007-08	802,639	106,413	13.3%	153	30
2012-13	863,561	124,701	14.4%	160	23

The population of languages is also diverse. While Spanish is by far the most prevalent (spoken by 84.1 percent of ELLs in FY 2012-13), the Department reports that 235 languages other than English are spoken in the homes of Colorado ELL students.

**State Funding for ELL Programs**

The federal government provides some funding for ELL programs (discussed below), and the State provides assistance to districts through two mechanisms. First, districts receive "at-risk" funding through the School Finance Act for some students with limited English proficiency. Second, districts receive funding through the ELPA categorical program for students with limited English proficiency.

The categorical funding is distributed on a per pupil basis. Section 22-24-104 (4), C.R.S., requires the Department to allocate state funding in two parts:

- Three-quarters of the amount appropriated provides funding to districts serving students who: (a) speak languages other than English and do not comprehend or speak English; or (b) students who comprehend or speak some English, but whose primary comprehension or speech is in a language other than English. Annual per eligible student funding for these students may not exceed \$400 or 20 percent of the state average per pupil operating revenues for the preceding year, whichever is greater.
- The remaining 25 percent of the amount appropriated distributed to districts that serve students who comprehend and speak English and one or more other languages but whose English language development and comprehension is either: (1) at or below the district mean or below the mean or equivalent on a nationally standardized test; or (2) below the acceptable proficiency level based on the instrument or technique developed and approved by the Department. Annual per eligible student funding for these students may not exceed \$200 or 10 percent of the state average per pupil operating revenues for the preceding year, whichever is greater.

The annual appropriation is below the statutory limits discussed above. For example, in FY 2012-13, the General Assembly appropriated \$14.5 million total state funds, while the statutory

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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limit (based on the amounts described above) was \$40.1 million. Because the available appropriation covered only 36.1 percent of the statutory amount, each eligible district's appropriation was prorated accordingly. Staff notes two additional points with respect to ELL funding from the categorical program.

- First, the annual state and federal funding covers a relatively small share of school district costs for services to ELL students. The Department reports to the Committee annually regarding district costs associated with all of the categorical programs and the share of total costs covered by state and federal funds (see Appendix C in this document for a discussion of this year's response from the Department). Because of lags in reporting, the most recent year for which we have district expenditure data is FY 2011-12. In FY 2011-12, the State provided \$13.1 million for the ELPA categorical program, and federal funding provided another \$12.3 million (for total state and federal funding of \$25.4 million). However, school districts spent \$188.2 million on ELL programs and services that year, so state and federal funds covered only 13.5 percent of district expenditures.<sup>14</sup> Although ELPA funding increases each year through the Committee's allocation of constitutionally required inflationary increases (pursuant to Amendment 23), ELPA remains the most "underfunded" categorical program in percentage terms.
- Second, Section 22-24-104 (3), C.R.S., limits state ELPA funding to a maximum of two years per student. State and federal law require school districts to provide services until students become proficient in English, which often takes significantly longer than two years. According to the Department, five to seven years is a more realistic time-frame to reach proficiency.<sup>15</sup> As discussed below, recent legislative efforts have sought to change the two-year limit but have not taken effect.

Thus, the shortfall in funding relative to (legally required) district expenditures appears to have two causes. First, according to the Department, the annual per pupil allocation would not fund all of the necessary services for ELL students that do receive funding. Second, statute will not allow funding for more than two years of services, while districts must continue to provide services until the student is proficient, so costs continue even after the state funding ends for a particular student.

### **Federal Requirements and Enforcement**

Multiple federal laws affect (and create requirements for) English language proficiency programs. Major relevant laws include:

- *The Civil Rights Act of 1964* [Title VI] prohibits discrimination based on race, color, or national origin and prohibits exclusion from any program or activity receiving federal financial assistance (such as public education). As implemented by the U.S. Department of Education Office for Civil Rights, the Act: requires school districts to take affirmative steps

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<sup>14</sup> To the extent that local school districts are either underidentifying ELL students or exiting students from services early (both of which are concerns for the federal agencies monitoring ELL implementation), district expenditures would also understate the amount the amount of services districts are required to provide under state and federal law.

<sup>15</sup> Expert testimony during the *Lobato* trial also indicated that five to seven years was more realistic.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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to rectify language deficiencies; prohibits assignment to special education classes based on English language skills; requires parent notification of school activities; and forbids specialized programs for limited English proficiency students that operate as an educational dead-end or a permanent track.

- *The Equal Educational Opportunities Act of 1974* prohibits the denial of “equal educational opportunity”; prohibits discrimination against faculty, staff, and students, including racial segregation of students; and requires school districts to take action to overcome barriers to students’ equal participation (such as language deficiencies).
- The *No Child Left Behind Act* [Title III - Language Instruction for Limited English Proficient and Immigrant Students] creates requirements for state and local education authorities regarding English language proficiency and provides federal funding for programs through a formula grant program. Federal funds from Title III support nearly all of the Department’s staff associated with English language proficiency programs.

The Office for Civil Rights (OCR), within the U.S. Department of Education, and the U.S. Department of Justice monitor state and local implementation of the federal legal requirements. Historically, enforcement activities in Colorado have focused on local school districts. According to the Colorado Department of Education, ten Colorado school districts are currently working under resolution agreements with OCR and two school districts (Denver Public Schools and Adams 12 Five Star) are working under court orders from the Department of Justice.

While federal enforcement to date has focused on local districts, in response to rapid growth in the population of students lacking English language proficiency, the Department of Justice has expanded its focus to the state level. In response to requests from the Department of Justice, the Colorado Department of Education has provided graduation and dropout rates for current and former ELL students. The Department of Justice has taken action against other states, notably Arizona.

As discussed above, Colorado’s ELPA largely leaves English language proficiency program development to local districts. According to staff at the Colorado Department of Law, the Department of Justice has indicated that other state educational authorities take a more active role in ensuring that students overcome language barriers. The Department of Law has also indicated that the Department of Justice looked favorably on H.B. 13-1211 (discussed briefly in the following section).

**2013 Session Proposed Legislation S.B. 13-213 and H.B. 13-1211**

The General Assembly considered two bills during the 2013 Session that directly impact ELPA.

- S.B. 13-213: (1) amends ELPA to allow the state to fund services for individual students for five years rather than the two years allowed under current law; and (2) eliminates the current categorical program and instead provides additional funding for ELL students through the school finance formula instead of the categorical program. However, with the failure of

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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Amendment 66 in the November 2013 election, S.B. 13-213 will not take effect unless the voters approve a similar ballot measure by November 2017.

- H.B. 13-1211 would have repealed and reenacted ELPA. The bill: (1) increased the allowable years of state funding to five years per student; (2) created new requirements for local school district program implementation and reporting to the Department; (3) created new oversight and technical assistance requirements for the Department (and provided 6.0 additional FTE to the Department); and (4) created two new funding mechanisms (outside of the existing categorical program) to support local school district ELL programs.

Because Amendment 66 failed and H.B. 13-1211 failed in the Senate, neither bill will impact ELPA in FY 2014-15.

**FY 2014-15 Request**

For FY 2014-15, the Department is requesting an increase of \$429,345 General Fund and 4.1 FTE (annualizing to \$441,612 and 4.5 FTE in FY 2015-16 and beyond) to provide direct technical assistance to school districts to improve ELL instruction. The Department reports that the existing staff, nearly entirely supported by federal funds, is unable to meet the need for technical assistance and that the need is particularly acute in small, rural districts. The Department is requesting the additional funding and staff to provide:

- Technical assistance to school districts in planning, implementing, and evaluating English language acquisition programs;
- Technical assistance in meeting state and federal requirements pertaining to ELLs;
- Intensive, ongoing support for small, rural school districts without expertise in ELL programs;
- Technical assistance in unified improvement planning for schools and districts that are not meeting expectations for ELL achievement and growth;
- Reviews of Priority Improvement and Turnaround Unified Improvement Plans;
- CDE coordinated support teams for school districts;
- Guidance, publications, and other materials that are supportive of schools in meeting the needs of ELLs;
- Improved integration of ELL efforts across CDE divisions, units, and offices; and
- Improved capacity throughout the Department to develop policies and procedures that support ELL students.

The Department is requesting the resources to support 4.5 FTE on an ongoing basis. The requested positions include:

- *1.0 FTE Principal Consultant:* Provide technical assistance and onsite professional development to develop, implement, and evaluate English language development programs based on district need. The position would focus on highly impacted, low performing urban and rural school districts.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

- **2.0 FTE Senior Consultants:** Provide technical assistance similar to the principal consultant position but focus on medium and high impacted, low performing mountain and rural districts.
- **1.0 FTE Consultant:** Provide technical assistance serving low impacted and rural districts.
- **0.5 FTE Administrative Assistant III:** Provide administrative support to consultants including but not limited to handling administrative tasks related to travel, trainings, technical assistance, professional development, and meetings.

The request assumes an ongoing caseload of approximately 40 school districts per technical assistance FTE. In addition to standard personal services and operating costs, the request includes some additional funding for travel, printing costs for resource materials, consulting fees for contracts with national experts, and fees associated with conferences and training. The following table summarizes the cost components of the Department’s request.

<b>Calculations for Requested FTE</b>				
<b>Cost Component</b>	<b>FY 2014-15</b>	<b>FTE</b>	<b>FY 2015-16</b>	<b>FTE</b>
<b>Personal Services</b>				
Salaries	\$266,043	4.1	\$290,250	4.5
PERA (10.15 percent)	27,003		29,460	
Medicare	<u>3,858</u>		<u>4,209</u>	
Subtotal - Personal Services	\$296,904	4.1	\$323,919	4.5
<b>Centrally Appropriated Items</b>				
Health-Life-Dental	\$22,105		\$22,105	
AED	10,642		12,771	
SAED	9,977		12,336	
STD	<u>505</u>		<u>551</u>	
Subtotal - Centrally Appropriated Items	\$43,229		\$47,763	
<b>Operating Expenses</b>				
Regular FTE Operating Expenses \$500 per FTE	\$2,050		\$2,250	
Telephone Expenses \$450 per FTE	1,845		2,025	
Personal Computer (one-time - \$1,230 per FTE)	5,043		0	
Office Furniture (one-time - \$3,473 per FTE)	14,239		0	
Rent - Leased Space	29,930		29,930	
Travel, Printing, Consulting, etc.	<u>36,105</u>		<u>35,725</u>	
Subtotal - Operating Expenses	\$89,212		\$69,930	
<b>Total Request</b>	<b>\$429,345</b>	<b>4.1</b>	<b>\$441,612</b>	<b>4.5</b>

Please note that the request includes all of the above costs in the English Language Proficiency Program line item. Pursuant to Joint Budget Committee common policy, staff would not

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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generally recommend adding the centrally appropriated items for the first year, and those costs would appear in the appropriate centrally appropriated line items in the following year.

**Staff Analysis**

*Existing Staff*

The Department currently has 4.25 FTE (actually representing portions of thirteen different positions) devoted to ELL issues, almost all supported by federal (Title III) funds. The Department currently uses \$40,000 in state funds to support 0.4 FTE (portions of two positions). The federally supported staff are largely focused on federal Title III implementation. Based on data provided by the Department, the federally supported positions are largely focused on the development and monitoring of Title III programs, with limited ability to provide technical assistance regarding the use of the federal funding. Thus, the Department has virtually no existing technical assistance staff focused on the State funds and State program.

*Evidence of Need*

The Department points to four basic lines of evidence of a need for additional technical assistance: (1) growing ELL populations; (2) growth and achievement gaps between ELL students and non-ELL students; (3) a high prevalence of ELL students in lower performing school districts and schools under the State’s accountability system; and (4) unmet demand from the field.

*ELL Population Growth and Distribution:* As discussed above, the ELL population has grown significantly in Colorado. The increasing population, the increasing prevalence of ELLs in certain districts, and the increasing numbers of districts serving ELLs are placing additional pressures on school districts and the Department reports increasing need and demand for technical assistance.

*Growth and Achievement Gaps:* Colorado ELLs have shown increasing achievement (as measured by proficiency on statewide standardized assessments) but the achievement gaps between ELL students and non-ELL students remain persistent (see table below). Comparing Colorado’s ELL students to other student subgroups tracked by the Department ELL achievement also lags behind both minority and free and reduced price lunch subgroup achievement in elementary, middle, and high school.

<b>Comparison of ELL and non-ELL Proficiency Rates</b>										
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Reading Percent Proficient and Advanced</b>										
Non-ELL	71.1	71.2	72.3	73.1	73.3	73.9	73.9	73.4	74.9	74.8
ELL	<u>32.1</u>	<u>32.6</u>	<u>32.8</u>	<u>34.5</u>	<u>37.8</u>	<u>38.9</u>	<u>40.9</u>	<u>41.6</u>	<u>43.5</u>	<u>45.7</u>
Gap	39.0	38.6	39.5	38.6	35.5	35.0	33.0	31.8	31.4	29.1
<b>Writing Percent Proficient and Advanced</b>										
Non-ELL	57.0	58.7	58.0	59.2	58.6	59.9	58.1	60.5	58.8	58.8
ELL	<u>22.8</u>	<u>24.5</u>	<u>21.8</u>	<u>24.4</u>	<u>25.0</u>	<u>27.9</u>	<u>27.2</u>	<u>30.5</u>	<u>32.1</u>	<u>33.2</u>
Gap	34.2	34.2	36.2	34.8	33.6	32.0	30.9	30.0	26.7	25.6

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>Comparison of ELL and non-ELL Proficiency Rates</b>										
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Math Percent Proficient and Advanced</b>										
Non-ELL	45.5	54.2	55.6	57.1	57.2	58.5	58.9	59.7	59.9	60.7
ELL	<u>20.1</u>	<u>27.6</u>	<u>29.3</u>	<u>30.9</u>	<u>32</u>	<u>34</u>	<u>35.2</u>	<u>36.9</u>	<u>36.9</u>	<u>38.6</u>
Gap	25.4	26.6	26.3	26.2	25.2	24.5	23.7	22.8	23.0	22.1

In addition, Colorado’s ELL students have lower graduation rates and higher dropout rates than the state student population as a whole, demonstrating a gap in college and career readiness. According to the Department’s data (shown in the following table), ELL students’ graduation rate exceeded the state average in 2004 but have deteriorated significantly relative to the state average since then.

<b>ELL Graduation and Dropout Rates vs. State Average</b>					
	2004	2006	2008	2010	2012
<b>Graduation Rate</b>					
State Average	82.5%	74.1%	73.9%	72.4%	75.4%
ELL	<u>88.6%</u>	<u>65.9%</u>	<u>52.0%</u>	<u>49.2%</u>	<u>53.3%</u>
Gap	-6.1%	8.2%	21.9%	23.2%	22.1%
<b>Dropout Rate</b>					
State Average	3.8%	4.5%	3.8%	3.2%	2.9%
ELL	<u>5.3%</u>	<u>7.7%</u>	<u>6.8%</u>	<u>6.0%</u>	<u>5.1%</u>
Gap	1.5%	3.2%	3.0%	2.8%	2.2%

*Prevalence in Struggling School Districts:* According to the Department, the majority of ELL students (54.3 percent) attend schools in either Priority Improvement or Turnaround status school districts. The Department’s data show that Priority Improvement and Turnaround *schools* and *school districts* both struggle to meet expectations with respect to ELL achievement, relative to higher performing schools and districts, indicating a need for additional technical assistance.

*Unmet Demand:* According to the Department, many school districts are either unaware of federal and state requirements for ELL programs or do not have the internal expertise necessary to meet the requirements. As federal agencies have worked to increase awareness of the requirements, the Department reports that more school districts are contacting the Department for support. The Department has been unable to accommodate the increased demand for technical assistance.

**Staff Conclusion**

The data show a need for additional technical assistance and support for local school districts. Based on conversations with Department staff, federal agency staff, the Department of Law, and other education stakeholders, additional technical assistance and support is necessary. In addition, the potential for costly enforcement actions from the relevant federal agencies adds urgency to the issue.

Staff notes, however, that representatives of local school districts also indicate that a shortage of resources and funding *at the local level* is a limiting factor, and in many cases a more pressing problem than the lack of technical assistance from the Department.

Based on the available information, staff believes that both additional technical assistance and increases in funding and resources for local school districts will be necessary to improve the outlook for ELL education in Colorado. Districts with insufficient expertise need technical assistance from the Department but will most likely need additional resources to implement better programs. Districts with “in-house” expertise report a shortage of available funding and resources.

Given the need for both additional funding for local school districts and funds and staff for the Department, staff recommends that the General Assembly enact legislation to improve the ELPA program, increase State oversight and technical assistance, and provide additional resources for the Department and for local school districts. Based on the available information, staff believes that additional technical assistance in the absence of legislation would be helpful but staff recommends more comprehensive change to the ELPA program. Thus, staff recommends that the Committee discuss the request and the potential need for legislation with the Department at the upcoming hearing and with members of the Education Committees.

## **RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:**

The requested increase relates directly to:

- Goal 3: Every student meets or exceeds standards in reading and math. Ensure that all students make adequate growth in reading and math, by increasing the percentage of students catching up to proficiency from 23 percent in 2013 to 34 percent in 2016, with a goal of 44 percent by 2018. Additionally, maintain or improve the percentage of students keeping up with proficiency targets and moving up to advanced.
  - Measure: Percent of students making catch-up growth in math by student subgroup.
  - Measure: Percent of students making catch-up growth in reading by student subgroup.

## **Issue: Early Literacy Assessment Tool Funding**

The Department is requesting \$2.8 million cash funds from the State Education Fund and 1.0 FTE to provide ongoing funding for the Early Literacy Assessment Tool (ELAT). The General Assembly provided one year of funding for the tool through H.B. 12-1345 (2012 School Finance Bill) to support early literacy assessment requirements created in H.B. 12-1238 (READ Act). School districts are using the tool for the first time in FY 2013-14, and the Department is seeking ongoing funding for FY 2014-15 and beyond.

### **SUMMARY:**

- The READ Act (H.B. 12-1238) requires public school teachers in kindergarten through third grade to administer an interim assessment to all students to determine whether children are on track to reach grade level reading proficiency. Students identified as significantly below grade level must take a diagnostic assessment to determine specific areas of need for reading improvement. Teachers then use the assessment data to develop a collaborative intervention plan (READ Plan) with the child's parents.
- The 2012 School Finance Bill (H.B. 12-1345) provided funding for the Department to procure the ELAT in FY 2012-13. The Department has contracted with Amplify to purchase the tool (including software licenses, reporting, and technical support), and schools have begun using the tool in FY 2013-14.
- In FY 2013-14, 123 school districts and the State Charter School Institute are participating, including a total of 417 schools (including 58 charter schools) and more than 90,000 students (approximately 34 percent of K-3 students statewide).
- The Legislative Council Staff Fiscal Note for H.B. 12-1345 treated the ELAT funding as one-time funding. The Department's FY 2014-15 request includes \$2.8 million cash funds from the State Education Fund and 1.0 FTE to provide ongoing funding and administrative support for the ELAT program.

### **RECOMMENDATION:**

Staff recommends that the Committee discuss this request with the Department at the upcoming hearing and with members of the Education Committees. Specifically, staff recommends that the Committee discuss the Department's estimates of growth in participation in FY 2014-15 and the General Assembly's intent to accommodate growth in the program. Staff also recommends that the Committee discuss the Department's request for an additional FTE to manage the contract for the tool, given the 8.0 FTE provided to the Department through H.B. 12-1238 (READ Act).

## **DISCUSSION:**

### **Background**

#### *READ Act and 2013 Assessment Results*

The READ Act establishes new programs, goals, and requirements for early literacy, with a goal of all students achieving grade level proficiency in reading by the end of third grade. The bill creates requirements for the State Board of Education, the Department, and local education providers and creates new funding streams to support local education providers' implementation of the bill. Relevant to this issue brief, the bill requires local education providers to: (1) administer one of three state-approved interim early literacy assessments to all kindergarten through third grade students; (2) administer diagnostic assessments to all students identified as significantly below grade level through the interim assessments; and (3) conduct interventions to improve reading proficiency for students identified as significantly below grade level. Local education providers also must report to the Department regarding the number of students identified as having a "significant reading deficiency" (scoring below a specific cut score on one of the state-approved assessments).

Spring of 2013 was the first year of data collection under the bill. School districts reported 42,479 students as having a significant reading deficiency in 2013, representing approximately 16 percent of all kindergarten through third grade students statewide.

The READ Act distributes funding to school districts through two mechanisms: (1) the Early Literacy Competitive Grant Program (funded at \$4.0 million per year); and (2) Per Pupil Intervention Funding (\$15.4 million in FY 2013-14). The bill also provides for additional staff related to early literacy at the Department (\$1.2 million and 8.0 FTE in FY 2013-14). The READ Act programs are supported with a combination of tobacco settlement funds that formerly supported the Read-to-Achieve program and \$16.0 million per year transferred from the SEF to the Early Literacy Fund pursuant to S.B. 13-260.

#### *The Early Literacy Assessment Tool (ELAT)*

Associated with the early literacy assessment requirements in the READ Act, House Bill 12-1345 (2012 School Finance Bill) required the Department to issue a competitive request for proposals to procure an Early Literacy Assessment Tool (ELAT) and appropriated \$3.0 million cash funds from the State Education Fund to procure the tool.

The ELAT provision (Section 22-2-141, C.R.S.) requires the ELAT software to, at a minimum:

- Provide individualized assessments with immediate results;
- Store and analyze assessment results, recommend activities that are aligned with the assessment results, and assist in tracking student performance and identifying strategies to improve student performance;
- Provide student grouping recommendations based on the assessment scores and provide proposed lesson plans on a short-term cycle; and
- Assist in generating and populating individualized plans to improve students' reading skills.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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The Department was unable to finalize the contract in FY 2012-13. In S.B. 13-230 (FY 2013-14 Long Bill), the General Assembly provided “rollover” spending authority to allow the Department to utilize the FY 2012-13 funding in FY 2013-14. The Department has contracted with Amplify to supply the ELAT, and districts have begun using the tool in FY 2013-14.

Teachers administer the ELAT three times per year, with the first administration in the first 30 instructional days of the school year. The assessment takes a few minutes per student and provides rapid feedback on each student’s proficiency. Reporting by the tool is accessible to teachers, administrators, and the Department, providing a view of the proficiency status of individual students, classes, and schools. For students found to be significantly below grade level, the ELAT recommends individualized strategies and interventions based on each student’s assessment results.

*Program Application Process*

Section 22-2-141 (1) (c), C.R.S., requires the request for proposals for the ELAT program to include the purchase of enough software licenses to serve every K-3 student in the State but allows the Department to draft the contract to phase in the requirements over multiple years based on available appropriations.

As the program is established in H.B. 12-1345, school districts apply to participate in the ELAT program. If funding is insufficient to support all applicant districts, Section 22-2-141 (3) (b), C.R.S., directs the Department to:

- (1) select local education providers from various regions and of various sizes;
- (2) prioritize applicants with high percentages of students in the applicable grades that are below grade level in reading; and
- (3) prioritize applicants with the highest percentages of students that are eligible for Title I federal funding.

Section 22-2-141 (3) (c), C.R.S., states that local education providers that are selected to participate in the program need not reapply in subsequent years, appearing to “grandfather” those participants into the program.

**FY 2013-14 Participation**

In FY 2013-14, 123 school districts and the State Charter School Institute are using the ELAT, including a total of 417 schools (including 58 charter schools). The participating schools are assessing approximately 90,500 students through the ELAT, representing approximately 34 percent of the statewide kindergarten through third grade population. The districts participating in the ELAT in FY 2013-14 represent a spectrum of school districts statewide, ranging in size from Campo (with 47 total pupils in FY 2012-13) to Jefferson County (with 80,815 total pupils in FY 2012-13). The FY 2013-14 participants include 74 districts that had fewer than 1,000 total pupils in FY 2012-13.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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The Department has results from the first administration of the ELAT in FY 2013-14. According to the Department, 97 percent of participating students completed the first assessment. The following table shows the percentage of students taking the ELAT that were at benchmark based on the first assessment of the school year. As shown in the table, 54 percent of participating kindergartners and first graders were at benchmark, compared to 68 percent of second graders and 66 percent of third graders. For comparison purposes, the table also includes the average percentages from four other states using the ELAT in FY 2013-14.

<b>Beginning of Year Percentage of Students at Benchmark</b>			
Grade	Colorado	Average for Other ELAT States*	
Kindergarten	54%	55%	
First	54%	61%	
Second	68%	72%	
Third	66%	68%	

\*North Carolina, Indiana, Utah, and New Mexico

**FY 2014-15 Request (Decision Item R8)**

The Final Legislative Council Staff Fiscal Note for H.B. 12-1345 treated the ELAT funding as a one-time appropriation rather than ongoing funding. With decision item R8, the Department is requesting \$2,819,373 cash funds from the SEF and 1.0 FTE to support the ELAT program in FY 2014-15. The request includes two components:

- \$2,695,000 for ongoing support of the ELAT contract. As written, the request assumes a total of 98,000 students will participate in FY 2014-15 (roughly 7,000 more than the current year) at a cost of \$27.50 per student. (As discussed below, revised information from the Department shows a lower cost per student).
- \$124,373 and 1.0 FTE to support administration of the contract, working with the vendor and participating districts.

The Department has now provided revised information related to the ELAT contract in FY 2013-14 and FY 2014-15.

- First, the actual cost in FY 2013-14 (year 1 of the contract) is \$22.25 per student (rather than \$27.50).
- Second, the cost in FY 2014-15 (year 2) under the current contract is \$18.50 per returning student and \$19.25 per new student.
- The contract cost is higher in year 1 because it included payment for professional services from Amplify that the Department did not expect to need in year 2. However, the Department is now planning to continue to purchase those services in FY 2014-15, which would increase the cost to \$21.50 per returning student and \$22.25 per new student.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

Based on the new information, the Department has provided a revised estimate of \$2,803,857 cash funds from the SEF in total costs, including:

- \$2,679,484 for the contract costs, assuming \$33,000 additional (new) students participate in FY 2014-15.
- \$124,373 and 1.0 FTE to administer the contract (unchanged from the original request).

The following tables summarize the Department’s revised estimates for the request. The first table shows the estimated costs of the contract with Amplify, assuming 33,000 additional (new) students in FY 2014-15 as additional school districts participate. The second table shows the components of the request for an additional FTE at the Department.

<b>Revised FY 2014-15 ELAT Contract Cost Estimates</b>			
	Estimated Number of Students	Cost per Student	Total Cost
Returning Students	90,476	\$21.50	\$1,945,234
New Students (Growth)	<u>33,000</u>	\$22.25	<u>\$734,250</u>
Subtotal - Contract Costs	123,476		\$2,679,484

<b>Calculations for Requested 1.0 FTE</b>		
Cost Component	FY 2014-15	FY 2015-16
<b>Personal Services</b>		
Salary - Principal Consultant	\$86,916	\$88,654
PERA (10.15 percent)	8,822	8,998
Medicare	<u>1,260</u>	<u>1,285</u>
Subtotal - Personal Services	\$96,998	\$98,937
<b>Centrally Appropriated Items</b>		
AED	\$3,477	\$3,901
SAED	3,259	3,768
STD	165	168
Health-Life-Dental	<u>4,421</u>	<u>4,421</u>
Subtotal - Centrally Appropriated Items	\$11,322	\$12,258
<b>Operating Expenses</b>		
Regular FTE Operating Expenses	\$500	\$500
Telephone Expenses	450	450
Personal Computer (one-time)	1,230	0
Office Furniture (one-time)	3,473	0
Rent - Leased Space	2,400	2,400
Travel	<u>8,000</u>	<u>8,000</u>
Subtotal - Operating Expenses	\$16,053	\$11,350
<b>Total Request</b>	<b>\$124,373</b>	<b>\$122,545</b>

## **Staff Analysis**

### *Contract Costs*

Based on the new information about contract costs, the Department's revised estimates would allow for significant growth in participation. The anticipated 33,000 students would equate to 36.4 percent growth over participation in FY 2013-14. According to the Department, a number of additional districts have expressed interest in participating in the program in FY 2014-15. The vendor has indicated that 33,000 students may be a conservative estimate and that districts representing 47,949 eligible (K-3) students have expressed strong interest in participating in FY 2014-15, an increase of 14,949 students above the Department's revised estimate (with even larger growth possible). Accommodating the additional 14,949 students would require \$332,615 in additional funding. With respect to anticipated growth, staff raises two points for the Committee's consideration:

- As discussed above, the statute creating the program expresses an intent to expand the program to include every K-3 student in Colorado, based on school district interest. However, the program is also subject to available appropriations and provides criteria to evaluate applications in the event that appropriations are not sufficient to serve all of the applicants. Thus, the intention to accommodate growth in any given year is unclear.
- In addition, the statutes creating the program create a potential contradiction for the Department. As discussed above, Section 22-2-141 (3) (c), C.R.S., appears to “grandfather” participants in the program by stating that participants do not need to reapply. However, the statute also directs the Department to prioritize applications based on variation in geographic location and size, reading proficiency rates, and federal Title I eligibility. Thus, it is unclear how the General Assembly intends for the Department to proceed if the appropriation will not allow all existing participants to remain in the program and accommodate an applicant that would be a higher priority based on the statutory criteria.

Staff expects to recommend that the Committee continue to fund the ELAT at some level in FY 2014-15. The tool provides rapid feedback to educators and could provide a wealth of data for educators, administrators, the Department, and policy makers. While the READ Act requires annual reporting by school districts, the Department will have access to current data throughout the year for districts using the ELAT, which should improve technical assistance, oversight, and policy decisions. For budgeting purposes, the tool will also provide data that will allow the General Assembly to gauge its effectiveness and make an informed decision about whether to continue the program in future years. Given uncertainty about the General Assembly's intent to accommodate such significant growth in FY 2014-15, staff recommends that the Committee discuss districts' anticipated interest in joining the program at the Department's hearing.

### *Requested FTE*

The Department is requesting funding to support 1.0 new FTE to “manage both the contract with the vendor and the implementation of the tool at the school districts.” The position would conduct all tasks associated with the contract, including facilitating district licenses and ensuring quality control of the services provided by the vendor. According to the Department, the quality control components are critical and would include:

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

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- communicating with the vendor regarding requirements for training under the contract and the legislative requirements of the READ Act;
- monitoring the quality of the training provided by the vendor by attending training sessions; and
- working with the vendor to adjust services provided to participating districts based on feedback from the participants.

As discussed above, the READ Act provided 8.0 ongoing FTE to the Department to focus on early literacy. The approved FTE included centralized leadership for early literacy programming and regional technical assistance staff to work school districts and schools. The Department reports that one of the regional specialists approved through the READ Act has performed the work to manage the contract and that a new FTE is necessary because of the significant time required of the regional specialist. The Department also argues that the ELAT is separate from (though clearly related to) the READ Act and warrants separate staff.

Staff agrees that the listed activities are important to the implementation of the ELAT and that it does not make sense for a regional specialist to manage the statewide contract. However, staff is less convinced that an additional FTE is necessary to perform the activities. Given the direct connection between the ELAT and the READ Act, and the large number of districts participating in the program (and the even larger number expected to participate in future years), staff believes that interaction with the vendor and management of the actual contract is an appropriate role for the central leadership of the early literacy program. Staff recommends that the Committee discuss the request for additional staff at the Department's hearing.

**RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:**

Early literacy relates directly to the second goal in the Department's FY 2014-15 Performance Plan.

Goal 2: Every student reads by the end of third grade. Ensure that every student attains proficiency in reading by third grade by increasing proficiency on the state assessment from 73 percent in 2013 to 80 percent in 2016, with the goal of 85 percent proficient by 2018.

Please note that the goal is referring to the statewide assessments (the TCAP in FY 2013-14 and the new statewide assessments in FY 2014-15) rather than the ELAT.

## **Issue: Standardized Assessment Update**

The Department is requesting an increase of \$3.8 million total funds (including \$75,600 General Fund and \$3,769,683 cash funds from the State Education Fund) to support the continued development and administration of new standardized assessments. The request includes funds to: (1) administer new consortium-based assessments in mathematics and English language arts; (2) adjust for anticipated changes in the number of students taking the ACT and the English language proficiency assessment; and (3) provide one-time funding to align the Colorado Growth Model and the state accountability systems with the new assessments. This issue brief also discusses the Department's assumptions regarding Colorado school districts' readiness to administer new on-line assessments.

### **SUMMARY:**

- Colorado will administer new statewide standardized assessments in mathematics and English language arts in FY 2014-15. Pursuant to the General Assembly's decisions in FY 2012-13 and FY 2013-14, the state is using assessments developed by the PARCC consortium, with augmentations to cover statewide academic standards that are unique to Colorado. The new assessments are designed to be administered on-line although paper-based versions will be available.
- The Department's FY 2014-15 budget request includes an increase of \$3.8 million total funds (primarily from the State Education Fund) to support the administration of statewide assessments. The request includes the following increases in cash funds from the State Education Fund: (1) \$3.4 million associated with the new mathematics and English language arts tests (primarily driven by the addition of 11<sup>th</sup> grade tests and some districts' need to administer the tests on paper); (2) \$329,400 for ongoing administration of the ACT and English language proficiency assessment. The request also includes \$75,600 General Fund to support one-time costs to align the Colorado Growth Model and the state accountability system with the new assessments.
- In an indication of school districts' readiness for on-line testing, the Department's request assumes that 50 percent of students will take the new mathematics and English language arts assessments on paper. The Department assumes that all school districts will be able to administer new science and social studies assessments on-line in FY 2013-14 because the tests affect fewer grades and fewer students.

### **DISCUSSION:**

#### **Background**

##### *Statewide Academic Standards and Assessments*

Colorado's academic standards specify what the state expects students to know in each grade level. Standardized assessments measure students' knowledge with respect to the standards. Congress first required states to develop and adopt statewide standards and aligned assessments with the 1994 reauthorization of the Elementary and Secondary Education Act. Colorado

***JBC Staff Budget Briefing: FY 2014-15***  
***Staff Working Document – Does Not Represent Committee Decision***

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adopted its first statewide academic standards (the Model Content Standards) in 1995 and began phasing in the Colorado Student Assessment Program (CSAP) with fourth grade reading and writing tests in 1997. The state continued the use of the CSAP, adding grade levels and content areas over time, through the spring of 2011.

As enacted in CAP4K in 2008, Section 22-7-1005 (1), C.R.S., required the State Board to adopt new statewide academic standards aligning preschool through postsecondary education by December 15, 2009. The statute requires new standards in at least the following areas: reading, writing, mathematics, science, history, geography, visual arts, performing arts, physical education, world languages, English language competency, economics, civics, and financial literacy. With a focus on creating "fewer, clearer, and higher" standards than had previously been in place, the State Board adopted the new standards as required in December 2009. The new standards detail expectations, by grade level, for what Colorado students should know, building toward a goal of "post-secondary and workforce readiness" upon graduation from high school.

Section 22-7-1013 (1) (a), C.R.S., required local education providers to adopt the new standards on or before December 15, 2011, and Sec. 22-7-1007 (1), C.R.S., specifies that local education providers shall administer the new assessments within two years of the adoption of such assessments.

The adopted standards include the national "Common Core" standards, an effort initiated and managed by the National Governor's Association and adopted by 45 states (and the District of Columbia) thus far. However, Colorado's standards also go beyond the Common Core by including additional content areas (the Common Core includes only English language arts and mathematics) and additional expectations within each content area that is covered by the Common Core.

The adoption of new standards requires the development of new assessments to measure students' knowledge relative to the new standards. Section 22-7-1006 (1) (a), C.R.S., requires the State Board to adopt a new systems of assessments "on or before December 15, 2010, or as soon thereafter as fiscally practicable." After an extensive public participation process, the State Board adopted a framework of assessment attributes on December 6, 2010.

Because the Colorado Student Assessment Program (CSAP) was aligned to the former statewide standards and would not be a viable assessment of the new standards, the Department is no longer administering the CSAP (spring 2011 was the final use of the former assessment). The Department is using a temporary assessment (Temporary Colorado Assessment Program, or TCAP) in spring 2012, 2013, and 2014 to allow time for: (1) the development of new assessments and (2) local education providers to fully transition to the new standards before being held accountable for teaching the new standards. The TCAP only assesses areas of overlap between the "old" and "new" standards and therefore covers only a subset of both sets of standards.

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

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*FY 2012-13 Appropriation*

For FY 2012-13, the State Board of Education (State Board) requested \$25.9 million to support the development of a suite of Colorado-specific assessments in mathematics, English language arts, science, and social studies. The Governor did not approve the request but the State Board submitted the request separately as a “side-by-side” request.

In response, the General Assembly took the following actions related to the requested assessments during the 2012 Session:

- Appropriated \$6.4 million, primarily to support the development of Colorado-specific assessments in science and social studies. The new science test will replace the science CSAP/TCAP, and the new social studies test represents Colorado’s first statewide standardized social studies assessment. The appropriation also included funds to update Colorado’s alternate assessments for students with significant cognitive disabilities and to update the English Language Proficiency Assessment.
- Enacted H.B. 12-1240 which requires the State to join one of two national multi-state assessment consortia as a governing member, effectively committing the State to use consortium-developed tests in mathematics and English language arts. The State became a governing member of the Partnership for Assessment of Readiness for College and Careers (PARCC) in August 2012 and expects to administer the consortium assessments statewide in spring 2015.

*FY 2013-14 Appropriation*

For FY 2013-14, the General Assembly appropriated an additional \$4.2 million cash funds from the State Education Fund to support for increase assessment costs, including:

- \$2.0 million to “augment” the PARCC tests to cover Colorado-specific standards that go beyond the Common Core. The Department estimated a total cost of \$2.0 million for augmentation during discussions of the FY 2012-13 budget, and that cost estimate remains unchanged in the FY 2013-14 request.
- \$1.5 million to develop a new Spanish literacy assessment aligned to the updated statewide content standards, as required by Section 22-7-409 (3.5), C.R.S.
- \$0.4 million for administration of alternate social studies assessments for students with significant cognitive disabilities. Alternate assessments in the other subject areas are required by federal law and the Department supports the associated administration costs with federal funds. Because federal law does not require the social studies assessments, the Department is requesting state funds to administer the relevant alternate assessments.
- \$0.3 million in anticipation of increased costs for the English Language Proficiency Assessment (ELPA). The Department projects continued significant growth in the English language learner population taking the ELPA (from an anticipated 107,000 in FY 2012-13 to

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

---

112,350 in FY 2013-14. In addition, the Department anticipates a potential increase of \$2 per test based on input from the test’s vendor.

Of note, school districts statewide are administering the new science and social studies assessments (developed in FY 2012-13) in elementary and middle schools in FY 2013-14. High school students will take those tests in the fall of 2014 (FY 2014-15). The Department field tested the new science and social studies assessments in the fall of 2013 in preparation for statewide administration in the spring.

**FY 2014-15 Request**

The Department’s FY 2014-15 budget request includes an increase of \$3.8 million total funds for the administration of statewide assessments. That amount includes funding to: (1) administer the new mathematics and English language arts assessments; (2) support increased costs associated with the American College Testing exam (ACT) and the English language proficiency assessment (ACCESS); and (3) contract with external experts to align the Colorado Growth Model and the statewide accountability system with the new assessments. The following table summarizes the request relative to the FY 2013-14 appropriation. Each component of the request is discussed in greater detail following the table.

<b>Summary of Request R4 - State Funding For Statewide Assessments*</b>			
Assessment	FY 2013-14 Appropriation (TCAP)	FY 2014-15 Request (PARCC)	Change
<i>State Education Fund Appropriations</i>			
Math/English Language Arts	\$13,413,825	\$16,854,070	\$3,440,245
ACT	1,957,000	2,146,000	189,000
ACCESS	<u>881,919</u>	<u>1,022,357</u>	<u>140,438</u>
Subtotal - State Education Fund	\$16,252,744	\$20,022,427	\$3,769,683
<i>General Fund Appropriation</i>			
Growth Model Alignment	\$0	\$75,600	\$75,600
<b>Total State Funds</b>			
	<u>\$16,252,744</u>	<u>\$20,098,027</u>	<u>\$3,845,283</u>
General Fund	0	75,600	75,600
CF - State Education Fund	16,252,744	20,022,427	3,769,683

\*Table does not include funding for science and social studies assessments or alternate social studies assessments for students with cognitive disabilities; the Department is not requesting changes for those components in FY 2014-15. Table also does not include any federal funds.

***Math and English Language Arts***

The request includes an increase of \$3,440,245 cash funds from the State Education Fund to administer the new mathematics and English language arts assessments. The projections are based on per pupil cost estimates released by the PARCC consortium this summer. As shown in the following table, the increases are largely the result of two factors. First, the new assessments will add a grade (11<sup>th</sup> grade), adding an estimated 59,526 students in FY 2014-15. Second, the Department is assuming that 50 percent of assessed students statewide will take the tests on

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

paper rather than on-line. The consortium has estimated that paper based tests will cost an additional \$4.47 per student, resulting in \$1.3 million in additional costs. As shown in the first section of the table, the Department anticipates that the on-line assessments will cost \$0.05 per student more than the existing TCAP.

<b>Changes for Math and English Language Arts Assessments</b>			
<b>Component</b>	<b>FY 2013-14 Appropriation (TCAP)</b>	<b>FY 2014-15 Request (PARCC)</b>	<b>Change</b>
<i>Grades 3-10 (with FY 2014-15 On-line)</i>			
Pupils Testing	518,795	526,092	7,297
Cost per Pupil*	<u>\$30.18</u>	<u>\$30.23</u>	<u>\$0.05</u>
Subtotal - Grades 3-10 with All Students On-line in FY 2014-15	\$15,659,685	\$15,903,761	\$244,076
<i>Grade 11</i>			
Pupils Testing	n/a	59,526	59,526
Cost per Pupil	n/a	<u>\$30.23</u>	<u>\$30.23</u>
Subtotal - Adding Grade 11	n/a	\$1,799,471	\$1,799,471
<i>Increment for Paper-based FY 2014-15</i>			
Pupils Testing**	n/a	292,809	292,809
Incremental Cost per Pupil	n/a	<u>\$4.47</u>	<u>\$4.47</u>
Growth Model Alignment	n/a	\$1,308,856	\$1,308,856
Total Funds	<u>\$15,659,685</u>	<u>\$19,012,088</u>	<u>\$3,352,403</u>
CF - State Education Fund	13,413,825	16,854,070	3,440,245
Federal Funds	2,245,860	2,158,018	(87,842)

\* Please note that the FY 2013-14 contract for TCAP is not funded on a per pupil basis. As a result, the cost per pupil is not precisely \$30.18, and the FY 2013-14 appropriation includes a rounding difference.

\*\* Assumes half of students statewide will have to take the tests on paper in FY 2014-15.

**ACT**

The request includes an increase of \$189,000 cash funds from the State Education Fund to account for anticipated per pupil cost increases and an increase in the number of students taking the test (Colorado requires all 11<sup>th</sup> grade students to take the ACT). The following table shows the Department's requested changes for FY 2014-15 associated with the administration of the ACT.

<b>Requested Changes - ACT</b>			
<b>Component</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Change</b>
Pupils Testing on Statewide Test Date	58,000	62,000	4,000
Cost per Pupil (National Rate)	<u>\$32.00</u>	<u>\$33.00</u>	<u>\$1.00</u>
Subtotal - Statewide Test Date	\$1,856,000	\$2,046,000	\$190,000

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>Requested Changes - ACT</b>			
<b>Component</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Change</b>
Pupils Testing on Alternate Test Date	2,000	2,000	0
Cost per Pupil with Voucher	<u>\$35.00</u>	<u>\$35.00</u>	<u>\$0.00</u>
Subtotal - Alternate Test Date	\$70,000	\$70,000	\$0
Test Administration Training Workshops	4,000	4,000	-
Data Sent on CDs to Schools (\$125 per CD)	27000	\$26,000	-\$1,000
Total Cost - CF (SEF)	<u>\$1,957,000</u>	<u>\$2,146,000</u>	<u>\$189,000</u>

*English Language Proficiency (ACCESS)*

The request includes an increase of \$140,348 cash funds from the State Education Fund to accommodate an anticipated increase in the number of students taking the ACCESS assessment in FY 2014-15. The request includes an estimated increase of \$224,687 federal funds. School districts administer the ACCESS assessment to English language learners once per year.

<b>Requested Changes - ACCESS</b>			
<b>Component</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Change</b>
Estimated Pupils Testing	103,362	117,967	14,605
Cost per Pupil (Maximum Cost)	<u>\$25.00</u>	<u>\$25.00</u>	<u>\$0.00</u>
Total Estimated Cost	\$2,584,050	\$2,949,175	\$365,125
CF - State Education Fund	881,919	1,022,357	140,438
Federal Funds	1,702,131	1,926,818	224,687

*Growth Model Alignment*

In addition, the request includes a one-time appropriation of \$75,600 General Fund to allow the Department to contract with external experts to align the Colorado Growth Model and the statewide accountability system with the new assessments. The transition to new academic standards and new assessments presents challenges for the use of the Colorado Growth Model and the accountability system because the Department must evaluate growth and progress between two different sets of standards and assessments. According to the Department, high school mathematics will likely be the most challenging in terms of aligning the growth model because the current (TCAP) assessments are uniform by grade level while the new (PARCC) assessments will offer two options depending on the specific math classes taken.

**Points to Consider**

The Department’s request highlights several points and potential concerns relevant to statewide assessments in FY 2014-15. Staff anticipates that the Committee may hear concerns about the following issues from various education stakeholders and other members of the General Assembly.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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1. *On-line Readiness and Technology:* As discussed above, the Department is assuming that 50 percent of students assessed under the new system (282,809 out of 585,618 students) will take the new mathematics and English language arts assessments on paper in FY 2014-15. Given that the PARCC assessments are being developed for on-line administration and that paper-based tests will lose some of the benefits of the new assessments (rapid scoring and results, interactive/animated questions, etc.), the Department's assumptions regarding the number of schools requiring paper based tests are a source of concern. Based on the readiness survey produced by the Department, the Department staff believe that the 50 percent estimate is quite conservative (e.g., a worst case scenario). As is also discussed above, Department staff anticipate that all schools will be able to administer the new science and social studies assessments on-line because of the lower number of grades and students involved. The Committee and the General Assembly may receive requests from districts for additional funding to increase readiness for on-line assessments.
2. *PARCC Costs:* The Committee may hear general concerns about the \$3.4 million increase associated with the mathematics and English language arts assessments (the PARCC tests). As discussed previously, that increase is largely a result of adding grade 11 to the assessment system and the Department's assumptions regarding readiness for on-line assessments.
3. *Anticipated Score Decline:* The new standards and the aligned assessments are more rigorous than the previous standards and the TCAP. Based on previous experiences in other states, the Department expects test scores to drop under the new system. According to the Department other states that have moved forward with new standards and assessments ahead of Colorado have experienced a 20-30 point drop in the percentage of students demonstrating proficiency under those states' new systems. Although it varies by grade level and content area, Colorado has seen similar gaps between results for the TCAP and the National Assessment of Educational Progress (NAEP). Thus, the Department anticipates a similar decline under the new assessment system.
4. *Growth Model Alignment/Accountability/Educator Effectiveness:* Somewhat related to the anticipated score decline discussed above, the General Assembly and the Committee may hear concerns about the interaction of the new assessment system with the Colorado Growth Model, the statewide accountability system under S.B. 09-163, and educator effectiveness efforts pursuant to S.B. 10-191. As discussed previously, the Department is requesting funds for technical assistance to align the growth model and the accountability system to the new system. According to the Department, in a worst case scenario where a lack of alignment creates a temporary gap in the growth model (most likely for high school mathematics), accountability frameworks and educator effectiveness evaluations will have to utilize other data until the gap in the growth model is resolved.
5. *Confluence of Reforms:* Districts and schools are experiencing the impacts of a lot of recent reform initiatives at one time. For example, the State is implementing new

content standards (forcing the change to new assessments); the Educator Effectiveness system pursuant to S.B. 10-191 is going live; the READ Act is requiring additional actions from districts, schools, and educators; some school districts will enter the final year of the five-year clock under S.B. 09-163 in the summer of 2014, while others (and individual schools) are in earlier years of the “clock”; schools are administering the new statewide (Colorado specific) science and social studies assessments for the first time in FY 2013-14; and districts are managing new college and career readiness standards and graduation guidelines.

6. *Busy Testing Calendar:* Finally, schools are managing increasing numbers of assessments. Some schools pilot tested the science and social studies assessments in FY 2012-13, and all schools are administering those tests in FY 2013-14. Some schools will pilot the new mathematics and English language arts assessments in FY 2013-14, and all schools will administer the TCAP assessments in those subjects for the final time in FY 2013-14. The READ Act (discussed in a separate issue paper) requires more frequent assessments of students in kindergarten through third grade, and third grade is the first year of the statewide standardized assessments. Some stakeholders have expressed concerns about the number and frequency of assessments and the impact on instructional time.

## **RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:**

The State’s system of assessments provides key measurement of student growth, educator effectiveness, and school performance. As a result, the assessments provide a key resource to evaluate the Department’s progress and performance with regard to a variety of goals and objectives in the performance plan.

## **Issue: Building Excellent Schools Today Funding and Status**

The Building Excellent Schools Today (BEST) program is the State's primary public school capital construction assistance program. The program is facing changes from three sources: (1) the program is approaching the statutory cap on lease purchase payments; (2) the passage of Proposition AA in November 2013 will provide additional revenue to the program from recreational marijuana beginning in FY 2013-14; and (3) a recent report from the State Auditor's Office expressed concerns about the operations of the program and recommended a variety of changes.

### **SUMMARY:**

- The BEST program, created in H.B. 08-1335, is the State's primary public school capital construction assistance program. Structured as a competitive grant program, the program provides assistance through both certificates of participation (COPs) and cash grants. State trust lands have provided the vast majority of state funding for the program.
- Including the projects approved in FY 2013-14, the program has provided or approved a total of \$1.1 billion (including \$759 million in state funds and \$330.5 million in local matching funds) in public school capital construction projects from FY 2008-09 through FY 2013-14. This amount represents approximately 8 percent of the 13.9 billion in need identified in a priority assessment completed for the program in 2010.
- The program is approaching the statutory cap on the state share of annual COP payments. After reaching the limit, the program will be unable to issue additional COPS until the current leases begin to expire in 2029. Staff does not recommend raising the statutory cap based on currently available revenues.
- The passage of Proposition AA in November 2013 will direct excise tax revenues from the sale of recreational marijuana (up to a maximum of \$40.0 million per year) to the BEST program, although uncertainty remains regarding the amount of revenue available. Any excise tax revenues would likely have to support cash grants.
- The State Auditor's Office released a statutorily required performance audit of the BEST program in October 2013. The report expressed concerns about the program's: prioritization of projects and grant decision making; calculations of local matching fund requirements; controls on grant contracts; and conflict of interest policies. The Department agreed with and is implementing the audit's recommendations.

### **RECOMMENDATION:**

Staff recommends that the Committee discuss the status and future of the BEST program with the Department at the upcoming hearing. Staff recommends that the discussions include: (1) the program's prioritization of projects in light of the State Auditor's Office report; (2) the operation

of the program after reaching the statutory cap on the state share of lease purchase payments; (3) the Department's plans to utilize recreational marijuana excise tax revenues for the program; and (4) the program's response to the recent report from the State Auditor's Office.

Staff further recommends that the General Assembly enact legislative changes to the program during the 2014 Session. First, in light of the additional excise tax revenues anticipated to support the program in FY 2013-14 and beyond and concerns raised in the State Auditor's Office report, staff recommends that the General Assembly increase oversight of the cash grants program and make the annual cash grants subject to annual appropriation. Second, as recommended in the State Auditor's Office report, staff recommends that the General Assembly work with the Department to adjust the local matching fund calculations to better reflect districts' ability to pay. Staff recommends that the Committee discuss the program with members of the Legislative Audit Committee, as that committee may be considering bills related to BEST.

## **DISCUSSION:**

### **Background**

House Bill 08-1335 replaced the capital construction financial assistance programs that were established in response to the *Giardino* lawsuit with the BEST program. The BEST program was designed to increase the amount of state financial assistance and accelerate project completion.

#### *Historic Fund Sources*

Rather than relying on annual General Fund appropriations, the BEST program is supported primarily by royalty and rental income earned on state trust lands, with some additional revenues from lottery proceeds and interest earned on the Public School Capital Construction Assistance (PSCCA) Fund. Current law annually credits the following state moneys to the PSCCA Fund:

- 50.0 percent of gross revenues from state school trust lands;
- all net proceeds from the sale of certificates of participation (COPs) payable to the State under the terms of such agreements;
- lottery proceeds that would otherwise be transferred to the General Fund; and
- interest and investment income earned on the PSCCA Fund.

Local matching funds for certificate of participation (COP) payments are also credited to the fund because the program makes the *total* COP payment (including state and local funds) from the PSCCA fund.

Although the program receives funds from a variety of sources, state trust land revenues have been the dominant source, accounting for 85.6 percent of the programs actual revenues in FY 2012-13. Table 1 displays actual BEST program revenues from state sources from the program's inception in FY 2008-09 through FY 2012-13.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>State Revenues for the BEST Program</b>					
<b>Revenue Source</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
State Land Board Revenues	\$35,195,168	\$33,196,010	\$60,261,217	\$72,357,278	\$61,662,736
Lottery Spillover	<u>5,534,736</u>	<u>88,550</u>	<u>662,230</u>	<u>4,559,159</u>	<u>8,644,124</u>
Total State Revenues	\$40,729,904	\$33,284,560	\$60,923,447	\$76,916,437	\$70,306,860
Interest Revenues	<u>\$1,327,275</u>	<u>\$1,471,506</u>	<u>\$1,772,166</u>	<u>\$1,670,489</u>	<u>\$1,661,848</u>
<b>Total Revenues</b>	<b>\$42,057,179</b>	<b>\$34,756,066</b>	<b>\$62,695,613</b>	<b>\$78,586,926</b>	<b>\$71,968,708</b>

*Types of Assistance*

Designed as a competitive grant program with an annual application and award cycle, the program offers two forms of financial assistance for capital construction projects: (1) COPs and (2) cash grants.

- Certificates of Participation: The program generally uses COPs to support larger projects, such as the construction of new or replacement schools or major renovation projects. The average cost of COP projects approved in FY 2013-14 is \$15.8 million (consisting of \$10.7 million state funds and \$4.1 million local funds). Annual lease payments for COPs are subject to legislative appropriation and appear in the Long Bill each year. Statute (see Section 22-43.7-110 (2) (b) (I), C.R.S.) limits the state share of annual COP payments to no more than \$40.0 million but the annual *appropriation* for BEST COP payments includes state funds, local matching funds, and estimated federal subsidies. Thus, the FY 2013-14 appropriation of \$57.0 million includes an estimated \$34.3 million in state funds and \$13.2 million in local matching funds, along with approximately \$9.5 million in federal subsidies.
- Cash Grants: Generally speaking, the program has used cash grants to support smaller projects such as equipment replacements, roof repairs and replacements, and relatively minor renovations. The average cost of each cash grant approved in FY 2013-14 is \$654,003 (including \$377,645 in state funds and \$276,358 in local matching funds). Unlike annual COP payments, statute continuously appropriates funds to BEST for cash grants, and annual cash grants are entirely at the discretion of the Public School Capital Construction Assistance Board and the State Board of Education.

As the program approaches the \$40.0 million cap on the state share of COP payments, BEST has changed some of the use of cash grants in order to continue to be able to fund large projects.

*Total Assistance Provided*

Including the projects approved in FY 2013-14, the program has supported a total of \$1.1 billion million in school construction projects from FY 2008-09 through FY 2013-14, including \$759.1 million in state funds \$330.5 million in local matching funds. Of that total, \$895.1 million (81.0 percent) has been in the form of COP projects.

As required by H.B. 08-1335, the program completed a Statewide Financial Assistance Priority Assessment. Published in 2010, the assessment found a need for \$13.9 billion in public school

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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capital construction statewide for the period from 2010 through 2013 and an additional \$3.9 billion for the period from 2014 through 2018. Thus, to put the program’s level of assistance in perspective, the total project funding of \$1.1 billion represents approximately 8 percent of the \$13.9 billion in estimated statewide need from 2010 through 2013.

***FY 2014-15 Request***

The Department’s FY 2014-15 budget request includes an additional \$8.0 million cash funds to support the legislatively appropriated BEST COP payments. As discussed above, the Long Bill appropriation includes state funds, local funds, and (starting in FY 2013-14) estimated federal subsidies to the program, although all are shown as cash funds in the Long Bill. Based on the COP projects approved this year (with payments beginning in FY 2014-15), the Department now expects the state share of COP payments to be \$38.6 million in FY 2014-15 (see table below). According to the Department, the state share is slightly lower than anticipated in the decision item submitted with the budget request because of changes in the financing assumptions and in the estimated federal subsidy.

<b>FY 2013-14 and FY 2014-15 Gross Base Rent Payments for BEST COPs</b>				
	<b>FY 2013-14 Estimates and Appropriation</b>	<b>FY 2014-15 Decision Item R 10</b>	<b>Change from FY 2013-14</b>	<b>FY 2014-15 Updated Estimate</b>
State Share COP Payment	\$34,305,990	\$39,099,667	\$4,793,677	\$38,636,821
LEA Matching Money Lease Payment	13,160,351	16,516,791	3,356,440	16,165,597
Federal Subsidy	<u>9,477,645</u>	<u>8,616,613</u>	<u>(861,032)</u>	<u>8,758,178</u>
Gross Base Rent Payments for BEST COPs	\$56,943,986	\$64,233,071	\$7,289,085	\$63,560,596
Total Lease Payments Appropriation/Request	\$57,000,000	\$65,000,000	\$8,000,000	\$64,000,000

Please note that the program has already committed the state to the additional COP payments in FY 2014-15 and beyond. Thus, the program’s design leaves the General Assembly little choice but to fund the request.

**Current Challenges**

The BEST program is facing significant change and potential challenges going into FY 2014-15, including: (1) approaching the statutory cap on COP payments; (2) an influx of an uncertain amount of revenue from recreational marijuana excise taxes following the passage of Proposition AA in November 2013; and (3) concerns raised in the State Auditor’s Office recent performance audit of the program.

***COP Payment Cap***

As discussed previously, statute limits the state share of BEST COP payments to no more than \$40 million annually. With an estimated state share of \$38.6 million in FY 2014-15, the program is approaching the statutory limit. After reaching the cap, the program will be unable to issue new COPs until the existing agreements begin to expire in 2029. The General assembly could increase the legislative cap but staff does not recommend doing so, in large part because of the volatility of BEST revenues (discussed in previous staff briefings). Without the ability to

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

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issue new COPs, staff anticipates that the program will increase the issuance of cash grants as revenues allow.

*Proposition AA – Recreational Marijuana Excise Tax*

The passage of Proposition AA in November 2013 will provide an additional revenue source for the BEST program. As passed by the voters, Proposition AA will direct the first \$40.0 million per year in state excise taxes on recreational marijuana into the Public School Capital Construction Assistance Fund. Staff and the Department assume that those funds will provide additional revenues to the BEST program, although the amount of revenue available remains uncertain. The Legislative Council Staff Fiscal Impact Statement for Proposition AA anticipates \$13.8 million in excise tax revenues in FY 2013-14 and \$27.5 million in FY 2014-15. For scale, those amounts would have represented 19.3 percent and 38.2 percent of actual FY 2012-13 revenues, respectively.

The potential influx of revenues presents opportunities and questions for the program. Clearly, additional revenues would enable additional grants and support new projects. However, staff expects that the program will have to use the new revenues for cash grants because: (1) as discussed above, the program is reaching the cap on COP payments; and (2) regardless of the cap, bonding against revenues from an excise tax on recreational marijuana does not appear likely, given concerns about the status of such a revenue stream under federal law. Thus, the program may receive up to \$40.0 million per year in additional funding for cash grants as a result of Proposition AA.

*State Auditor's Office Performance Audit*

The State Auditor's Office released a statutorily-required performance audit of the BEST program in October 2013. The audit raised several concerns about the program, including: (1) the prioritization of projects; (2) grant decision making; (3) the determination of districts' financial capacity for matching funds; (4) conflict of interest procedures; and (5) grant administration.

*Prioritization:* The audit raises concerns about the program's Priority Assessment (completed through a contract with Parsons in 2010) and the program's overall prioritization of projects.

- The audit found that although the State invested more than \$12 million in the Priority Assessment (required by the BEST legislation), the assessment did not provide a prioritized list of projects and did not clearly identify health and safety projects. The audit also found that the program has not ensured that the assessment was maintained and current.
- In addition, the audit found that the program has not consistently used the priority assessment to prioritize projects and has funded lower priority projects while rejecting higher priority projects (based on common measures of facility condition). The audit staff and JBC staff agree that the BEST program statutes indicate that the General Assembly expected the program to use the assessment to prioritize projects. However, as

shown in the following excerpt from the audit report, the BEST Board has interpreted the statute differently.<sup>16</sup>

“The plain definition of “priority” along with the statutory language that the Assistance Board should be prioritizing public school capital construction needs indicate that the requirement to conduct a priority assessment means that the assessment should identify the school capital construction needs that should have a preferential ranking over others, in other words, which needs should be prioritized over others. Our analysis during the audit is based on this interpretation. However, the Assistance Board has indicated that it does not interpret the word “priority” in the statute to mean that the assessment should establish a prioritized list of public school capital construction needs, but rather that the assessment should be done before other things, as a priority, such as awarding grants.”

- The audit also recommends proactively targeting outreach and technical assistance to specific districts with high priority projects (and limited financial capacity) that *have not applied for assistance*. The Department and the BEST Board conduct general outreach to school districts statewide but have not historically targeted specific districts based on need. Rather, the program has conducted general outreach and then selected from the submitted applications. In response to concerns about high needs districts not applying for the program, BEST staff have historically responded that they select from districts that actually apply. The audit recommends shifting the program’s procedures to specifically work with districts that have the highest need.

Relative to prioritization, the audit recommends: (a) determining whether the priority assessment can be adjusted to prioritize projects and add health and safety data; (b) working with school districts to update the priority assessment; and (c) targeting outreach to school districts with critical needs that have not applied for funding. The BEST Board and the Department expressed concerns about infringing on local control by proactively prioritizing projects and seeking out specific applicants but agreed with all recommendations.

*Grant Decision Making:* Based in part on concerns about project selection discussed above (e.g., the selection of lower priority projects while rejecting what appear to be higher priority projects), the audit raises concerns about the program’s transparency and documentation of the selection process.

- The audit found that the BEST Board has not developed and used a formal tool to document the evaluation of grant applications. Based on the audit, it appears that different Board members use selection criteria differently, and there is no written tool to encourage consistency. The lack of written documentation from the selection process makes it impossible to evaluate how specific projects were selected.

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<sup>16</sup> See pages 22 and 23 of the State Auditor’s Report.

***JBC Staff Budget Briefing: FY 2014-15***  
***Staff Working Document – Does Not Represent Committee Decision***

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- The audit notes that Department staff recommended that the BEST Board adopt a scoring rubric at the March 2013 board meeting but that the Board members rejected the recommendation because each member uses his or her own expertise for evaluation.

The audit recommends that the program standardize the grant process by: (1) developing a standardized evaluation tool based on criteria from the Priority Assessment, statutory requirements, and district financial capacity; (2) communicate evaluation criteria to potential applicants; (3) retain documentation of the selection process; and (4) provide documentation of the evaluation process to the State Board of Education. The BEST Board agreed with all of the recommendations.

*Determining Financial Capacity:* The BEST Program leverages state resources with local matching funds. Statute (Section 22-43.7-109 (11), C.R.S.) requires the BEST Board to consider applicants' financial capacity when selecting projects and setting matching fund requirements. Section 22-43.7-109 (9), C.R.S., provides specific factors for the calculation of applicants' financial capacity and allows the Board to reduce or waive the matching fund requirement.

- The audit found that the BEST Board's calculation of matching fund requirements complies with statute (and considers all of the factors required by statute) but that the calculation does not appear to produce results that are consistent with districts' actual financial capacity. The Department and BEST Board agree that the formula does not appear to measure capacity and agree to consider pursuing statutory changes to improve the formula.
- The audit also found inconsistencies in the evaluation and approval of matching fund waivers. Similar to concerns about overall project selection, the program has not established a formal and consistent tool for the evaluation and approval of waiver requests. The program also has not required significant documentation in support of waiver requests. Without a consistent tool and documentation, the audit could not evaluate the reasons for apparent inconsistencies in the approval process.

The audit recommends that the BEST Board: (1) evaluate whether a statutory change is necessary to improve the calculation of matching requirements; (2) develop a method to calculate matching requirements that correlates to districts' financial capacity; (3) obtain documentation to support matching fund waiver requests; and (4) develop a tool to evaluate matching fund waiver requests and document reasons for approval or denial of each request. The BEST Board agreed with all recommendations.

*Conflicts of Interest:* The audit raises concerns about the BEST Board's conflict of interest policies. Because the BEST Board consists of individuals with related expertise (by statute), and those members are often still active their professional field, there is an opportunity for conflicts of interest.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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- The audit found prior instances (in 2009 and 2010) of board members voting on projects with a clear conflict of interest, in violation of rules and statute. The BEST Board believes that it has addressed conflict of interest concerns since those events took place.
- The audit argues that the program's rules do not adequately protect against conflicts of interest and do not align with the Colorado Code of Ethics. In addition, similar to concerns discussed above, the BEST Board does not formally document and retain conflict of interest disclosures.

The audit recommends: (1) implementing rules that align with the Colorado Code of Ethics to ensure that members do not evaluate or vote on projects in which they may have a financial interest; (2) establishing rules for handling conflicts of interest, including enforcement in cases of noncompliance; and (3) documenting and maintaining conflict of interest disclosures. The BEST Board agreed with all recommendations.

*Grant Administration:* The audit investigated the program's management of grants once they are awarded and identified three areas of concern: (1) monitoring project budgets; (2) monitoring project performance; and (3) cash grant contracts.

- The audit found limited monitoring of project budgets once grants are awarded. For example, program staff often do not receive detailed final budgets for each project and have not monitored expenditures relative to detailed (line item) budgets. In a limited sample of projects, the auditors identified expenditures that did not appear to be appropriate but the program has not tracked expenditures in that level of detail.
- With respect to performance monitoring, the audit found that the program needs to both strengthen contract requirements and reporting to allow for increased state oversight of performance and give the program's consultants specific guidance with respect to performance monitoring (including site visits, etc.).
- The audit found that the program's cash grant contracts have not included key language to control the use of grant funds. The deletion of the language from the program's standard contract appears to have been an oversight by all parties involved (including the Department and the Attorney General's Office).

The audit includes a series of recommendations related to grant administration designed to: (1) improve the program's monitoring of project budgets; (2) implement a more robust system to monitor project performance; and (3) correct the standard cash grants contract. The Department agreed with all recommendations.

**Potential Statutory Changes**

Staff recommends that the Committee discuss the BEST Program with members of the Legislative Audit Committee. The Audit Committee may be considering legislation in response to the audit and would be best positioned to respond to the specific issues raised in the audit.

In addition to concerns raised in the audit, staff recommends that the General Assembly enact legislation making the BEST cash grants subject to annual legislative appropriation and that the Joint Budget Committee consider sponsoring the legislation. Statute makes the program's annual COP payments subject to legislative appropriation (although the legislature has no control over the issuance of COPs that would require a future increase in appropriations up to the statutory cap) but continuously appropriates funds for cash grants. Considering the concerns raised in the audit and the fact that staff anticipates significant increases in the use and size of cash grants, staff recommends increasing legislative oversight of the cash grant program by making it subject to appropriation. Staff does not recommend that the Committee approve or deny specific projects but does recommend that the General Assembly set the total appropriation for cash grants on an annual basis through the budget process.

**RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:**

The Department's strategic plan does not include goals or objectives *directly* linked to facilities or capital construction.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

**Appendix A: Number Pages**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
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**DEPARTMENT OF EDUCATION**  
**Robert Hammond, Commissioner**

**(1) MANAGEMENT AND ADMINISTRATION**

This section provides funding and staff for: the State Board of Education; the administration of a variety of education-related programs and for the general department administration, including human resources, budgeting, accounting, information management, and facilities maintenance. This section also includes funding for the Office of Professional Services, the Division of On-line Learning, as well as funding associated with the State Charter School Institute. The primary source of cash funds is the Educator Licensure Cash Fund. The major sources of reappropriated funds are indirect cost recoveries and transfers of funds from various cash- and federally-funded line items. Federal funds are from a variety of sources.

**(A) Administration and Centrally-Appropriated Line Items**

State Board of Education	<u>278,071</u>	<u>285,385</u>	<u>290,998</u>	<u>297,258</u>
FTE	2.0	2.0	2.0	2.0
General Fund	278,071	285,385	290,998	297,258
General Department and Program Administration	<u>3,349,453</u>	<u>3,646,974</u>	<u>3,782,451</u>	<u>4,001,300</u>
FTE	31.5	31.5	34.6	34.6
General Fund	1,553,500	1,562,392	1,589,218	1,715,093
Cash Funds	145,177	124,496	169,232	171,853
Reappropriated Funds	1,650,776	1,960,086	2,024,001	2,114,354
Office of Professional Services	<u>2,141,494</u>	<u>2,037,693</u>	<u>2,688,568</u>	<u>2,748,802</u>
FTE	25.0	24.6	25.0	25.0
Cash Funds	2,141,494	2,037,693	2,688,568	2,748,802
Division of On-line Learning	<u>301,128</u>	<u>329,738</u>	<u>337,334</u>	<u>344,383</u>
FTE	2.5	3.3	3.3	3.3
Cash Funds	301,128	329,738	337,334	344,383

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
Health, Life, and Dental	<u>3,140,202</u>	<u>3,284,917</u>	<u>4,139,408</u>	<u>4,253,369</u>	
General Fund	1,450,460	1,442,412	1,658,677	1,514,834	
Cash Funds	241,795	288,278	424,638	563,657	
Reappropriated Funds	377,766	248,740	469,931	440,986	
Federal Funds	1,070,181	1,305,487	1,586,162	1,733,892	
Short-term Disability	<u>49,954</u>	<u>45,817</u>	<u>68,385</u>	<u>83,936</u>	
General Fund	21,124	19,713	22,532	25,136	
Cash Funds	3,275	5,786	7,449	10,695	
Reappropriated Funds	5,237	0	7,763	9,377	
Federal Funds	20,318	20,318	30,641	38,728	
S.B. 04-257 Amortization Equalization Disbursement	<u>730,198</u>	<u>953,460</u>	<u>1,422,642</u>	<u>1,721,293</u>	
General Fund	330,197	376,311	465,616	518,014	
Cash Funds	46,929	104,605	156,108	219,164	
Reappropriated Funds	31,669	0	161,760	191,856	
Federal Funds	321,403	472,544	639,158	792,259	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>475,089</u>	<u>694,989</u>	<u>1,282,843</u>	<u>1,613,712</u>	
General Fund	179,308	186,314	418,860	485,638	
Cash Funds	37,711	89,895	140,931	205,466	
Reappropriated Funds	0	12,688	146,034	179,865	
Federal Funds	258,070	406,092	577,018	742,743	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Salary Survey	<u>0</u>	<u>0</u>	<u>965,670</u>	<u>694,819</u>	
General Fund	0	0	288,386	206,694	
Cash Funds	0	0	124,558	88,762	
Reappropriated Funds	0	0	107,909	77,160	
Federal Funds	0	0	444,817	322,203	
Merit Pay	<u>0</u>	<u>0</u>	<u>594,843</u>	<u>609,817</u>	
General Fund	0	0	190,422	180,629	
Cash Funds	0	0	71,084	86,345	
Reappropriated Funds	0	0	66,915	68,242	
Federal Funds	0	0	266,422	274,601	
Workers' Compensation	<u>263,197</u>	<u>353,662</u>	<u>632,557</u>	<u>649,934</u>	
General Fund	104,925	163,874	241,762	248,404	
Cash Funds	19,997	35,588	55,351	56,872	
Reappropriated Funds	23,999	39,924	77,678	79,811	
Federal Funds	114,276	114,276	257,766	264,847	
Legal Services	<u>246,374</u>	<u>222,428</u>	<u>446,292</u>	<u>446,292</u>	
General Fund	168,455	133,151	253,385	253,385	
Cash Funds	63,767	78,606	174,691	174,691	
Reappropriated Funds	14,152	10,671	18,216	18,216	
Administrative Law Judge Services	<u>37,871</u>	<u>65,353</u>	<u>78,573</u>	<u>146,199</u>	
Cash Funds	31,654	54,073	65,011	120,964	
Reappropriated Funds	6,217	11,280	13,562	25,235	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Payment to Risk Management and Property Funds	<u>53,752</u>	<u>83,183</u>	<u>92,314</u>	<u>75,014</u>	
General Fund	43,770	83,183	92,314	75,014	
Cash Funds	3,403	0	0	0	
Reappropriated Funds	6,579	0	0	0	
Capitol Complex Leased Space	<u>548,356</u>	<u>536,071</u>	<u>677,530</u>	<u>604,122</u>	
General Fund	81,077	80,400	93,431	93,397	
Cash Funds	119,692	110,601	152,444	79,262	
Reappropriated Funds	87,395	87,067	117,890	117,804	
Federal Funds	260,192	258,003	313,765	313,659	
Reprinting and Distributing Laws Concerning Education	<u>27,076</u>	<u>29,009</u>	<u>35,480</u>	<u>35,480</u>	
Cash Funds	27,076	29,009	35,480	35,480	
Emeritus Retirement	<u>2,099</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	2,099	0	0	0	
<b>SUBTOTAL - (A) Administration and Centrally-</b>					
<b>Appropriated Line Items</b>	11,644,314	12,568,679	17,535,888	18,325,730	4.5%
<i>FTE</i>	<u>61.0</u>	<u>61.4</u>	<u>64.9</u>	<u>64.9</u>	<u>(0.0%)</u>
General Fund	4,212,986	4,333,135	5,605,601	5,613,496	0.1%
Cash Funds	3,183,098	3,288,368	4,602,879	4,906,396	6.6%
Reappropriated Funds	2,203,790	2,370,456	3,211,659	3,322,906	3.5%
Federal Funds	2,044,440	2,576,720	4,115,749	4,482,932	8.9%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
<b>(B) Information Technology</b>					
Information Technology Services	<u>2,703,116</u>	<u>2,936,124</u>	<u>2,723,713</u>	<u>5,863,959</u>	*
FTE	18.8	16.7	23.0	27.6	
General Fund	2,079,066	2,324,057	2,098,959	5,238,865	
Reappropriated Funds	624,050	612,067	624,754	625,094	
Purchase of Services from Computer Center	<u>144,252</u>	<u>189,795</u>	<u>225,252</u>	<u>165,104</u>	
General Fund	144,252	189,795	225,252	165,104	
Multiuse Network Payments	<u>28,398</u>	<u>103,502</u>	<u>266,324</u>	<u>342,419</u>	
General Fund	28,398	103,502	266,324	342,419	
COFRS Modernization	<u>0</u>	<u>197,914</u>	<u>197,914</u>	<u>197,914</u>	
General Fund	0	61,100	61,100	61,100	
Cash Funds	0	89,496	89,496	89,496	
Reappropriated Funds	0	47,318	47,318	47,318	
Information Technology Security	<u>0</u>	<u>0</u>	<u>4,658</u>	<u>20,961</u>	
General Fund	0	0	4,658	20,961	
Federal Funds	0	0	0	0	
Information Technology Asset Maintenance	<u>296,486</u>	<u>298,564</u>	<u>303,830</u>	<u>303,830</u>	
General Fund	296,486	298,564	303,830	303,830	
Disaster Recovery	<u>19,265</u>	<u>17,758</u>	<u>19,722</u>	<u>19,722</u>	
General Fund	19,265	17,758	19,722	19,722	
Payments to OIT	<u>0</u>	<u>0</u>	<u>0</u>	<u>92,753</u>	*
General Fund	0	0	0	92,753	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
<b>SUBTOTAL - (B) Information Technology</b>	3,191,517	3,743,657	3,741,413	7,006,662	87.3%
<i>FTE</i>	<u>18.8</u>	<u>16.7</u>	<u>23.0</u>	<u>27.6</u>	<u>20.0%</u>
General Fund	2,567,467	2,994,776	2,979,845	6,244,754	109.6%
Cash Funds	0	89,496	89,496	89,496	0.0%
Reappropriated Funds	624,050	659,385	672,072	672,412	0.1%
Federal Funds	0	0	0	0	0.0%

**(C) Assessments and Data Analyses**

Colorado Student Assessment Program	<u>21,947,677</u>	<u>26,587,994</u>	<u>34,044,390</u>	<u>35,940,656</u> *
FTE	14.5	16.5	11.8	11.8
General Fund	0	0	0	75,600
Cash Funds	15,879,370	22,243,106	26,448,378	28,232,143
Reappropriated Funds	0	0	0	0
Federal Funds	6,068,307	4,344,888	7,596,012	7,632,913
Development of New Science and Social Studies Assessments and Updating Existing Assessments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Funds	0	0	0	0
Federal Grant for State Assessments and Related Activities	<u>2,247,224</u>	<u>2,247,224</u>	<u>2,247,224</u>	<u>2,247,224</u>
FTE	5.7	5.7	5.7	5.7
Federal Funds	2,247,224	2,247,224	2,247,224	2,247,224
Longitudinal Analyses of Student Assessment Results	<u>7,693,157</u>	<u>8,018,084</u>	<u>5,186,311</u>	<u>291,820</u>
FTE	2.8	2.3	3.0	3.0
General Fund	276,057	259,884	286,311	291,820
Federal Funds	7,417,100	7,758,200	4,900,000	0

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Early Literacy Assessment Tool	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	0	0	0	
Basic Skills Placement or Assessment Tests	<u>0</u>	<u>35,943</u>	<u>320,917</u>	<u>320,917</u>	
Cash Funds	0	35,943	320,917	320,917	
Preschool to Postsecondary Education Alignment	<u>456,289</u>	<u>510,755</u>	<u>567,685</u>	<u>579,323</u>	
FTE	3.4	3.6	3.5	3.5	
Cash Funds	456,289	510,755	567,685	579,323	
Educator Effectiveness Unit Administration	<u>0</u>	<u>424,390</u>	<u>544,483</u>	<u>548,108</u>	
FTE	0.0	2.9	4.0	4.0	
General Fund	0	0	424,390	432,718	
Cash Funds	0	424,390	120,093	115,390	
Transfer to Great Teachers and Leaders Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Educator Effectiveness Implementation	<u>0</u>	<u>2,512,153</u>	<u>1,905,312</u>	<u>1,740,981</u>	
FTE	0.0	2.7	14.5	14.5	
Cash Funds	0	680,002	200,000	0	
Federal Funds	0	1,832,151	1,705,312	1,740,981	
Accountability and Improvement Planning	<u>0</u>	<u>0</u>	<u>1,284,733</u>	<u>1,678,364</u>	
FTE	0.0	0.0	11.2	11.4	
General Fund	0	0	734,401	1,128,032	
Federal Funds	0	0	550,332	550,332	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
<b>SUBTOTAL - (C) Assessments and Data Analyses</b>	32,344,347	40,336,543	46,101,055	43,347,393	(6.0%)
<i>FTE</i>	<u>26.4</u>	<u>33.7</u>	<u>53.7</u>	<u>53.9</u>	0.4%
General Fund	276,057	259,884	1,445,102	1,928,170	33.4%
Cash Funds	16,335,659	23,894,196	27,657,073	29,247,773	5.8%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	15,732,631	16,182,463	16,998,880	12,171,450	(28.4%)

**(D) State Charter School Institute**

State Charter School Institute Administration, Oversight,  
and Management

	<u>1,471,394</u>	<u>1,752,933</u>	<u>2,466,743</u>	<u>2,831,760</u>	
<i>FTE</i>	11.1	11.1	11.7	11.7	
General Fund	0	0	0	0	
Reappropriated Funds	1,471,394	1,752,933	2,466,743	2,831,760	
Federal Funds	0	0	0	0	
 Institute Charter School Assistance Fund	<u>0</u>	<u>0</u>	<u>460,000</u>	<u>750,000</u>	
Cash Funds	0	0	460,000	750,000	
 Other Transfers to Institute Charter Schools	<u>2,243,815</u>	<u>3,000,786</u>	<u>3,622,979</u>	<u>3,622,979</u>	
Reappropriated Funds	2,243,815	3,000,786	3,622,979	3,622,979	
 Transfer of Federal Moneys to Institute Charter Schools	<u>5,214,512</u>	<u>5,597,366</u>	<u>5,730,000</u>	<u>6,330,000</u>	
<i>FTE</i>	4.6	3.0	4.5	4.5	
Reappropriated Funds	5,214,512	5,597,366	5,730,000	6,330,000	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Department Implementation of Section 22-30.5-501 et seq., C.R.S.	<u>165,719</u>	<u>194,420</u>	<u>210,014</u>	<u>214,782</u>	
FTE	2.4	1.7	1.6	1.6	
Reappropriated Funds	165,719	194,420	210,014	214,782	
State Charter School Institute Emergency Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Reappropriated Funds	0	0	0	0	
<b>SUBTOTAL - (D) State Charter School Institute</b>	9,095,440	10,545,505	12,489,736	13,749,521	10.1%
<i>FTE</i>	<u>18.1</u>	<u>16.0</u>	<u>17.8</u>	<u>17.8</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	0	0	460,000	750,000	63.0%
Reappropriated Funds	9,095,440	10,545,505	12,029,736	12,999,521	8.1%
Federal Funds	0	0	0	0	0.0%
<b>(E) Indirect Cost Assessment</b>					
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>567,196</u>	<u>567,196</u>	
Cash Funds	0	0	329,060	329,060	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	238,136	238,136	
<b>SUBTOTAL - (E) Indirect Cost Assessment</b>	0	0	567,196	567,196	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	0	0	329,060	329,060	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	238,136	238,136	0.0%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

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	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
<b>TOTAL - (1) Management and Administration</b>	56,275,618	67,194,384	80,435,288	82,996,502	3.2%
<i>FTE</i>	<u>124.3</u>	<u>127.8</u>	<u>159.4</u>	<u>164.2</u>	<u>3.0%</u>
General Fund	7,056,510	7,587,795	10,030,548	13,786,420	37.4%
Cash Funds	19,518,757	27,272,060	33,138,508	35,322,725	6.6%
Reappropriated Funds	11,923,280	13,575,346	15,913,467	16,994,839	6.8%
Federal Funds	17,777,071	18,759,183	21,352,765	16,892,518	(20.9%)

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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**(2) ASSISTANCE TO PUBLIC SCHOOLS**

This section provides funding that is distributed to public schools and school districts, as well as funding for Department staff who administer this funding or who provide direct support to schools and school districts.

**(A) Public School Finance**

Administration	<u>1,327,752</u>	<u>1,501,257</u>	<u>1,501,265</u>	<u>1,541,836</u>	
FTE	15.6	15.7	17.2	17.2	
Cash Funds	20,293	20,411	20,418	20,765	
Reappropriated Funds	1,307,459	1,480,846	1,480,847	1,521,071	
State Share of Districts' Total Program Funding	<u>3,331,922,155</u>	<u>3,379,714,291</u>	<u>3,532,662,765</u>	<u>3,754,722,213</u>	*
General Fund	2,387,670,327	2,540,099,253	2,463,831,706	2,537,431,706	
General Fund Exempt	284,175,417	312,202,624	469,842,084	469,842,084	
Cash Funds	660,076,411	527,412,414	598,988,975	747,448,423	
Federal Funds	0	0	0	0	
Hold-Harmless On-line Charters	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Hold-harmless Full-day Kindergarten Funding	<u>6,890,040</u>	<u>6,899,114</u>	<u>7,109,172</u>	<u>7,351,222</u>	*
Cash Funds	6,890,040	6,899,114	7,109,172	7,351,222	
District Per Pupil Reimbursements for Juveniles Held in Jail	<u>27,029</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>	
Cash Funds	27,029	0	25,000	25,000	
At-risk Supplemental Aid	<u>0</u>	<u>3,839,627</u>	<u>3,839,627</u>	<u>3,839,627</u>	
Cash Funds	0	3,839,627	3,839,627	3,839,627	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Education Jobs Fund Program	<u>6,472,891</u>	<u>1,113,950</u> 0.8	0	0	
Federal Funds	6,472,891	1,113,950	0	0	
Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA	<u>10,878,016</u>	0	0	0	
Federal Funds	10,878,016	0	0	0	
<b>SUBTOTAL - (A) Public School Finance</b>	3,357,517,883	3,393,068,239	3,545,137,829	3,767,479,898	6.3%
<i>FTE</i>	<u>15.6</u>	<u>16.5</u>	<u>17.2</u>	<u>17.2</u>	<u>0.0%</u>
General Fund	2,387,670,327	2,540,099,253	2,463,831,706	2,537,431,706	3.0%
General Fund Exempt	284,175,417	312,202,624	469,842,084	469,842,084	0.0%
Cash Funds	667,013,773	538,171,566	609,983,192	758,685,037	24.4%
Reappropriated Funds	1,307,459	1,480,846	1,480,847	1,521,071	2.7%
Federal Funds	17,350,907	1,113,950	0	0	0.0%

**(B) Categorical Programs**

**(I) District Programs Required by Statute**

Special Education - Children with Disabilities	<u>289,562,892</u>	<u>300,595,057</u>	<u>312,419,984</u>	<u>316,572,294</u> *
FTE	81.1	81.0	63.0	63.0
General Fund	71,572,347	71,572,347	71,572,347	71,572,347
Cash Funds	58,225,450	63,069,594	85,649,061	89,508,420
Reappropriated Funds	101,812	101,812	101,812	104,043
Federal Funds	159,663,283	165,851,304	155,096,764	155,387,484

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
English Language Proficiency Program	<u>23,048,344</u>	<u>26,109,635</u>	<u>26,476,847</u>	<u>28,211,417</u> *	
FTE	6.4	4.1	4.6	8.7	
General Fund	3,101,598	3,101,598	3,101,598	3,530,943	
Cash Funds	9,984,180	11,358,657	12,138,442	13,436,317	
Federal Funds	9,962,566	11,649,380	11,236,807	11,244,157	
<b>SUBTOTAL -</b>	<b>312,611,236</b>	<b>326,704,692</b>	<b>338,896,831</b>	<b>344,783,711</b>	<b>1.7%</b>
<b>FTE</b>	<b>87.5</b>	<b>85.1</b>	<b>67.6</b>	<b>71.7</b>	<b>6.1%</b>
General Fund	74,673,945	74,673,945	74,673,945	75,103,290	0.6%
Cash Funds	68,209,630	74,428,251	97,787,503	102,944,737	5.3%
Reappropriated Funds	101,812	101,812	101,812	104,043	2.2%
Federal Funds	169,625,849	177,500,684	166,333,571	166,631,641	0.2%

**(II) Other Categorical Programs**

Public School Transportation	<u>52,052,250</u>	<u>54,028,635</u>	<u>53,261,338</u>	<u>54,487,374</u> *	
FTE	2.0	2.0	2.0	2.0	
General Fund	36,922,227	36,922,227	36,922,227	36,922,227	
Cash Funds	15,130,023	17,106,408	16,339,111	17,565,147	
Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education	<u>22,764,221</u>	<u>24,218,018</u>	<u>24,528,307</u>	<u>24,948,015</u> *	
General Fund	17,792,850	17,792,850	17,792,850	17,792,850	
Cash Funds	4,971,371	6,425,168	6,735,457	7,155,165	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
Special Education Programs for Gifted and Talented					
Children	<u>9,201,106</u>	<u>9,453,560</u>	<u>9,600,000</u>	<u>9,795,436</u> *	
FTE	0.5	0.7	0.5	0.5	
General Fund	5,500,000	5,486,894	5,500,000	5,500,000	
Cash Funds	3,701,106	3,966,666	4,100,000	4,295,436	
Expelled and At-risk Student Services Grant Program					
	<u>7,439,965</u>	<u>7,480,341</u>	<u>7,493,560</u>	<u>7,496,506</u>	
FTE	1.1	0.9	1.0	1.0	
General Fund	5,786,766	5,787,955	5,788,807	5,788,807	
Cash Funds	1,653,199	1,692,386	1,704,753	1,707,699	
Small Attendance Center Aid					
	<u>959,379</u>	<u>959,379</u>	<u>959,379</u>	<u>959,379</u>	
General Fund	787,645	787,645	787,645	787,645	
Cash Funds	171,734	171,734	171,734	171,734	
Comprehensive Health Education					
	<u>970,107</u>	<u>913,569</u>	<u>1,005,396</u>	<u>1,007,771</u>	
FTE	1.0	0.8	1.0	1.0	
General Fund	299,279	299,953	300,000	300,000	
Cash Funds	670,828	613,616	705,396	707,771	
<b>SUBTOTAL -</b>	93,387,028	97,053,502	96,847,980	98,694,481	1.9%
<b>FTE</b>	<u>4.6</u>	<u>4.4</u>	<u>4.5</u>	<u>4.5</u>	<u>0.0%</u>
General Fund	67,088,767	67,077,524	67,091,529	67,091,529	0.0%
Cash Funds	26,298,261	29,975,978	29,756,451	31,602,952	6.2%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
<b>SUBTOTAL - (B) Categorical Programs</b>	405,998,264	423,758,194	435,744,811	443,478,192	1.8%
<i>FTE</i>	<u>92.1</u>	<u>89.5</u>	<u>72.1</u>	<u>76.2</u>	<u>5.7%</u>
General Fund	141,762,712	141,751,469	141,765,474	142,194,819	0.3%
Cash Funds	94,507,891	104,404,229	127,543,954	134,547,689	5.5%
Reappropriated Funds	101,812	101,812	101,812	104,043	2.2%
Federal Funds	169,625,849	177,500,684	166,333,571	166,631,641	0.2%

**(C) Grant Programs, Distributions, and Other Assistance**

**(I) Health and Nutrition**

Federal Nutrition Programs	<u>158,395,957</u>	<u>170,959,303</u>	<u>156,531,965</u>	<u>156,554,776</u>	
FTE	10.5	11.4	9.0	9.0	
General Fund	80,159	88,617	82,327	84,747	
Federal Funds	158,315,798	170,870,686	156,449,638	156,470,029	
State Match for School Lunch Program	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>	
Cash Funds	2,472,644	2,472,644	2,472,644	2,472,644	
Child Nutrition School Lunch Protection Program	<u>683,230</u>	<u>710,020</u>	<u>850,000</u>	<u>850,000</u>	
Cash Funds	683,230	710,020	850,000	850,000	
Start Smart Nutrition Program Fund	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>950,000</u>	*
General Fund	700,000	700,000	700,000	950,000	
Start Smart Nutrition Program	<u>765,105</u>	<u>815,877</u>	<u>843,495</u>	<u>1,138,983</u>	*
General Fund	0	0	0	147,983	
Cash Funds	65,105	115,877	143,495	41,000	
Reappropriated Funds	700,000	700,000	700,000	950,000	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
S.B. 97-101 Public School Health Services	<u>139,649</u>	<u>145,640</u>	<u>134,593</u>	<u>137,806</u>	
FTE	1.4	1.4	1.4	1.4	
Reappropriated Funds	139,649	145,640	134,593	137,806	
Breakfast After the Bell	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,341,931</u>	
FTE	0.0	0.0	0.0	0.3	
General Fund	0	0	0	24,128	
Federal Funds	0	0	0	14,317,803	
<b>SUBTOTAL -</b>	163,156,585	175,803,484	161,532,697	176,446,140	9.2%
<b>FTE</b>	<u>11.9</u>	<u>12.8</u>	<u>10.4</u>	<u>10.7</u>	<u>2.9%</u>
General Fund	780,159	788,617	782,327	1,206,858	54.3%
Cash Funds	3,220,979	3,298,541	3,466,139	3,363,644	(3.0%)
Reappropriated Funds	839,649	845,640	834,593	1,087,806	30.3%
Federal Funds	158,315,798	170,870,686	156,449,638	170,787,832	9.2%

**(II) Capital Construction**

Division of Public School Capital Construction

Assistance	<u>733,308</u>	<u>732,049</u>	<u>874,831</u>	<u>896,141</u>	
FTE	7.5	7.1	9.0	9.0	
Cash Funds	733,308	732,049	874,831	896,141	

Public School Capital Construction Assistance Board -

Lease Payments	<u>35,183,873</u>	<u>34,268,889</u>	<u>57,000,000</u>	<u>65,000,000</u>	*
Cash Funds	35,183,873	34,268,889	57,000,000	65,000,000	

Financial Assistance Priority Assessment

Cash Funds	<u>41,550</u>	<u>31,500</u>	<u>50,000</u>	<u>50,000</u>	
	41,550	31,500	50,000	50,000	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
State Aid for Charter School Facilities	<u>5,000,000</u>	<u>6,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	
Cash Funds	5,000,000	6,000,000	7,000,000	7,000,000	
<b>SUBTOTAL -</b>	40,958,731	41,032,438	64,924,831	72,946,141	12.4%
<b>FTE</b>	<u>7.5</u>	<u>7.1</u>	<u>9.0</u>	<u>9.0</u>	<u>0.0%</u>
Cash Funds	40,958,731	41,032,438	64,924,831	72,946,141	12.4%
<b>(III) Reading and Literacy</b>					
Early Literacy Program	<u>0</u>	<u>4,320,252</u>	<u>0</u>	<u>0</u>	
FTE	0.0	3.0	0.0	0.0	
Cash Funds	0	4,320,252	0	0	
Early Literacy Competitive Grant Program	<u>0</u>	<u>0</u>	<u>5,150,000 8.0</u>	<u>5,163,338 8.0</u>	
Cash Funds	0	0	5,150,000	5,163,338	
Early Literacy Program Per Pupil Intervention Funding	<u>0</u>	<u>0</u>	<u>15,433,938 1.0</u>	<u>15,433,938 1.0</u>	
Cash Funds	0	0	15,433,938	15,433,938	
Read-to-Achieve Grant Program	<u>4,338,262</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	1.0	0.0	0.0	0.0	
Cash Funds	4,338,262	0	0	0	
Early Literacy Assessment Tool Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,819,373</u> *	
FTE	0.0	0.0	0.0	1.0	
Cash Funds	0	0	0	2,819,373	
<b>SUBTOTAL -</b>	4,338,262	4,320,252	20,583,938	23,416,649	13.8%
<b>FTE</b>	<u>1.0</u>	<u>3.0</u>	<u>9.0</u>	<u>10.0</u>	<u>11.1%</u>
Cash Funds	4,338,262	4,320,252	20,583,938	23,416,649	13.8%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
<b>(IV) Professional Development and Instructional Support</b>					
Content Specialists	<u>410,402</u>	<u>432,150</u>	<u>441,808</u>	<u>463,652</u>	
FTE	3.9	4.0	5.0	5.0	
Cash Funds	410,402	432,150	441,808	463,652	
Office of Dropout Prevention and Student Reengagement	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,700,000</u>	<u>2,708,166</u>	
FTE	2.3	2.3	2.3	2.3	
Federal Funds	3,000,000	3,000,000	2,700,000	2,708,166	
Stipends for Nationally Board Certified Teachers	<u>0</u>	<u>160,848</u>	<u>1,617,600</u>	<u>1,617,600</u>	
Cash Funds	0	160,848	1,617,600	1,617,600	
Quality Teacher Recruitment Program	<u>0</u>	<u>0</u>	<u>3,000,000</u>	<u>3,000,000</u>	
Cash Funds	0	0	3,000,000	3,000,000	
Educator Recognition and Perception	<u>0</u>	<u>0</u>	<u>0</u>	<u>124,800</u> *	
General Fund	0	0	0	124,800	
<b>SUBTOTAL -</b>	3,410,402	3,592,998	7,759,408	7,914,218	2.0%
<b>FTE</b>	<u>6.2</u>	<u>6.3</u>	<u>7.3</u>	<u>7.3</u>	<u>0.0%</u>
General Fund	0	0	0	124,800	0.0%
Cash Funds	410,402	592,998	5,059,408	5,081,252	0.4%
Federal Funds	3,000,000	3,000,000	2,700,000	2,708,166	0.3%

**(V) Facility Schools**

Facility Schools Unit and Facility Schools Board	<u>189,922</u>	<u>201,033</u>	<u>258,575</u>	<u>263,517</u>	
FTE	2.2	2.0	3.0	3.0	
Reappropriated Funds	189,922	201,033	258,575	263,517	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
Facility School Funding	<u>13,255,214</u>	<u>12,706,044</u>	<u>16,990,054</u>	<u>16,990,054</u>	
Cash Funds	13,255,214	12,706,044	16,990,054	16,990,054	
<b>SUBTOTAL -</b>	13,445,136	12,907,077	17,248,629	17,253,571	0.0%
<b>FTE</b>	<u>2.2</u>	<u>2.0</u>	<u>3.0</u>	<u>3.0</u>	<u>0.0%</u>
Cash Funds	13,255,214	12,706,044	16,990,054	16,990,054	0.0%
Reappropriated Funds	189,922	201,033	258,575	263,517	1.9%

**(VI) Other Assistance**

Appropriated Sponsored Programs	<u>234,162,767</u>	<u>234,508,813</u>	<u>281,168,404</u>	<u>281,430,903</u>	
FTE	83.5	74.0	68.7	68.7	
Cash Funds	1,283,631	1,415,207	2,707,305	2,714,450	
Reappropriated Funds	4,480,000	1,152,577	4,595,000	4,607,476	
Federal Funds	228,399,136	231,941,029	273,866,099	274,108,977	
School Counselor Corps Grant Program	<u>4,991,186</u>	<u>4,994,940</u>	<u>5,000,000</u>	<u>5,002,716</u>	
FTE	0.9	1.0	1.0	1.0	
Cash Funds	4,991,186	4,994,940	5,000,000	5,002,716	
BOCES Funding per Section 22-5-122, C.R.S.	<u>0</u>	<u>1,258,806</u>	<u>1,300,000</u>	<u>1,302,785</u>	
FTE	0.0	0.7	1.0	1.0	
Cash Funds	0	1,258,806	1,300,000	1,302,785	
Contingency Reserve Fund	<u>100,000</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>	
Cash Funds	100,000	0	1,000,000	1,000,000	
Supplemental On-line Education Services	<u>480,000</u>	<u>480,000</u>	<u>480,000</u>	<u>480,000</u>	
Cash Funds	480,000	480,000	480,000	480,000	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Interstate Compact on Educational Opportunity for Military Children Cash Funds	<u>22,832</u> 22,832	<u>24,061</u> 24,061	<u>23,015</u> 23,015	<u>23,015</u> 23,015	
College and Career Readiness FTE General Fund	<u>0</u> 0.0 0	<u>0</u> 0.0 0	<u>0</u> 0.0 0	<u>234,606</u> * 1.8 234,606	
<b>SUBTOTAL -</b>	239,756,785	241,266,620	288,971,419	289,474,025	0.2%
<i>FTE</i>	<u>84.4</u>	<u>75.7</u>	<u>70.7</u>	<u>72.5</u>	<u>2.5%</u>
General Fund	0	0	0	234,606	0.0%
Cash Funds	6,877,649	8,173,014	10,510,320	10,522,966	0.1%
Reappropriated Funds	4,480,000	1,152,577	4,595,000	4,607,476	0.3%
Federal Funds	228,399,136	231,941,029	273,866,099	274,108,977	0.1%
<b>SUBTOTAL - (C) Grant Programs, Distributions, and Other Assistance</b>	465,065,901	478,922,869	561,020,922	587,450,744	4.7%
<i>FTE</i>	<u>113.2</u>	<u>106.9</u>	<u>109.4</u>	<u>112.5</u>	<u>2.8%</u>
General Fund	780,159	788,617	782,327	1,566,264	100.2%
Cash Funds	69,061,237	70,123,287	121,534,690	132,320,706	8.9%
Reappropriated Funds	5,509,571	2,199,250	5,688,168	5,958,799	4.8%
Federal Funds	389,714,934	405,811,715	433,015,737	447,604,975	3.4%
<b>(D) Indirect Cost Assessment</b>					
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>1,894,075</u>	<u>1,894,075</u>	
Cash Funds	0	0	87,695	87,695	
Reappropriated Funds	0	0	15,406	15,406	
Federal Funds	0	0	1,790,974	1,790,974	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
<b>SUBTOTAL - (D) Indirect Cost Assessment</b>	0	0	1,894,075	1,894,075	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	0	0	87,695	87,695	0.0%
Reappropriated Funds	0	0	15,406	15,406	0.0%
Federal Funds	0	0	1,790,974	1,790,974	0.0%
<b>TOTAL - (2) Assistance to Public Schools</b>	4,228,582,048	4,295,749,302	4,543,797,637	4,800,302,909	5.6%
<i>FTE</i>	<u>220.9</u>	<u>212.9</u>	<u>198.7</u>	<u>205.9</u>	<u>3.6%</u>
General Fund	2,530,213,198	2,682,639,339	2,606,379,507	2,681,192,789	2.9%
General Fund Exempt	284,175,417	312,202,624	469,842,084	469,842,084	0.0%
Cash Funds	830,582,901	712,699,082	859,149,531	1,025,641,127	19.4%
Reappropriated Funds	6,918,842	3,781,908	7,286,233	7,599,319	4.3%
Federal Funds	576,691,690	584,426,349	601,140,282	616,027,590	2.5%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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**(3) LIBRARY PROGRAMS**

This section provides funding for various library-related programs. Library programs are primarily funded with General Fund and federal funds. Cash funds include grants and donations. Transfers from the Disabled Telephone Users Fund support privately operated reading services for the blind and are reflected as reappropriated funds.

Administration	<u>805,623</u>	<u>847,722</u>	<u>999,598</u>	<u>1,022,962</u>	
FTE	12.4	10.8	14.3	14.3	
General Fund	725,568	745,078	749,598	771,748	
Cash Funds	80,055	102,644	250,000	251,214	
Federal Library Funding	<u>2,806,091</u>	<u>2,386,045</u>	<u>2,948,239</u>	<u>2,993,042</u>	
FTE	23.1	20.3	23.8	23.8	
Federal Funds	2,806,091	2,386,045	2,948,239	2,993,042	
Broadband Technology Opportunities Program	<u>1,413,095</u>	<u>863,100</u>	<u>67,000</u>	<u>0</u>	
FTE	4.5	4.5	0.0	0.0	
Cash Funds	390,739	86,914	67,000	0	
Federal Funds	1,022,356	776,186	0	0	
Colorado Library Consortium	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	
General Fund	1,000,000	1,000,000	1,000,000	1,000,000	
Colorado Virtual Library	<u>359,796</u>	<u>359,796</u>	<u>379,796</u>	<u>379,796</u>	
General Fund	359,796	359,796	359,796	359,796	
Cash Funds	0	0	20,000	20,000	
Colorado Talking Book Library, Building Maintenance and Utilities Expenses	<u>70,488</u>	<u>62,062</u>	<u>70,660</u>	<u>70,660</u>	
General Fund	70,488	62,062	70,660	70,660	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Reading Services for the Blind	<u>250,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	
Reappropriated Funds	250,000	350,000	350,000	350,000	
State Grants to Publicly-Supported Libraries Fund	<u>0</u>	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>	
General Fund	0	0	2,000,000	2,000,000	
State Grants to Publicly-Supported Libraries Program	<u>0</u>	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Reappropriated Funds	0	0	2,000,000	2,000,000	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>83,548</u>	<u>83,548</u>	
Federal Funds	0	0	83,548	83,548	
<b>TOTAL - (3) Library Programs</b>	6,705,093	5,868,725	9,898,841	9,900,008	0.0%
<i>FTE</i>	<u>40.0</u>	<u>35.6</u>	<u>38.1</u>	<u>38.1</u>	<u>0.0%</u>
General Fund	2,155,852	2,166,936	4,180,054	4,202,204	0.5%
Cash Funds	470,794	189,558	337,000	271,214	(19.5%)
Reappropriated Funds	250,000	350,000	2,350,000	2,350,000	0.0%
Federal Funds	3,828,447	3,162,231	3,031,787	3,076,590	1.5%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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**(4) SCHOOL FOR THE DEAF AND THE BLIND**

This section provides operational funding for the Colorado School for the Deaf and the Blind (CSDB), which provides educational services for hearing impaired/deaf and visually impaired/blind children. The primary source of funding is the General Fund. For each student eligible for funding under the School Finance Act, the CSDB receives funding from each student's "home" school district. Reappropriated funds reflect program funding that would otherwise be paid to the home school district (from the Facility School Funding section above), as well as federal funds transferred from local school districts. Cash funds consist of fees paid by individuals for workshops and conferences and housing reimbursements.

**(A) School Operations**

Personal Services	<u>8,700,446</u>	<u>9,096,123</u>	<u>9,121,285</u>	<u>9,391,391</u> *
FTE	135.8	128.0	141.3	141.3
General Fund	7,479,446	7,899,335	7,831,409	8,101,515
Cash Funds	0	0	0	0
Reappropriated Funds	1,221,000	1,196,788	1,289,876	1,289,876
Federal Funds	0	0	0	0
Early Intervention Services	<u>1,037,519</u>	<u>1,008,485</u>	<u>1,165,533</u>	<u>1,187,847</u>
FTE	9.2	8.6	10.0	10.0
General Fund	1,037,519	1,008,485	1,165,533	1,187,847
Shift Differential	<u>87,032</u>	<u>83,981</u>	<u>87,032</u>	<u>106,056</u>
General Fund	87,032	83,981	87,032	106,056
Operating Expenses	<u>417,277</u>	<u>417,275</u>	<u>417,277</u>	<u>417,277</u>
General Fund	417,277	417,275	417,277	417,277
Vehicle Lease Payments	<u>24,100</u>	<u>22,748</u>	<u>27,913</u>	<u>21,320</u> *
General Fund	24,100	22,748	27,913	21,320

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
Utilities	<u>543,132</u>	<u>494,873</u>	<u>554,810</u>	<u>554,810</u>	
General Fund	543,132	494,873	554,810	554,810	
Allocation of State and Federal Categorical Program					
Funding	<u>183,537</u>	<u>177,506</u>	<u>170,000</u>	<u>170,000</u>	
FTE	0.3	0.0	0.4	0.4	
Reappropriated Funds	183,537	177,506	170,000	170,000	
Medicaid Reimbursements for Public School Health					
Services	<u>144,306</u>	<u>135,639</u>	<u>150,000</u>	<u>401,577</u>	
FTE	1.5	1.4	1.5	1.5	
Reappropriated Funds	144,306	135,639	150,000	401,577	
<b>SUBTOTAL - (A) School Operations</b>	11,137,349	11,436,630	11,693,850	12,250,278	4.8%
<i>FTE</i>	<u>146.8</u>	<u>138.0</u>	<u>153.2</u>	<u>153.2</u>	<u>0.0%</u>
General Fund	9,588,506	9,926,697	10,083,974	10,388,825	3.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	1,548,843	1,509,933	1,609,876	1,861,453	15.6%
Federal Funds	0	0	0	0	0.0%

**(B) Special Purpose**

Fees and Conferences	<u>7,926</u>	<u>8,005</u>	<u>120,000</u>	<u>120,000</u>	
General Fund	0	0	0	0	
Cash Funds	7,926	8,005	120,000	120,000	
Federal Funds	0	0	0	0	

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Outreach Services	<u>653,456</u>	<u>666,272</u>	<u>1,025,000</u>	<u>1,030,699</u>	
FTE	3.9	3.0	5.4	5.4	
Cash Funds	493,637	499,496	755,000	755,000	
Reappropriated Funds	159,819	166,776	270,000	275,699	
Tuition from Out-of-state Students	<u>0</u>	<u>0</u>	<u>200,000</u>	<u>200,000</u>	
Cash Funds	0	0	200,000	200,000	
Grants	<u>444,509</u>	<u>446,349</u>	<u>1,200,000</u>	<u>1,203,357</u>	
FTE	2.9	4.0	9.0	9.0	
Reappropriated Funds	444,509	446,349	1,200,000	1,203,357	
<b>SUBTOTAL - (B) Special Purpose</b>	1,105,891	1,120,626	2,545,000	2,554,056	0.4%
FTE	<u>6.8</u>	<u>7.0</u>	<u>14.4</u>	<u>14.4</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	501,563	507,501	1,075,000	1,075,000	0.0%
Reappropriated Funds	604,328	613,125	1,470,000	1,479,056	0.6%
Federal Funds	0	0	0	0	0.0%
<b>TOTAL - (4) School for the Deaf and the Blind</b>	12,243,240	12,557,256	14,238,850	14,804,334	4.0%
FTE	<u>153.6</u>	<u>145.0</u>	<u>167.6</u>	<u>167.6</u>	<u>0.0%</u>
General Fund	9,588,506	9,926,697	10,083,974	10,388,825	3.0%
Cash Funds	501,563	507,501	1,075,000	1,075,000	0.0%
Reappropriated Funds	2,153,171	2,123,058	3,079,876	3,340,509	8.5%
Federal Funds	0	0	0	0	0.0%

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

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	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Request vs. Appropriation</b>
<b>TOTAL - Department of Education</b>	4,303,805,999	4,381,369,667	4,648,370,616	4,908,003,753	5.6%
<i>FTE</i>	<u>538.8</u>	<u>521.3</u>	<u>563.8</u>	<u>575.8</u>	<u>2.1%</u>
General Fund	2,549,014,066	2,702,320,767	2,630,674,083	2,709,570,238	3.0%
General Fund Exempt	284,175,417	312,202,624	469,842,084	469,842,084	0.0%
Cash Funds	851,074,015	740,668,201	893,700,039	1,062,310,066	18.9%
Reappropriated Funds	21,245,293	19,830,312	28,629,576	30,284,667	5.8%
Federal Funds	598,297,208	606,347,763	625,524,834	635,996,698	1.7%

## **Appendix B: Recent Legislation Affecting Department Budget**

### **2012 Session Bills**

**S.B. 12-068:** Prohibits public schools from making food or beverages that contain industrially produced trans fat available to students on school grounds during school days, except for foods and beverages provided as part of the federal meal program and foods involved in fundraising efforts. Appropriates \$6,800 General Fund to the Department of Education for FY 2012-13 for consulting services associated with rule making.

**S.B. 12-145:** For FY 2011-12 only, sets the following limits on transfers to the State Public School Fund: (1) caps transfer of royalty revenue and other income earned on state school lands at \$21.0 million and (2) caps the transfer of interest earned on the Public School (Permanent) Fund at \$15.0 million. Any such revenues above these amounts, excluding the share of state schools lands income transferred to the Public School Capital Construction Assistance Fund, are deposited into (or retained in) the Permanent Fund.

**H.B. 12-1146:** Allows a school district and community colleges to enter into an agreement to establish a dropout recovery program, allowing students who have dropped out of high school (and some students who are at-risk of dropping out) to complete their high school requirements exclusively at a community college or district junior college. Any participating student who is enrolled in at least seven credit hours per semester is counted as a full-time student for purposes of receiving funding through the School Finance Act. If the student completes the credit hours, the school district pays the college a portion of the student's tuition.

**H.B. 12-1182:** Supplemental appropriation to the Department of Education to modify FY 2011-12 appropriations included in the FY 2011-12 Long Bill (S.B. 11-209).

**H.B. 12-1201:** Increases total program funding for public schools for FY 2011-12 by \$19.8 million, based on the actual student count that occurred in October 2011. Absent legislative action, the Department of Education would have been required to increase the size of the statutory school finance formula's negative factor from 12.9 percent to 13.2 percent, causing per-pupil funding to decrease by \$18.44, on average, below the amount anticipated by districts. As detailed in the following table, makes mid-year adjustments to school finance-related appropriations of state funds for FY 2011-12. Local tax revenues for school finance did not decrease as much as initially projected, and are thus \$24.2 million higher than anticipated. Of this amount, \$19.8 million will cover the increase in total program funding, and the remaining \$4.4 million will reduce state expenditures.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>House Bill 12-1201: Adjustments to FY 2011-12 Appropriations for School Finance</b>			
	<b>Initial Appropriation</b>	<b>Mid-year Adjustment</b>	<b>Adjusted Appropriation</b>
<u>State Share of Districts' Total Program Funding</u>			
General Fund	\$2,671,845,744	\$0	\$2,671,845,744
Cash Funds: State Education Fund	515,485,287	(4,425,519)	511,059,768
Cash Funds: State Public School Fund	<u>149,016,643</u>	<u>0</u>	<u>149,016,643</u>
Total State Funds	3,336,347,674	(4,425,519)	3,331,922,155
<u>Hold-harmless Full-day Kindergarten Funding</u>			
Cash Funds: State Education Fund	6,869,056	44,857	6,913,913
<b>Total Adjustment (State Education Fund)</b>		<b>(4,380,662)</b>	

Also establishes a statutory total program funding floor for FY 2012-13 to serve as a starting point for purposes of preparing the FY 2012-13 Long Bill and calculating the fiscal impact of any 2012 school finance-related legislation. This preliminary funding floor matches the adjusted floor for FY 2011-12 (\$5,229.6 million).

**H.B. 12-1212:** Eliminates, effective July 1, 2012, the authority for a board of cooperative services (BOCES) to authorize a single-district on-line educational program. Thus, beginning in FY 2012-13, each student enrolled in a BOCES-authorized on-line program will be funded at the same per-pupil rate as other multi-district on-line programs.

**H.B. 12-1238:** Makes a number of changes to policies, programs, and procedures associated with early literacy skills, including new requirements for the State Board of Education, the Department of Education, and local education providers (LEPs). Creates the Early Literacy Grant Program in the Department of Education to provide funding to LEPs for literacy assessment, instructional support, and appropriate interventions for early-grade (kindergarten through third grade) learners and replaces the Read-to-Achieve Grant Program with the new program. Creates the Early Literacy Fund, including any remaining money in the Read-to-Achieve Fund after FY 2011-12 and 5.0 percent of tobacco settlement moneys (up to \$8.0 million) each year. Beginning in FY 2013-14, also diverts a portion of the interest earned on money in the Public School (Permanent) Fund to the Early Literacy Fund. Allows the Department of Education to use 1.0 percent of moneys appropriated from the fund for administrative costs. Beginning in FY 2013-14, requires that the Department of Education use:

- \$1.0 million to provide literacy support on a regional basis to LEPs;
- \$4.0 million for the Early Literacy Grant programs; and
- the remaining money to fund LEPs using per-pupil intervention moneys.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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**H.B. 12-1246:** Reverses the annual pay date shift as it applies to state employees paid on a biweekly basis. Appropriates \$173,373 General Fund to the Department of Education for FY 2012-13.

**H.B. 12-1261:** Extends an existing program that requires that the Colorado Department of Education (CDE), subject to available appropriations, to award annual stipends to employed public school teachers holding certifications from the National Board for Professional Teaching Standards. Expands the program to include principals holding such certifications. Allows for a stipend of \$1,600 per year for all qualified recipients and an additional \$3,200 per year for teachers and principals employed in low-performing, high-needs schools, as defined in the bill. Specifies that if funding is insufficient to support stipends for all qualified recipients then only teachers and principals in low-performing, high-needs schools shall receive stipends. Appropriates a total of \$604,800 cash funds from the State Education Fund to the Department of Education in FY 2012-13, the estimated amount required to fund stipends for teachers and principals in low-performing, high-needs schools.

**H.B. 12-1335:** General appropriations act for FY 2012-13. Also includes a supplemental adjustment to modify appropriations to the Department of Education included in the FY 2011-12 Long Bill (S.B. 11-209).

**H.B. 12-1338:** Requires the State Treasurer to transfer the following amounts from the General Fund to the State Education Fund:

- \$59.0 million of General Fund moneys that exceed the statutorily required reserve for FY 2011-12; and
- all General Fund moneys that exceed the statutorily required reserve for FY 2012-13.

Each transfer will be made when the State Controller publishes the Comprehensive Annual Financial Report of the State (*i.e.*, in December 2012 and December 2013, respectively).

**H.B. 12-1345:** Amends the "Public School Finance Act of 1994" and other statutory provisions to provide funding for school districts for FY 2012-13, making the following changes:

- Increases the *statewide base per-pupil funding* amount from \$5,634.77 to \$5,843.26 (3.7 percent) to account for the annual change in the Denver-Boulder consumer price index in CY 2011.
- For FY 2012-13, increases the specified minimum total program funding amount that results after the application of the *negative factor* by \$57.3 million; does not specify the total program funding amount for FY 2013-14 or any subsequent fiscal year.
- Increases the required annual appropriation from the State Education Fund for *state aid for charter school facilities* from \$5.0 million to \$6.0 million, beginning in FY 2012-13.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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- Beginning in FY 2012-13, provides additional *moneys for boards of cooperative services* to assist their participating school districts in implementing and meeting the State’s educational priorities. Of the amount annually appropriated for this purpose, allows the Department of Education to retain up to \$120,000 to support a departmental liaison for rural school districts and up to \$50,000 to support the Department’s ongoing support of a council that advises the Commissioner of Education regarding the needs and concerns of rural school districts.
- Requires the Department to issue a request for proposals (RFP) for the purchase of an *early literacy assessment tool*, including software licenses and training for local personnel. Based on available appropriations and upon request of a school district, charter school, or board of cooperative services, requires the Department to purchase software licenses and associated training for use of the tool in all kindergarten, 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> grade classes in the state. Requires the Department to submit information to the General Assembly in 2014 and 2016 concerning the use of the tool, its impact on students’ reading skill levels, and the cost of providing the tool statewide.
- Provides additional state funding, called *at-risk supplemental aid*, for certain school districts and charter schools. First, for charter schools authorized by a district prior to July 1, 2004, in a district with more than 40 percent at-risk students: (a) school districts will receive at-risk supplemental aid for charter schools that have a smaller percentage of at-risk students than the district; and (b) a charter school will receive at-risk supplemental aid if it has a higher percentage of at-risk students than the authorizing district. Second, a charter school in a district with less than 40.0 percent at-risk students will receive at-risk supplemental aid if it has a higher percentage of at-risk students than the authorizing district. Third, a charter school authorized by the State Charter School Institute will receive at-risk supplemental aid if it has a lower percentage of at-risk students than the accounting school district.
- Permits school districts, charter schools, or the State Charter School Institute to administer basic skills placement tests to each student in grades 9 through 12. Requires the use of placement tests used by community colleges to place first-year freshman students in reading, writing, and mathematics. Allows administration of tests as often as necessary and provides for state reimbursement of testing costs once for each student during grades 9 through 12.
- Increases the discretion of school administrators and local school boards regarding suspension and expulsion of students. Adds requirements for local school board disciplinary codes, training of school resource officers, and reporting of incidents involving students on school grounds by local law enforcement entities and school districts.

<b>House Bill 12-1345: FY 2012-13 Appropriations</b>		
<b>Purpose</b>	<b>Amount</b>	<b>Fund Source</b>
<b><i>Section 48: Long Bill Adjustments Related to School Finance Formula Changes</i></b>		
(c) and (d) State Share of Districts’ Total Program Funding	\$57,232,000	General Fund
	<u>(228,551)</u>	Cash Funds - State Education Fund (SEF)
	57,003,449	Total Funds

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>House Bill 12-1345: FY 2012-13 Appropriations</b>		
<b>Purpose</b>	<b>Amount</b>	<b>Fund Source</b>
(e) Hold-harmless Full-day Kindergarten Funding	74,671	Cash Funds - SEF
(f) Facility School Funding	153,000	Cash Funds - SEF
Subtotal: Adjustments Related to Statutory Changes to School Finance Formula /1	57,232,000	General Fund
	<u>(880)</u>	Cash Funds - SEF
	57,231,120	Total Funds
<b>Section 48: Other Long Bill Adjustments and Appropriations</b>		
(a) School Counselor Corps Program	480,000	Cash Funds - SEF
(b) State Aid for Charter School Facilities	1,000,000	Cash Funds - SEF
<b>Sections 47 and 49: New Appropriations</b>		
47: Reimbursements to districts and charter schools for the costs of basic skills placement or assessment tests	1,000,000	Cash Funds - SEF
49: (1) Assistance to BOCES for implementing and meeting state educational priorities	1,300,000	Cash Funds - SEF
49: (2) At-risk supplemental aid to school districts, district charter schools, and Institute charter schools	3,839,627	Cash Funds - State Public School Fund
49: (3) Early literacy assessment tool	3,000,000	Cash Funds - SEF
<b>Total Appropriations</b>	57,232,000	General Fund
	6,779,120	State Education Fund
	<u>3,839,627</u>	State Public School Fund
	<b>67,850,747</b>	<b>Total Funds</b>

1/ The Joint Budget Committee's recommended FY 2012-13 budget package included \$57,232,000 General Fund for the annual school finance bill. This amount was estimated to be sufficient to cover the cost of maintaining the FY 2011-12 statewide average per-pupil funding. The associated increases required for the Hold-harmless Full-day Kindergarten and the Facility School Funding line items were appropriated from the State Education Fund, consistent with historical practice. Thus, the State Education Fund appropriation for the State Share line item was reduced in order to fully utilize the General Fund amount that had been set aside for this bill.

Also adjusts footnote #8 in the 2012-13 Long Bill (H.B. 12-1335) to increase the amount of funding that the Department may use to fund students in the Accelerating Students Through Concurrent Enrollment (ASCENT) Program from \$1,198,549 to \$1,211,689.

**2013 Session Bills**

**S.B. 13-087:** Supplemental appropriation to the Department of Education to modify FY 2012-13 appropriations included in the FY 2012-13 Long Bill (H.B. 12-1335).

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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**S.B. 13-108:** Makes mid-year adjustments to school finance-related appropriations of state funds for FY 2012-13. As detailed in the following table, increases *state* total program funding for public schools for FY 2012-13 by \$13.3 million. The increase is based on: (1) a \$7.1 million increase in total program funding for FY 2012-13 (including state and local shares) based on the actual student count that occurred in October 2012; and (2) a \$6.2 million shortfall in local tax revenues for school finance below the amount anticipated in the original FY 2012-13 appropriation. Absent legislative action, the combination of increased total program funding and reduced local tax revenues would have required the Department of Education to increase the size of the statutory school finance formula’s negative factor by \$13.3 million (from 16.05 percent to 16.24 percent), causing per-pupil funding to decrease by \$16.21, on average, below the amount anticipated by districts.

<b>Senate Bill 13-108: Adjustments to FY 2012-13 School Finance Appropriations</b>			
	<b>Initial Appropriation</b>	<b>Mid-year Adjustment</b>	<b>Adjusted Appropriation</b>
<u>State Share of Districts' Total Program Funding</u>			
General Fund	\$2,852,301,877	\$0	\$2,852,301,877
Cash Funds: State Education Fund	324,236,331	13,253,672	337,490,003
Cash Funds: State Public School Fund	<u>189,922,411</u>	<u>0</u>	<u>189,922,411</u>
<b>Total State Funds</b>	<b>\$3,366,460,619</b>	<b>\$13,253,672</b>	<b>\$3,379,714,291</b>

Also makes the following statutory changes:

- Specifies that the minimum level of total program funding for the FY 2013-14 budget year and subsequent years is an amount equal to the total program funding for the immediately preceding budget year adjusted by the amount necessary to increase statewide average per-pupil funding by the rate of inflation.
- Prohibits the State Board of Education from designating more participants in the Accelerating Students through Concurrent Enrollment (ASCENT) program than the General Assembly approved in the annual Long Bill for that budget year.

**S.B. 13-193:** Expands the responsibilities of school district accountability committees (DAC), school accountability committees (SAC), and the State Advisory Council for Parent Involvement in Education (SACPIE) and requires those entities to take various steps to improve parent engagement in education. Requires SACPIE and the Department of Education to provide regional training programs for accountability committees regarding parent engagement. Changes prior law to allow members of SACPIE to receive reimbursements for expenses incurred when performing their duties as members. Appropriates \$150,093 General Fund and 1.0 FTE to the Department of Education for FY 2013-14.

**S.B. 13-213:** Creates a new school finance act, the implementation of which is conditional upon passage of a citizen-initiated statewide ballot measure to increase state tax revenues by a stated minimum amount for the purpose of funding preschool through twelfth-grade education.

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

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Requires the ballot measure to pass no later than the 2017 statewide election or the new act will not take effect. Creates a new calculation of the state and local shares of total program funding and a new funding formula for the distribution of state moneys. Although the Department will recalculate the new state and local shares during the first budget year following passage of the ballot measure, the new funding formula and the distribution of state moneys under the new act will not take effect until the second budget year following passage of the ballot measure.

Specifies that for the first budget year following passage of the ballot measure the General Assembly will appropriate the new tax revenues as follows:

- Up to 40 percent to the Preschool Through Twelfth Grade Education Reserve Fund, created in the new act, to fund the purposes specified in the new act;
- Up to 40 percent to the Public School Capital Construction Assistance Fund to provide financial assistance for public school capital construction projects;
- Up to 15 percent to the Educator Effectiveness Reserve Fund, created in the new act, for initiatives to recruit, prepare, and retain effective educators; and
- Up to 5 percent to the Education Technology Fund, created in the new act, to assist school districts and public schools in purchasing and maintaining technology needed to support educational reforms and programmatic enhancements.

Makes changes to the current school finance act in the following general areas:

- Calculation of pupil enrollment;
- Funding of preschool and kindergarten pupils;
- Factors included in the formula for calculating total program funding;
- Definition of at-risk pupils and the percentage increase (weight) for at-risk pupils and English language learners;
- Minimum per pupil funding;
- On-line pupil funding and ASCENT program funding;
- Calculation of total program for and state payments to institute charter schools;
- Calculation of state and local shares of total program;
- Authorized mill levy overrides;
- State moneys available to districts and institute charter schools in addition to total program funding;
- Allocations of funding by districts to charter schools and other schools of the district;
- Review of the return on the investment of funding and cost studies every four years; and
- Public financial reporting by districts and charter schools.

**S.B. 13-217:** Authorizes the State Board of Education to consider the unique circumstances and challenges posed by students enrolled in alternative education campuses when establishing the criteria used to determine the appropriate accreditation category for each school district and the State Charter School Institute. Appropriates \$17,580 General Fund and 0.2 FTE to the Department of Education for FY 2013-14.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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**S.B. 13-230:** General appropriations act for FY 2013-14. Also includes a supplemental adjustment to modify appropriations to the Department of Education included in the FY 2012-13 Long Bill (H.B. 12-1335).

**S.B. 13-260:** Amends the "Public School Finance Act of 1994" and other statutory provisions to provide funding for school districts for FY 2013-14, making the following changes:

- Increases the *statewide base per-pupil funding* amount from \$5,843.26 to \$5,954.28 (1.9 percent) to account for the annual change in the Denver-Boulder consumer price index in CY 2012.
- For FY 2013-14, increases the specified minimum total program funding amount that results after the application of the *negative factor* by \$51.7 million.
- Provides an additional \$20.0 million cash funds from the State Education Fund for "Tier B" special education funding in FY 2013-14 and subsequent years.
- Increases the authorized number of participants in the Colorado Preschool Program (CPP) by 3,200 half-day slots and allows school districts flexibility to use the additional slots for half-day preschool, full-day preschool, or full-day kindergarten programs.
- Specifies that regardless of the statutory calculation of a school district's funded pupil count, for FY 2013-14 and subsequent years a district's funded pupil count will not be less than 50 pupils.
- For FY 2013-14, changes the fund source for at-risk supplemental aid funding from school district audit recoveries credited to the State Public School Fund to interest and income earned on the Public School (Permanent) Fund credited to the State Public School Fund.
- Increases the required annual appropriation from the State Education Fund for *state aid for charter school facilities* from \$6.0 million to \$7.0 million, beginning in FY 2013-14.
- Changes the formula to calculate per pupil funding for facility schools. Under prior law, facility schools received per pupil funding at 1.33 times the statewide average per pupil funding. The bill changes the formula to 1.73 times the statewide *base* per pupil funding amount.
- Changes the original fund source for "READ Act" funding beginning in FY 2013-14. Prior law required the transfer of up to \$16.0 million in interest and income earned on the Permanent Fund to the Early Literacy Fund to support READ Act implementation. Beginning in FY 2013-14, the bill eliminates the transfer from the Permanent Fund and instead directs the State Treasurer to transfer \$16.0 million per year from the State Education Fund to the Early Literacy Fund.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

- Transfers \$200,000 from the State Education Fund to the Great Teachers and Leaders Fund for FY 2013-14 to implement the State Council for Educator Effectiveness.
- Creates the Quality Teacher Recruitment Program and requires the Department to contract with one or more external vendors to create and implement a program to recruit, select, train, and retain highly qualified teachers to teach in school districts that can demonstrate historic difficulty in recruiting and training highly qualified teachers. Sets specific requirements for the program and the contract with the external vendor.
- Requires the State Treasurer to transfer 75 percent of General Fund moneys in excess of the statutory reserve, after a required transfer to the Colorado Water Conservation Board Construction Fund, to the State Education Fund for FY 2013-14.

<b>Senate Bill 13-260: FY 2013-14 Appropriations</b>		
Purpose	Amount	Fund Source
<b>Section 14 (1): Long Bill Adjustments Related to School Finance Formula Changes</b>		
(a) and (b) State Share of Districts' Total Program Funding	\$51,843,734	Cash Funds - State Education Fund (SEF)
(c) Hold-harmless Full-day Kindergarten Funding	51,248	Cash Funds - SEF
(h) Facility School Funding	2,506,290	Cash Funds - SEF
Subtotal: Adjustments Related to Statutory Changes to School Finance Formula	54,401,272	Cash Funds - SEF
<b>Section 14 (1): Other Long Bill Adjustments And Appropriations</b>		
(d) State Aid for Charter School Facilities	1,000,000	Cash Funds - SEF
(e) and (f) Early Literacy Program	(10,416,062)	Cash Funds - Early Literacy Fund from interest earned on the Permanent Fund
(g) Special Education Programs for Children with Disabilities	20,000,000	Cash Funds - SEF
(i) Stipends for Nationally Board Certified Teachers	1,339,200	Cash Funds - SEF
(j) At-risk Supplemental Aid	(3,839,627)	Cash Funds - State Public School Fund (SPSF) from school district audit recoveries
<b>Section 14: New Appropriations</b>		
(2) Early Literacy Program	16,000,000	Cash Funds - Early Literacy Fund from the SEF
(3) Quality Teacher Recruitment Program	3,000,000	Cash Funds - SEF
(4) Educator Effectiveness Implementation	200,000	Cash Funds - Great Teachers and Leaders Fund from SEF
(5) Department of Human Services Child Care Licensing and Administration	43,898	General Fund
(6) At-risk Supplemental Aid	3,839,627	Cash Funds - SPSF from interest and income earned on the Permanent Fund
<b>Total Appropriations</b>	43,898	General Fund
	79,740,472	State Education Fund
	<u>5,783,938</u>	Other Cash Funds
	<b>\$85,568,308</b>	<b>Total Funds</b>

*JBC Staff Budget Briefing: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

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Also adjusts footnote #4 in the FY 2013-14 Long Bill (S.B. 13-230) to increase the amount of funding that the Department may use to fund students in the Accelerating Students Through Concurrent Enrollment (ASCENT) Program from \$2,709,450 to \$2,727,900.

**H.B. 13-1257:** Allows any local board of education or board of cooperative services that develops its own evaluation system for licensed personnel to submit data to the Department regarding the evaluation system. Allows any interested party to submit such data, and allows the Department to solicit and collect such data from any local board or board of cooperative services implementing its own performance evaluation system. Requires the Department to monitor local implementation of performance evaluation systems and to require local boards of education and boards of cooperative services to take corrective action when evaluation systems are not in compliance with statutory or regulatory requirements. Appropriates \$120,093 cash funds from the State Education Fund and 1.0 FTE to the Department of Education for FY 2013-14.

## **Appendix C:** **Update on Long Bill Footnotes & Requests for Information**

### **Long Bill Footnotes**

- 4 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding -- Pursuant to Section 22-35-108 (2) (a), C.R.S., the purpose of this footnote is to specify what portion of this appropriation is intended to be available for the Accelerating Students Through Concurrent Enrollment (ASCENT) Program for FY 2013-14. It is the intent of the General Assembly that the Department of Education be authorized to utilize up to \$2,727,900 of this appropriation to fund qualified students designated as ASCENT Program participants. This amount is calculated based on an estimated 450 participants funded at a rate of \$6,062 per FTE pursuant to Section 22-54-104 (4.7), C.R.S.

Comment: House Bill 09-1319 created the ASCENT Program for students who voluntarily extend their high school education beyond 12<sup>th</sup> grade in order to attend college courses ("fifth year" students). The stated objectives of the program include the following:

- Increasing the percentage of students who participate in higher education, especially among low-income and traditionally under-served populations;
- Decreasing the number of high school dropouts;
- Decreasing the time required for a student to complete a postsecondary degree;
- Reducing state expenditures for public education; and
- Increasing the number of educational pathways available to students.

Similar to students participating in multi-district online programs and the Colorado Preschool Program, ASCENT students are counted and funded through the School Finance Act formula. However, the ASENT program is subject to available appropriations. As funding for ASCENT is calculated as part of school districts' total program funding, state funding for ASCENT students is included within the State Share of Districts' Total Program Funding line item. This footnote thus provides the mechanism for the General Assembly to limit the appropriation for ASCENT.

Similar to other concurrent enrollment programs, higher education institutions include ASCENT students in determining the number of full time equivalent students enrolled in the institution. The higher education institution receives tuition from ASCENT students' home school districts, as well as College Opportunity Fund Program stipend payments.

In order to inform the General Assembly of the level of interest in the ASCENT Program, in September local education providers submit an estimate of the number of current grade 12 seniors who will seek to be designated as ASCENT Program participants in the following fiscal year. The Department is required to report this data as part of its annual budget request. The Department has requested that districts provide updated numbers in February,

***JBC Staff Budget Briefing: FY 2014-15***  
***Staff Working Document – Does Not Represent Committee Decision***

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and these updated figures are provided to the Joint Budget Committee for purposes of preparing a budget proposal for the following fiscal year. Ultimately, the State Board of Education is charged with determining how many qualified students may be designated as ASCENT Program participants for the following school year, based on available appropriations.

The Department has provided district-reported data indicating that a total of 708 12<sup>th</sup> graders may participate in ASCENT in FY 2014-15, an increase of 258 students from the current (FY 2013-14) appropriation for 450 students. The Department's budget request assumes funding for all 708 students based on the district estimates.

- 5 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding – It is the intent of the General Assembly that a portion of the amount appropriated for this line item, not to exceed \$250,000 for fiscal year 2013-14, shall be transferred to the Legislative Council for the purpose of funding the biennial cost of living analysis pursuant to Section 22-54-104 (5) (c) (III) (B), C.R.S.

Comment: Legislative Council Staff has contracted for the analysis and will certify the new cost of living factors during the 2014 Session. The new cost of living factors will affect the FY 2014-15 and FY 2015-16 budget cycles.

- 6 Department of Education, Library Programs, Reading Services for the Blind -- This appropriation is for the support of privately operated reading services for the blind, as authorized by Section 24-90-105.5, C.R.S. It is the intent of the General Assembly that \$300,000 of this appropriation be used to provide access to radio and television broadcasts of locally published and produced materials and \$50,000 of this appropriation be used to provide telephone access to digital transmissions of nationally published and produced materials.

Comment: This footnote has been included for several years to express the General Assembly's intent concerning this appropriation. The Department annually contracts with Audio Information Network of Colorado (AINC) to provide an on-the-air volunteer reading service for the blind, visually impaired, and print-handicapped citizens of Colorado. Broadcasts are provided in Boulder, Louisville, and Lafayette and are available on local cable as a standard radio frequency at 98.9 KHzs. AINC is currently working through cable associations with the cities to expand local coverage. The services provided by AINC are also made available through the internet, telephone, and podcasts. In FY 2012-13, the General Assembly increased the allocation for the contract with AINC from \$200,000 per year to \$300,000.

The remaining \$50,000 is used to purchase services from the National Federation for the Blind (NFB) for its Newline service, which provides eligible Coloradans access to newspapers nationwide and a few magazines via touch tone telephone, internet, and by email. Newline services now include television listings (based on an individual's zip code); the NFB indicates that this additional service has increased use of their Newline service nationwide significantly. Anyone who is a patron of the Colorado Talking Book Library

(CTBL) is eligible to access Newline services. The CTBL is able to sign patrons up for the Newline service through their existing database.

## **Requests for Information**

### Requests Affecting Multiple Departments

- 2 Department of Education, Assistance to Public Schools, Categorical Programs; and Department of Higher Education, Division of Occupational Education, Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S.** -- The Department of Education is requested to work with the Department of Higher Education to provide the Joint Budget Committee with information concerning the distribution of state funds available for each categorical program, excluding grant programs. The information for special education programs for children with disabilities, English language proficiency programs, public school transportation, career and technical education, and small attendance center aid is requested to include the following: (a) a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2012-13 and the maximum allowable distribution pursuant to state law and/or State Board of Education rule; and (b) a comparison of the state and federal funding distributed to each district or administrative unit for each program in fiscal year 2011-12 and actual district expenditures for each program in fiscal year 2011-12. The information for special education programs for gifted and talented children is requested to include a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2011-12 and actual district expenditures in fiscal year 2011-12.

Comment: The Department provided the requested information, which is summarized below.

*Background Information.* Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. The General Assembly determines on an annual basis how to finance this increase, and how to allocate the required increase among the various categorical programs. The annual Long Bill includes at least the minimum required increase in state funding for categorical programs. Thus, the Joint Budget Committee makes a recommendation to the General Assembly each year concerning the allocation of these funds. This footnote is intended to provide the Committee with data to inform this decision.

Please note that pursuant to S.B. 07-199 [Section 22-55-107 (3), C.R.S.], the House and Senate Education Committees may submit to the Joint Budget Committee a joint recommendation regarding the allocation of the required state funding increase for categorical programs for the next budget year. The Joint Budget Committee is required to consider such a recommendation when developing the Long Bill for the following

***JBC Staff Budget Briefing: FY 2014-15***  
***Staff Working Document – Does Not Represent Committee Decision***

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budget year. The Education Committees have not submitted any such recommendation to date.

*Statutory Reimbursement Formula.* State funding is provided through a statutory formula for five categorical programs. Table A provides a comparison of the state funding available and the maximum statutory reimbursement for each of these programs for FY 2012-13. Unless otherwise noted, data is derived from the Department's response to this request for information. Based on this comparison, state funding for English language proficiency programs is the least adequate, covering 36.1 percent of the statutory maximum.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>TABLE A: Maximum Amount of State Funds Districts Were Statutorily Eligible to Receive for FY 2012-13</b>					
<b>Long Bill Line Item</b>	<b>Description of What Determines Maximum State Funding</b>	<b>Total State Funds</b>	<b>Maximum State Funding</b>	<b>Percent of Maximum Covered by State Funds</b>	<b>Estimated Increase Required to Fund Statutory maximum</b>
<b>District Programs Required by Statute:</b>					
Special Education - Children With Disabilities a/	Driven by the number of children requiring special education services, characteristics of the children eligible for such services, and the cost of such services	\$132,339,541	\$229,730,589	57.6%	\$97,391,048
English Language Proficiency Program	Driven by the number of eligible students and statewide average per pupil operating revenue	14,460,255	40,106,820	36.1%	25,646,565
<b>Other Categorical Programs (with specified statutory reimbursement levels):</b>					
Public School Transportation	Driven by total miles traveled and total transportation-related costs (excluding capital outlay expenses)	53,053,629	85,963,629	61.7%	32,909,999
Colorado Vocational Distributions Act	Driven by the number of students participating in vocational education programs and the costs of such services per FTE in relation to each districts per pupil operating revenue	24,218,018	24,218,018	100.0%	0
Small Attendance Center Aid	Driven by the number of eligible schools, such schools' enrollment, and eligible districts' per pupil funding	959,379	1,052,015	91.2%	92,636
<b>Total</b>					<b>\$156,040,248</b>

a/ The estimated increase to fund the statutory maximum for special education for children with disabilities is based on the following: \$108,362,500 (\$1.250 for each student with disabilities); \$116,868,089 (assuming districts received \$6,000 per student for 100 percent of the 19,478 students with specified disabilities, rather than for 16.7 percent of these students); \$4,000,000 for high cost grants; and \$500,000 for "educational orphans." Staff has not attempted to estimate the costs of "fully funding" the high cost grant program.

***JBC Staff Budget Briefing: FY 2014-15***  
***Staff Working Document – Does Not Represent Committee Decision***

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*Percent of Actual Expenditures Covered by State and Federal Funds.* Table A compares available state funding to the amount of state funding that districts are eligible to receive pursuant to state statute. However, these statutory formulas are generally designed to cover only a portion of districts' costs. One should also consider a comparison of actual district expenditures on categorical programs to the amount of state and federal funding available for categorical programs.

Table B provides a comparison of actual district expenditures for categorical programs to available state and federal funding. Based on the availability and relevance of district expenditure data, the table excludes data for three programs: Expelled and At-risk Student Services Grant Program, Small Attendance Center Aid, and Comprehensive Health Education. The data are derived from the Department's response to this request for information.

This analysis indicates that districts spent \$876 million in FY 2011-12 on five categorical programs, over and above state and federal funding made available for these programs – the equivalent of 16.7 percent of districts' total program funding for FY 2011-12. Districts spent the largest portion of their total program funding to provide special education services to children with disabilities (\$484 million), followed by English language proficiency programs (\$163 million) and public school transportation services (\$158 million).

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>TABLE B: Categorical Program Revenues and Expenditures: FY 2011-12</b>						
Long Bill Line Item	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c)/(d)	(f) = (d) - (c)
	State Funds	Federal Funds	Total State and Federal Funds	Total District Expenditures	State/Federal Share of Expenditures	Local Share of Expenditures
<b>District Programs Required by Statute</b>						
Special Education - Children with Disabilities a/	\$157,090,672	\$161,576,589	\$318,667,261	\$802,713,233	39.7%	484,045,972
English Language Proficiency Program	13,085,778	12,315,631	25,401,409	188,182,589	13.5%	162,781,180
<b>Other Categorical Programs</b>						
Public School Transportation	51,783,051	0	51,783,051	209,550,189	24.7%	157,767,138
Career and Technical Education	22,777,620	5,480,528	28,258,148	75,434,493	37.5%	47,176,345
Special Education - Gifted and Talented Children	9,059,127	0	9,059,127	33,153,474	27.3%	24,094,347
<b>Total</b>						<b>\$875,864,982</b>

a/ State funding includes Public School Finance Act funding for preschool children with disabilities.

## Requests Specific to the Department of Education

- 1 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding --** The Department is requested to provide to the Joint Budget Committee, on or before November 1, 2013, information concerning the Colorado Preschool Program. The information provided is requested to include the following for fiscal year 2012-13: (a) data reflecting the ratio of the total funded head count for the Program to the total funded head count for kindergarten; (b) data indicating the number of three-year-old children who participated in the Program; (c) data indicating the number of children who participated in the Program for a full-day rather than a half-day; and (d) the state and local shares of total program funding that is attributable to the Program.

Comment: The Department provided the information as requested, and it is summarized below. Please note that in addition, the Department prepares an annual legislative report concerning the Colorado Preschool Program, including student achievement and other outcome data. The most recent report is available at:

[http://www.cde.state.co.us/cpp/download/cppdocs/2013\\_CPP\\_Legislative\\_Report.pdf](http://www.cde.state.co.us/cpp/download/cppdocs/2013_CPP_Legislative_Report.pdf)

*District Participation.* The purpose of the Colorado Preschool Program (CPP) is to serve three-, four-, and five-year-old children who lack overall learning readiness due to significant family risk factors, who are in need of language development, or who are neglected or dependent children. School district participation in the program is voluntary. Participating districts are required to provide preschool classes four half-days each week throughout the school year, with the remaining half-day being used for home visits, teacher training, etc.

**The number of school districts participating in the CPP has increased from 32 in FY 1988-89 to 171 (of 178) in FY 2012-13; the State Charter School Institute also participates in the CPP.** Most districts that are not currently participating in CPP are small, rural districts. However, two non-participating districts have funded pupil counts in excess of 1,000: El Paso - Cheyenne Mountain (with a funded pupil count of 4,381 in FY 2012-13) and El Paso - Manitou Springs (with a funded pupil count of 1,430).

*Total Number of Slots.* The number of state-funded half-day preschool program "slots" is limited in statute. Since the program began operating in January 1989, its target population has been expanded and the maximum number of children that may be served has increased from 2,000 to 20,160. The General Assembly increased the number of authorized CPP slots from 14,360 in FY 2006-07, to 16,360 in FY 2007-08, to 20,160 in FY 2008-09. In addition, in FY 2008-09, the General Assembly repealed a provision allowing districts to use some of the CPP slots to provide a full-day kindergarten program (full-day kindergarten is now funded through another mechanism), thereby freeing up 2,454 slots to serve additional preschool children. In FY 2013-14, the General Assembly added 3,200 slots through a new program within CPP, called ECARE, which allows

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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school districts to use the slots for half-day preschool, full-day preschool, or to provide full-day kindergarten, depending on the needs of the district.

For FY 2012-13, participating districts and the State Charter School Institute received funding to serve a total of 20,160 pupils. For comparison purposes, the number of pupils in public kindergarten programs statewide was 66,844. Thus, on a statewide basis, **the total number of CPP preschool slots authorized for FY 2012-13 represented 30.2 percent of the public school kindergarten students.**

To put this ratio in perspective, please note that the proportion of the funded pupil count considered "at-risk" in FY 2012-13 based on the School Finance Act formula (which counts the number of children eligible for the federal free lunch program or whose dominant language is not English) was 37.5 percent. If every district had received CPP preschool slots in proportion to its at-risk population entering kindergarten programs the following school year (using the number of children in kindergarten programs in FY 2012-13 as a proxy), a total of 25,080 CPP slots would have been funded. This analysis implies that an additional 4,920 slots would have been necessary to provide half-day preschool to all at-risk children.

The following table uses the School Finance Act definition of "at-risk" for purposes of estimating the shortfall of CPP *preschool* slots for fiscal years FY 2005-06 through FY 2012-13.

Fiscal Year	(a) Number of Authorized CPP Half-Day Preschool Slots	(b) Number of Children in Kindergarten Funded Through School Finance Act	(c) = a/b Ratio	(d) Percent of Children Considered At-risk Under School Finance Formula	(e) = (b*d)-a Number of Additional Slots Required to Serve Children "At-risk" Per Formula
2005-06	10,506	59,278	17.7%	31.6%	8,226
2006-07	12,206	60,774	20.1%	31.5%	6,938
2007-08	13,906	61,426	22.6%	31.6%	5,505
2008-09	20,160	63,304	31.8%	32.1%	148
2009-10	20,160	63,457	31.8%	34.8%	1,917
2010-11	20,160	64,483	31.3%	36.6%	3,441
2011-12	20,160	66,263	30.4%	37.1%	4,404
2012-13	20,160	66,844	30.2%	37.5%	4,920

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

---

*Allocation of Slots.* The Department provided information comparing each district’s CPP headcount to its funded kindergarten headcount. For small school districts with a small number of kindergarten students, this comparison is not very meaningful. However, for larger districts, this comparison can be useful when analyzing the allocation of slots. The ratio of CPP students to kindergarten students varies significantly among larger districts, but these variations appear to relate to the number of low income students served. However, **if one considers the number of pupils considered "at-risk" based on the School Finance Act formula, the CPP head count does not always directly correlate with the number of at-risk pupils.**

The following table compares the number of CPP slots allocated to those districts with more than 1,000 pupils in public kindergarten programs with the percent of each district's pupils that are considered "at-risk" for purposes of the School Finance Act. The last column (E) provides an estimate of the gap between the number of CPP slots and the number of at-risk pupils. For example, Denver’s 4,032 CPP slots represent about 54 percent of children in kindergarten. However, approximately 69 percent of Denver's students are considered "at-risk", so the estimated gap for Denver is 1,085 students.

Larger Districts (with 1,000+ kindergarten pupils)	(a)	(b)	(c) = a/b	(d)	(e) = (b*d)-a
	Total CPP Preschool Funded Slots (FY 12-13)	Kindergarten Funded Students (FY 12-13)	Ratio	Percent of Pupils "At-risk" per School Finance Formula (FY 12-13)	Gap Between Number of At-Risk 4-year-olds and CPP Slots
Denver	4,032	7,450	54.1%	68.7%	1,085
Arapahoe - Aurora	1,371	3,553	38.6%	64.4%	917
Adams - Northglenn	570	3,334	17.1%	34.3%	575
Weld - Greeley	481	1,792	26.8%	56.6%	534
Jefferson	1,287	6,151	20.9%	29.0%	497
Arapahoe - Cherry Creek	360	3,729	9.7%	22.3%	470
El Paso - Colorado Springs	824	2,529	32.6%	48.7%	408
Boulder - St. Vrain	320	2,304	13.9%	30.4%	380
El Paso - Harrison	364	1,136	32.0%	63.9%	362
Mesa - Mesa Valley	431	1,701	25.3%	39.9%	248
Douglas	235	4,707	5.0%	9.9%	232

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

Larger Districts (with 1,000+ kindergarten pupils)	(a)	(b)	(c) = a/b	(d)	(e) = (b*d)-a
	Total CPP Preschool Funded Slots (FY 12-13)	Kindergarten Funded Students (FY 12-13)	Ratio	Percent of Pupils "At-risk" per School Finance Formula (FY 12-13)	Gap Between Number of At-Risk 4-year-olds and CPP Slots
Larimer - Thompson	183	1,210	15.1%	32.5%	211
Larimer - Poudre	368	2,133	17.3%	26.4%	194
El Paso - Academy	79	1,605	4.9%	10.6%	91
El Paso - Falcon	125	1,267	9.9%	16.5%	84
Boulder - Boulder	334	2,017	16.6%	17.1%	11
Adams - Brighton	420	1,351	31.1%	31.2%	1
Arapahoe - Littleton	206	1,094	18.8%	18.9%	1
Pueblo - Pueblo City	1,139	1,469	77.5%	66.8%	(158)

Please note that some of the at-risk children who are not served through CPP are receiving quality preschool services through the federal Head Start Program or locally funded programs. In addition, this analysis is based on a head count of the number of children receiving preschool services. As discussed below, many districts choose to use two half-day preschool slots to provide a child with a full-day preschool program, thereby reducing the number of children served through CPP.

*Participation of Children Under Age Four.* Since FY 2002-03, all districts have been allowed to serve eligible three-year-old children through CPP as long as the child lacks overall learning readiness that is attributable to at least three significant family risk factors. In FY 2012-13, 126 of 171 (74 percent) of participating school districts chose to use CPP slots to serve children under age four; the State Charter School Institute also uses slots to serve younger children. This compares to 123 districts in FY 2011-12.

**These districts used 4,614 CPP slots (23 percent of CPP preschool slots) to serve a total of 4,481 children under the age of four.**<sup>17</sup> This compares to 4,700 slots (23.0 percent) in FY 2011-12.

*Number of Children Allowed to Use Two Slots.* Districts may apply to the Department to use two CPP slots to provide an eligible child with a full-day, rather than half-day, preschool program. The Department is required to limit the total number of CPP slots

<sup>17</sup> This figure includes 133 slots that were used to provide full-day preschool services for 3-year-olds, and 227 slots that were used to serve children younger than age three under a pilot waiver.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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that can be used for this purpose to five percent of the total, or 1,008 for FY 2012-13. A total of 39 school districts used 622 CPP slots to serve children through a full-day program.

*State and Local Funding.* The CPP is funded through the School Finance Act by allowing districts to count each participating child as a half-day pupil. Thus, the program has always been financed with both local and state funds. The amount of funding that each district receives per participant is based on the statutory formula that determines per pupil funding. The Department provided details concerning the portion of each participating district's total program funding that was earmarked for CPP in FY 2012-13. **Statewide, \$67.2 million of districts' total program funding was earmarked for the CPP (1.3 percent), including \$42.2 million in state funding (62.7 percent of total CPP funding).**

- 2 Department of Education, Assistance to Public Schools, Grant Programs, Distributions, and Other Assistance --** The Department is requested to provide information to the Joint Budget Committee by November 1, 2013, concerning the allocation of funding to eligible boards of cooperative services (BOCES) pursuant to Section 22-2-122 (3), C.R.S. Specifically, the Department is requested to detail the sources of funds and the allocations made to each BOCES in fiscal years 2011-12 and 2012-13.

Comment: The Department complied with the request and submitted the requested information, which is shown in the tables below.

<b>Summary of FY 2012-13 BOCES Grant Writing Allocations Pursuant to Sec. 22-2-122 (3), C.R.S.</b>				
<b>BOCES</b>	<b>Total Allocations</b>	<b>Expelled and At-Risk Students</b>	<b>Read-to-Achieve</b>	<b>State School Counselor Corps Grant</b>
East Central	\$28,237	\$8,824	\$5,224	\$14,189
Mountain	9,641	9,641	0	0
Centennial	16,528	16,528	0	0
Northeast	16,528	16,528	0	0
Pikes Peak	12,396	12,396	0	0
San Juan	11,019	11,019	0	0
San Luis Valley	19,283	0	0	19,283
South Central	16,528	0	0	16,528
Southeastern	16,528	0	16,528	0
Northwest	9,641	0	9,641	0
Rio Blanco	2,755	0	2,755	0

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>Summary of FY 2012-13 BOCES Grant Writing Allocations Pursuant to Sec. 22-2-122 (3), C.R.S.</b>				
<b>BOCES</b>	<b>Total Allocations</b>	<b>Expelled and At-Risk Students</b>	<b>Read-to-Achieve</b>	<b>State School Counselor Corps Grant</b>
Uncompaghre	6,887	0	6,887	0
Santa Fe Trail	8,264	0	8,264	0
Front Range	4,821	0	4,821	0
<b>Total</b>	<b>\$179,056</b>	<b>\$74,936</b>	<b>\$54,120</b>	<b>\$50,000</b>

<b>Summary of FY 2011-12 BOCES Grant Writing Allocations Pursuant to Sec. 22-2-122 (3), C.R.S.</b>				
<b>BOCES</b>	<b>Total Allocations</b>	<b>Expelled and At-Risk Students</b>	<b>Read-to-Achieve</b>	<b>State School Counselor Corps Grant</b>
East Central	\$26,424	\$11,780	\$13,623	\$1,021
Mountain	9,022	9,022	0	0
Centennial	16,756	16,756	0	0
Northeast	15,467	15,467	0	0
Pikes Peak	11,600	11,600	0	0
San Juan	10,311	10,311	0	0
San Luis Valley	18,045	0	0	18,045
South Central	15,467	0	0	15,467
Southeastern	15,467	0	0	15,467
Northwest	9,022	0	9,022	0
Rio Blanco	2,578	0	2,578	0
Uncompaghre	6,445	0	6,445	0
Santa Fe Trail	7,733	0	7,733	0
Front Range	4,511	0	4,511	0
<b>Total</b>	<b>\$168,848</b>	<b>\$74,936</b>	<b>\$43,912</b>	<b>\$50,000</b>

For FY 2013-14, the General Assembly also appropriated \$1,300,000 for distribution to BOCES to assist member districts in meeting the state’s educational priorities (see section 22-5-122, C.R.S.). The Department’s response to this request for information also detailed the distribution of those funds. The distribution is shown in the following table.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

---

<b>Distributions to BOCES to Implement State Educational Priorities in FY 2012-13</b>	
<b>Sec. 22-5-122, C.R.S.</b>	
<b>BOCES</b>	<b>Total Allocations</b>
Centennial	\$98,911
Pikes Peak	94,148
East Central	87,597
South Central	74,182
Expeditionary	73,949
San Luis Valley	67,613
Northeast	64,665
Southeastern	61,340
Mount Evans	58,669
San Juan	54,038
Front Range	54,033
Adams County	52,090
Grand Valley	48,614
Northwest	47,651
Santa Fe Trail	44,293
Uncompaghre	44,077
Ute Pass	35,917
Mountain	35,615
Rio Blanco	32,599
<b>Total</b>	<b>\$1,130,000</b>

## **Appendix D: Indirect Cost Assessment Methodology**

### **Description of Indirect Cost Assessment Methodology**

The Department of Education annually calculates two separate indirect cost rates, one affecting federal funds and another for cash funds. The Department’s indirect cost methodology is based on three components: an “*Indirect Cost Pool*”, an “*Indirect Cost Base*”, and an “*Indirect Cost Rate*”.

The Department calculates and negotiates the federal indirect cost rate with the U.S. Department of Education (USDE) on an annual basis. The Department calculates the federal rate based on the most recent year of actual expenditures. For example, actual expenditures from FY 2012-13 are the basis of the FY 2014-15 federal indirect rate. Finally, the Department adjusts the federal rate each year based on over or under recoveries from the previous year. One complication is that the Department does not generally know the “final” indirect cost rate until the spring preceding the relevant fiscal year (for example, USDE may not approve the final rate for FY 2014-15 until as late as April or May 2014). The Department calculates the federal rate as the indirect cost pool divided by the indirect cost base (as illustrated in the tables below).

The Department bases the cash fund indirect cost rate on the approved federal rate, with some modifications. For example, the USDE prohibits the collection of indirect costs from contracts over \$25,000. For the cash fund rate, the Department adds the USDE exclusions back into the indirect cost pool to arrive at the cash fund indirect cost rate. The Department primarily applies the cash fund rate to the Teacher Licensing Fund but also applies the rate to private gifts, grants, and donations. The cash fund indirect cost rate for FY 2014-15 is not finalized yet but the Department does not expect a significant change from the 12.8 percent rate for FY 2013-14.

The *Indirect Cost Pool* is comprised of expenses in the Management and Administration Division, including expenses associated with the following line items: General Department and Program Administration, Health, Life, and Dental, Short-term Disability, S.B. 04-257 Amortization Equalization Disbursement, S.B. 06-235 Supplemental Amortization Equalization Disbursement, and Payment to Risk Management and Property Funds. The Department categorizes the indirect cost pool differently, however, based on the costs actually included in the pool for calculation purposes. **Table 1** (on the following page) outlines which *costs* are included in the department’s Indirect Cost Pool.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

<b>Table 1</b>		
<b>Department of Education Indirect Cost Pool</b>		
Division	Cost Description	FY 2012-13 Actual
<b>Statewide Indirect Costs</b>		<b>\$692,597</b>
Management and Administration		
	Human Resources	\$217,339
	Accounting and Purchasing	825,985
	Department Overhead	443,892
	Sick and Annual Leave Payouts	319,151
	Budget	380,227
	Information Management	1,302,410
<b>Total Departmental Indirect Cost Pool</b>		<b>\$3,489,004</b>
<b>Other Costs</b>		
	Depreciation	\$169,410
	State Auditor	128,852
	Carryforward overcollections from FY 2012-13	(322,493)
<b>Total Other Costs</b>		<b>(\$24,231)</b>
<b>Total Recoverable Indirect Cost Pool</b>		<b>\$4,157,370</b>

The *Indirect Cost Base* is the denominator in the calculation of the federal indirect cost rate. The indirect cost base consists of Departmental salaries, fringe benefits, and operating expenses. The federal calculation excludes the items for which USDE prohibits indirect cost collections and excludes departmental indirect costs. **Table 2** summarizes the department’s indirect cost base.

<b>Table 2</b>	
<b>Department of Education Indirect Cost Base</b>	
	FY 2012-13 Actual
CDE salaries, fringe benefits, operating expenses	\$82,386,086
Less: Expenditures Excluded by USDE	(37,341,128)
Less: Departmental Indirect Costs	(3,489,004)
<b>Total Indirect Cost Base</b>	<b>\$41,555,954</b>

The federal *indirect cost rate* is calculated by dividing the indirect cost pool by the indirect cost base. **Table 3** illustrates how the Department calculates the federal indirect cost rate.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

---

<b>Table 3</b>	
<b>Department of Education Indirect Cost Rate</b>	
<b>Federal Rate = Indirect Cost Pool / Direct Cost Base</b>	
<b>Division</b>	<b>FY 2012-13 Actual</b>
Indirect Cost Pool	\$4,157,370
Indirect Cost Base	41,555,954
<b>Total Indirect Cost Base</b>	<b>10.00%</b>

The Department applies the federal indirect cost rate to all federally funded expenditures for salaries, fringe benefits, operating expenses, and travel costs. The USDE prohibits charging indirect costs to federal funds supporting contracts in excess of \$25,000. In addition, some federal programs impose indirect cost limits. For example, the Library Service and Technology Act (LSTA) grant limits indirect cost recoveries to 4 percent, regardless of the negotiated indirect cost rate for other federal funds.

The Department also does not charge indirect costs to General Fund expenditures, some cash funded expenditures (most importantly those supported by the State Education Fund), or reappropriated fund expenditures.

### **FY 2014-15 Indirect Cost Assessment Request**

For FY 2014-15 the Department is requesting \$2,550,105 for indirect cost assessments. This amount is less than the Indirect Cost Pool of \$4,157,370 in large part because of the exclusions required by USDE. *Table 4* shows the FY 2014-15 Department indirect cost assessment based on the most current data available from the Department. Please note that the assessment amounts in the table vary slightly from the November 1 budget request. The Department’s November 1 budget request did not adjust the indirect cost assessment line items for FY 2014-15. The following data represents the Department’s current estimates for FY 2014-15.

<b>Table 4</b>				
<b>Department Indirect Cost Assessment Request</b>				
<b>Division</b>	<b>Total</b>	<b>CF</b>	<b>RF</b>	<b>FF</b>
Management and Administration	\$521,218	\$295,645	\$0	\$225,573
Assistance to Public Schools	1,973,560	25,000	55,571	1,892,989
Library Programs	55,327	0	0	55,327
<b>Total FY 2014-15 Request</b>	<b>\$2,550,105</b>	<b>\$320,645</b>	<b>\$55,571</b>	<b>\$2,173,889</b>
Management and Administration	\$501,287	\$275,714	\$0	\$225,573
Assistance to Public Schools	1,981,774	45,105	67,445	1,869,224
Library Programs	55,327		0	55,327
<b>FY 2013-14 Indirect Cost Assessment</b>	<b>\$2,538,388</b>	<b>\$320,819</b>	<b>\$67,445</b>	<b>\$2,150,124</b>
<b>Difference (FY 15 - FY 14)</b>	<b>\$11,717</b>	<b>(\$174)</b>	<b>(\$11,874)</b>	<b>\$23,765</b>

## Appendix E: Change Requests' Relationship to Measures

This appendix will show how the Department of Education indicates each change request ranks in relation to the Department's top priorities and what measures the Department is using to measure success of the request.

<b>Change Requests' Relationship to Measures</b>			
<b>R</b>	<b>Change Request Description</b>	<b>Goals / Objectives</b>	<b>Performance Measures</b>
R1	Increase State Spending for Total Program	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.
R2	Constitutionally Required Increase for Categorical Programs	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.
R3	Core Network and Information Technology Refresh	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.
R4	State Assessments	<b>Goal 3:</b> Every student meets or exceeds standards in reading and math. Ensure that all students make adequate growth in reading and math, by increasing the percentage of students catching up in proficiency from 23 percent in 2013 to 34 percent in 2016, with a goal of 44 percent by 2018.	Percent of students making catch-up growth in math by student subgroup.  Percent of students making catch-up growth in reading by student subgroup.
R5	College and Career Readiness	<b>Goal 4:</b> Every student graduates ready for college and careers. Ensure every student graduates college and career ready by increasing (six-year) the graduation rate from 78.5 percent in 2012 to 86 percent in 2016, with the goal of 90 percent by 2018.	Percent of students graduating within six years by subgroup.
R6	Educator Recognition and Perception	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.
R7	State Support for English Language Learners	<b>Goal 3:</b> Every student meets or exceeds standards in reading and math. Ensure that all students make adequate growth in reading and math, by increasing the percentage of students catching up in proficiency from 23 percent in 2013 to 34 percent in 2016, with a goal of 44 percent by 2018.	Percent of students making catch-up growth in math by student subgroup.  Percent of students making catch-up growth in reading by student subgroup.
R8	Funding for Early Literacy Assessment Tool	<b>Goal 1:</b> Every student starts strong with a solid foundation in grades preK-3. Increase the school readiness of our youngest learners by closing achievement gaps for children served by the CPP by 3 percent by 2016 and an additional 5 percent by 2017 compared with national norm.  <b>Goal 2:</b> Every student reads by the end of third grade. Ensure that every student attains proficiency in reading by third grade by increasing proficiency on the state assessment from 73 percent in 2013 to 80 percent in 2016, with the goal of nearly 85 percent proficient by 2018.	Percent of 3 <sup>rd</sup> graders proficient or advanced.

**JBC Staff Budget Briefing: FY 2014-15**  
**Staff Working Document – Does Not Represent Committee Decision**

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<b>Change Requests' Relationship to Measures</b>			
<b>R</b>	<b>Change Request Description</b>	<b>Goals / Objectives</b>	<b>Performance Measures</b>
R9	Start Smart Nutrition Program	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.
R10	BEST Gross Debt Appropriation	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.
R11	Salary Increase for CSDB Teachers	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.