

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2013-14 STAFF BUDGET BRIEFING**  
**DEPARTMENT OF EDUCATION**

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

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## 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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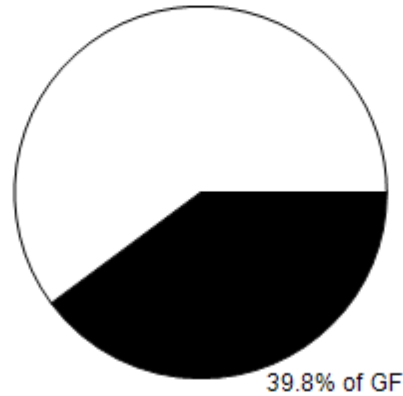
**Department Budget: Recent Appropriations**

<b>Funding Source</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14 *</b>
General Fund	\$2,963,613,216	\$2,833,702,613	\$3,015,437,087	\$3,016,915,356
Cash Funds	592,384,040	857,596,308	753,491,302	960,890,281
Reappropriated Funds	22,737,017	23,645,698	24,078,570	26,831,691
Federal Funds	<u>787,486,667</u>	<u>625,903,566</u>	<u>628,704,003</u>	<u>630,092,790</u>
<b>Total Funds</b>	<b>\$4,366,220,940</b>	<b>\$4,340,848,185</b>	<b>\$4,421,710,962</b>	<b>\$4,634,730,118</b>
Full Time Equiv. Staff	555.7	541.6	565.7	566.1

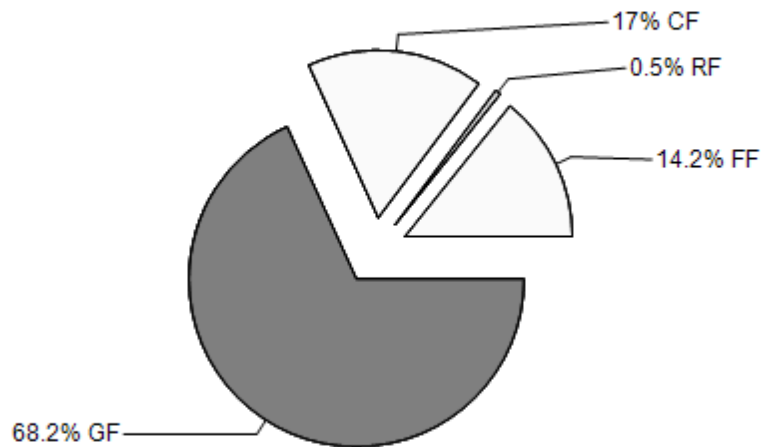
\*Requested appropriation.

## Department Budget: Graphic Overview

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

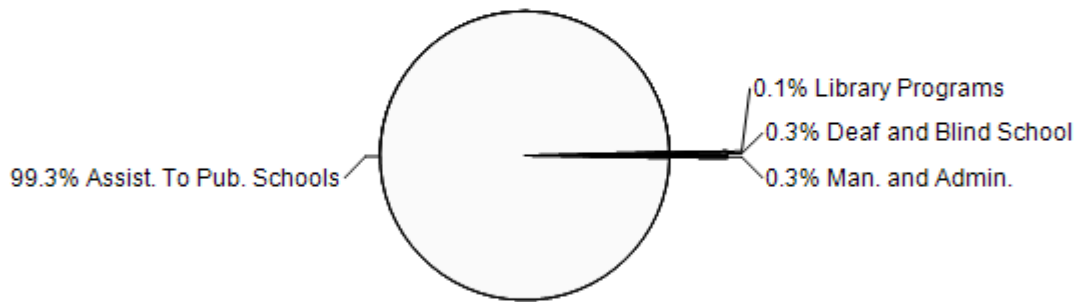


**Department Funding Sources**

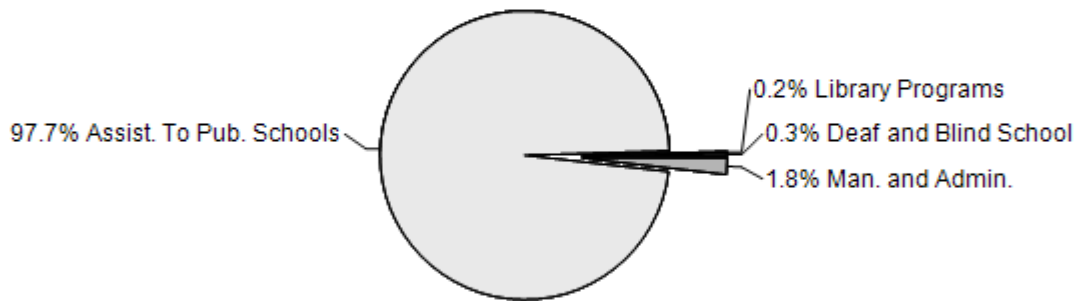


All charts are based on the FY 2012-13 appropriation.

**Distribution of General Fund by Division**



**Distribution of Total Funds by Division**



All charts are based on the FY 2012-13 appropriation.

## **General Factors Driving the Budget**

The Governor’s FY 2013-14 request for the Department of Education consists of 65.1 percent General Fund, 20.7 percent cash funds, 13.6 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 \$1.9 billion in FY 2013-14), 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.

### **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 (\$5,843 per pupil for FY 2012-13). 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 2012-13, per-pupil funding allocations are anticipated to range from \$6,059 to \$15,099, with a statewide average of \$6,474 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 2012-13, pursuant to the formula, a total of \$5.3 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 2012-13, the General Assembly was required to increase the statewide base per-pupil funding amount by at least \$208 (from \$5,635 to \$5,843, or 3.7 percent), based on the actual 3.7 percent increase in the Denver-Boulder consumer price index in calendar year 2011. Given an estimated funded-pupil count of more than 817,000, the General Assembly was thus required to provide a minimum of \$4.8 billion in state and local funds for base per pupil funding in FY 2012-13, equal to 90.3 percent of the \$5.3 billion in total program funding.



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Factors Considered in Public School Finance Formula

The remaining 9.7 percent of state and local funds that will be allocated among school districts in FY 2012-13 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* (\$6,141 per pupil in FY 2012-13<sup>2</sup>), regardless of the impact of the above factors. For FY 2012-13, 13 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 \$5,911<sup>3</sup> for FY 2012-13) *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 2012-13, this factor is estimated to be -16.1 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 16.1 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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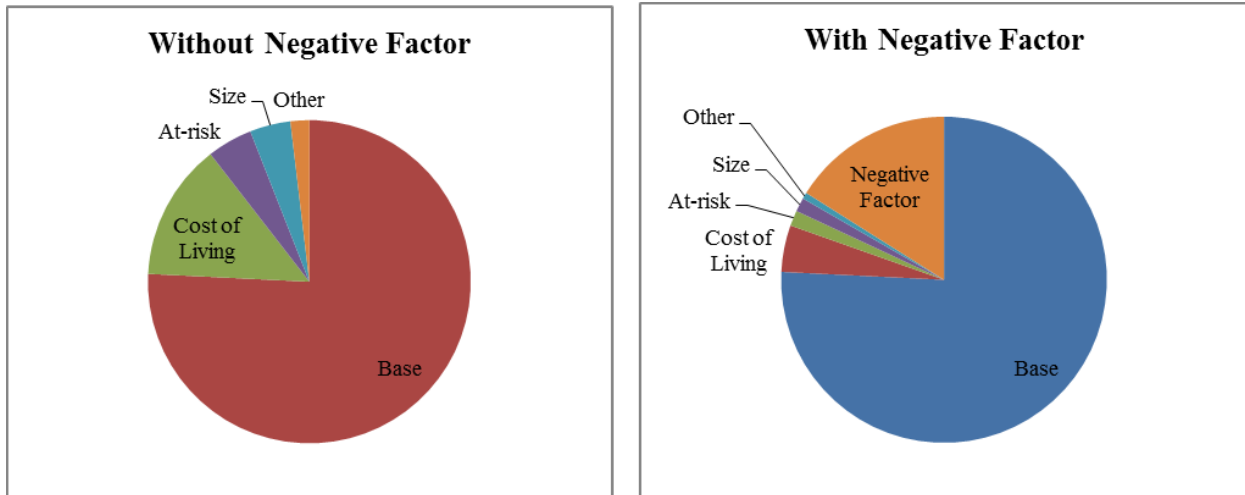
<sup>2</sup> This amount is calculated after the application of the negative factor (discussed in the next paragraph).

<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.

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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 2012-13 appropriation assumes that \$1.9 billion in local tax revenues will be available to support public schools in FY 2012-13. Thus, the General Assembly appropriated \$3.4 billion in state funding for FY 2012-13 to provide a total of \$5.3 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.
- 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

<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.

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

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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 ratio of the State share of funding to the local share of funding shifted from 43:57 to 64:36.

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 63.6 percent of total program funding in FY 2012-13.

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

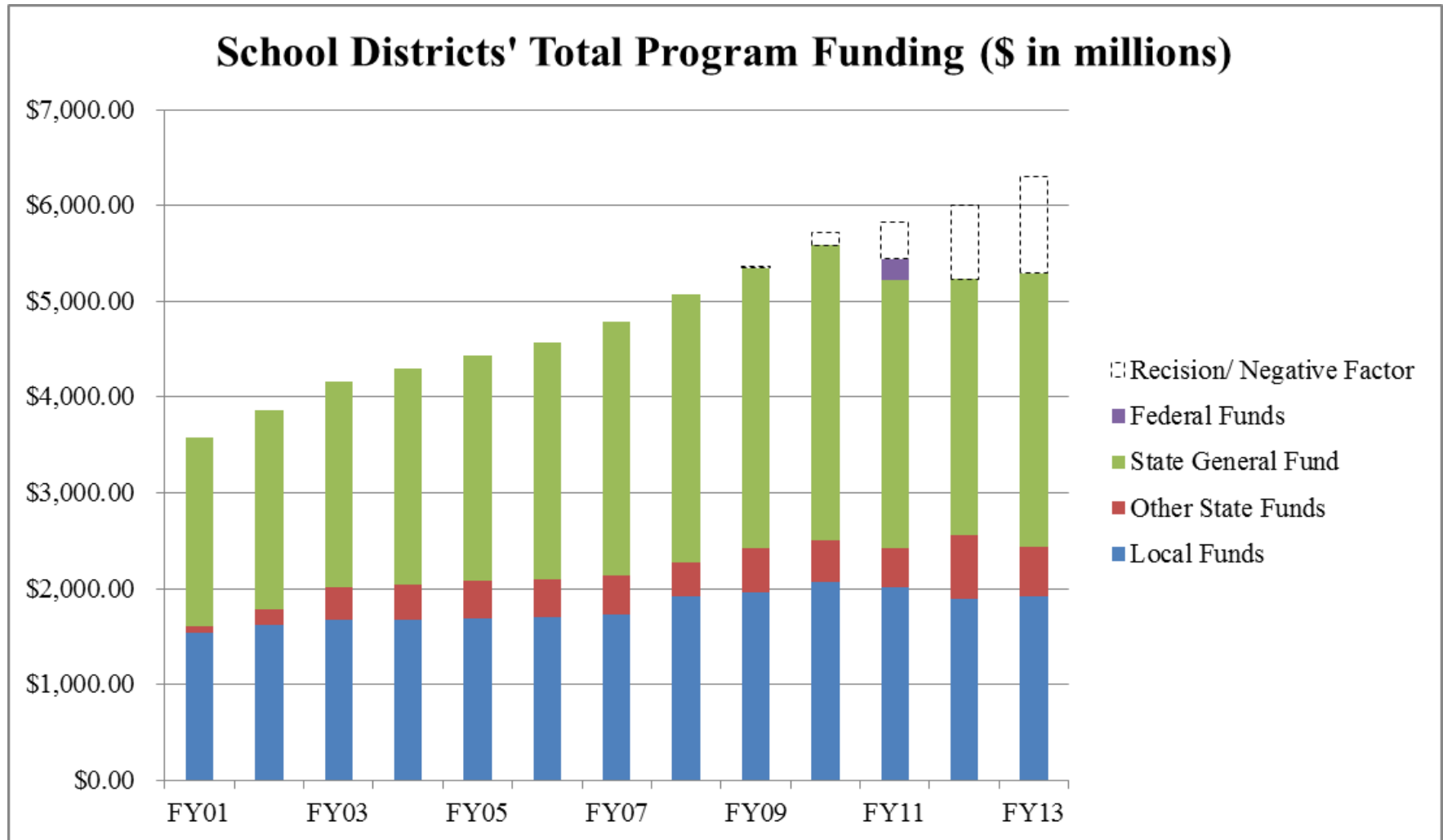
- The number of pupils enrolled in public schools, including: children attending state-supported preschool programs; students enrolled in full-time on-line programs; and students participating in the ASCENT program;
- The rate of inflation;
- Changes in the relative cost-of-living in various regions 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
- 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 2012-13. The stacked bar segments outlined with a dotted line illustrate the mid-year rescissions 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

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key data related to school finance funding for the last five fiscal years, as well as appropriations for FY 2012-13.



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School Districts' Total Program Funding: Key Data						
Description	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Approp.
<b>Funded Pupil Count</b>	<b>760,884</b>	<b>778,108</b>	<b>789,497</b>	<b>798,600</b>	<b>808,139</b>	<b>817,221</b>
<i>Annual Percent Change</i>	1.0%	2.3%	1.5%	1.2%	1.2%	1.1%
<i>Change in Denver-Boulder Consumer Price Index for Previous Calendar Year</i>	3.6%	2.2%	3.9%	-0.6%	1.9%	1.1%
Statewide <u>Base</u> Per Pupil Funding	<b>\$5,088</b>	<b>\$5,250</b>	<b>\$5,508</b>	<b>\$5,530</b>	<b>\$5,635</b>	<b>\$5,843</b>
<i>Annual Percent Change</i>	4.6%	3.2%	4.9%	0.4%	1.9%	3.7%
Statewide <u>Average</u> Per Pupil Funding	<b>\$6,661</b>	<b>\$6,874</b>	<b>\$7,078</b>	<b>\$6,814</b>	<b>\$6,474</b>	<b>\$6,474</b>
<i>Annual Percent Change</i>	4.7%	3.2%	3.0%	-3.7%	-5.0%	0.0%
<b>Total Program Funding/1</b>	<b>\$5,068,284,706</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>\$5,290,884,887</b>
<i>Annual Percent Change</i>	5.8%	5.5%	4.5%	-2.6%	-3.8%	1.1%
<u>Local Share</u> of Total Program Funding	\$1,915,971,895	\$1,956,083,870	\$2,068,895,672	\$2,018,856,003	\$1,900,524,532	\$1,924,424,268
<i>Annual Percent Change</i>	10.8%	2.1%	5.8%	-2.4%	-5.9%	1.3%
Federal Funds allocated based on School Finance Act formula				\$216,358,164		
<b>State Share of Total Program Funding</b>	<b>\$3,152,312,811</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>\$3,366,460,619</b>
<i>Annual Percent Change</i>	3.0%	7.6%	3.7%	-8.9%	3.9%	1.0%
<i>State Share as Percent of Districts' Total Program Funding</i>	62.2%	63.4%	63.0%	58.9%	63.7%	63.6%

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 2011 the percentage change in the Denver-Boulder consumer price index was 3.7 percent, so the General Assembly was required to increase state funding for categorical programs by at least that amount (\$8,713,706) for FY 2012-13.

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 \$102.1 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 \$36.6 million higher than the minimum amount that would have otherwise been required. The following table details the allocation of the \$102.1 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 2012-13 Appropriation</b>	<b>Total Increase in Annual Appropriation of State Funds Since FY 2000-01</b>	
Special education - children with disabilities	\$71,510,773	\$134,641,941	\$63,131,168	88.30%
English Language Proficiency Program	3,101,598	14,460,255	11,358,657	366.20%
Public school transportation	36,922,227	51,967,107	15,044,880	40.70%
Career and technical education programs	17,792,850	24,218,018	6,425,168	36.10%
Special education - gifted and talented children	5,500,000	9,473,606	3,973,606	72.20%
Expelled and at-risk student services grant program	5,788,807	7,493,560	1,704,753	29.40%
Small attendance center aid	948,140	959,379	11,239	1.20%
Comprehensive health education	600,000	1,005,396	405,396	67.60%
<b>Total</b>	<b>\$142,164,395</b>	<b>\$244,219,262</b>	<b>\$102,054,867</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.

For example, the FY 2012-13 appropriation includes:

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- \$6.9 million in state funds (including \$424,390 General Fund and \$6.4 million cash funds from the State Education Fund to be spent over three years) and \$1.8 million federal funds for the implementation of S.B. 10-191. The appropriation also includes a total of 20.5 FTE associated with this implementation.
- \$6.4 million cash funds (from the State Public School fund) for the development of new science, social studies, and other assessments to align with statewide content standards adopted pursuant to S.B. 08-212.

For FY 2013-14, the Governor's request includes a total increase of \$20.4 million directly associated with the implementation of three recent bills, including:

- \$15.5 million cash funds (from interest earned on the Public School (Permanent) Fund) for per pupil intervention measures under 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 (see the issue paper beginning on page 48 for a discussion of this request).
- \$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 (see the issue paper beginning on page 42 for a discussion of this request).



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**Summary: FY 2012-13 Appropriation & FY 2013-14 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 2012-13 Appropriation:</b>						
HB 12-1335 (Long Bill)	\$4,352,905,769	\$2,958,024,914	\$742,098,282	\$24,078,570	\$628,704,003	556.9
HB 12-1345 (School Finance)	67,850,747	57,232,000	10,618,747	0	0	0.0
Other Legislation	<u>954,446</u>	<u>180,173</u>	<u>774,273</u>	<u>0</u>	<u>0</u>	<u>8.8</u>
<b>TOTAL</b>	<b>\$4,421,710,962</b>	<b>\$3,015,437,087</b>	<b>\$753,491,302</b>	<b>\$24,078,570</b>	<b>\$628,704,003</b>	<b>565.7</b>
<b>FY 2013-14 Requested Appropriation:</b>						
FY 2012-13 Appropriation	\$4,421,710,962	\$3,015,437,087	\$753,491,302	\$24,078,570	\$628,704,003	565.7
R-1: Increase total program	189,081,248	0	189,081,248	0	0	0.0
R-2: Categorical programs increase	5,372,823	0	5,372,823	0	0	0.0
R-3: Accountability planning	625,501	625,501	0	0	0	3.2
R-4: Assessment update	4,192,802	0	4,192,802	0	0	0.0
NP-1: Employee engagement survey	1,016	1,016	0	0	0	0.0
NP-2: Capitol complex upgrades	39,540	5,453	8,896	6,880	18,311	0.0
Annualize prior year legislation	14,774,578	(180,173)	14,954,751	0	0	(0.8)
Employee benefits/common changes	3,224,028	1,026,472	415,289	411,791	1,370,476	0.0
Continuous approp. adjustments	2,134,450	0	(200,000)	2,334,450	0	1.0
Annualize prior year budget actions	<u>(6,426,830)</u>	<u>0</u>	<u>(6,426,830)</u>	<u>0</u>	<u>0</u>	<u>(3.0)</u>
<b>TOTAL</b>	<b>\$4,634,730,118</b>	<b>3,016,915,356</b>	<b>\$960,890,281</b>	<b>\$26,831,691</b>	<b>\$630,092,790</b>	<b>566.1</b>
<b>Increase/(Decrease)</b>	\$213,019,156	\$1,478,269	\$207,398,979	\$2,753,121	\$1,388,787	0.4
Percentage Change	4.8%	0.0%	27.5%	11.4%	0.2%	0.1%

**Issue Descriptions**

**R-1 Increase total program:** The request includes a net increase of \$189.1 million cash funds from the State Education Fund for school finance. The Request includes an increase of \$196.0 million for the State Share of Districts’ Total Program line item to fund pupil enrollment growth and inflation, and to increase the supplemental full-day kindergarten factor from 0.08 to 0.097. The increase is partially offset by a reduction of \$6.9 million through the proposed elimination of the Hold-harmless Full-day Kindergarten Funding line item to support the increase in the supplemental full-day kindergarten factor. The request includes two additional legislative proposals. See the issue papers beginning on page 18 and page 30 for further discussion of this request.

**R-2 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 2013-14. The request includes additional appropriations from the State Education Fund to increase state funding for categorical programs by 2.2 percent, based on the OSPB projected rate of inflation for CY 2012. The request specifies the allocation of the additional funds among the following five categorical programs: \$2,895,625 for special education for children with disabilities; \$1,111,632 for public school transportation; \$875,360 for English language

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proficiency programs; \$348,320 for vocational education; and \$141,886 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.

**R-3 Accountability planning:** The request includes an increase of \$0.6 million General Fund and 3.2 FTE (annualizing to \$1.0 million and 3.5 FTE in FY 2014-15) to implement accountability and improvement planning processes in accordance with S.B. 09-163. Specifically, the Department requests funding to: (1) assist districts and schools with improvement planning; (2) perform additional data analysis to inform the accountability and improvement planning process; and (3) create an independent State Review Panel to provide recommendations to the State Board of Education regarding the accreditation of low-performing schools and school districts. See the issue paper beginning on page 42 for further discussion of this request.

**R-4 Assessment update:** The request includes a total increase of \$4.2 million cash funds (from the State Education Fund) to address additional costs associated with the student assessment program. The request includes: \$2.0 million to support the augmentation of consortium-based assessments for math and English language arts to include components of the Colorado standards not covered in the multi-state assessments; \$1.5 million to develop a Spanish literacy assessment aligned with current statewide content standards; \$0.4 million for the administration of alternate social studies assessments for students with severe cognitive disabilities; and 0.3 million in anticipation of an increased number of pupils requiring English language proficiency assessments. See the issue paper beginning on page 48 for additional discussion of statewide assessments and the Department's request.

**NP-1 Employee engagement survey:** The request includes an increase of \$1,016 General Fund for FY 2013-14 to fund the Department's share of a survey to gauge employees' attitudes toward their work, their work environment, overall satisfaction, and trends developing within the workforce. *This request was addressed in a separate staff briefing for the Department of Personnel.*

**NP-2 Capitol complex upgrades:** The request includes an increase of \$39,540 total funds, including \$5,453 General Fund, for FY 2013-14 to fund the Department's share of building maintenance and upgrades in the State Capitol Complex. *This request was addressed in a separate staff briefing for the Department of Personnel.*

**Annualize prior year legislation:** The request includes an increase of \$14.8 million total funds to reflect the FY 2013-14 impact of legislation enacted during the 2012 Session, including the following acts:

- H.B. 12-1238 (Early Literacy): increase of \$15.5 million cash funds from interest earned on the Public School (Permanent) Fund and a reduction of 1.8 FTE;
- H.B. 12-1261 (Effective Educators in Low-Performing Schools): increase of \$100,800 cash funds from the State Education Fund;
- H.B. 12-1345 (School Finance): reduction of \$679,083 cash funds from the State Education Fund and an increase of 1.0 FTE;

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- H.B. 12-1246 (Payday Shift Biweekly Employees): reduction of \$173,373 General Fund; and
- S.B. 12-068 (No Trans Fats in Public Schools): reduction of \$6,800 General Fund.

**Employee benefits/common changes:** The request includes an increase of \$3.2 million total funds, including \$1.0 million General Fund, for employee benefits and other common policies. Of the total requested increase, \$2.9 million relates to employee benefits and \$0.4 million relates to other common policies.

**Continuous approp. adjustments:** The request includes an increase of \$2.1 million total funds and 1.0 FTE to better reflect anticipated expenditures from continuous appropriations to the State Charter School Institute pursuant to S.B. 12-121.

**Annualize prior year budget actions:** The request includes a net reduction of \$6.4 million and 3.0 FTE to reflect the FY 2013-14 impact of the Educator Effectiveness Implementation appropriation from FY 2012-13. The \$6.4 million state funds appropriated for this purpose in FY 2012-13 are available to the Department for three fiscal years (through FY 2014-15) and do not require appropriation in FY 2013-14.

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

The General Assembly faces two basic decisions with respect to school finance appropriations in FY 2013-14. First, how much should Colorado spend on school finance in FY 2013-14? Second, given the anticipated availability of one-time funding from the State Education Fund, how should the General Assembly fund potential increases in appropriations? This issue presents a range of alternatives for the Committee's consideration. The Governor is proposing a total increase of \$196.0 million in state spending on total program, approximately an amount estimated to be sufficient to increase average statewide per pupil funding by 2.86 percent, an amount above CY 2012 inflation rates projected by Legislative Council Staff (2.1 percent) and the Governor's Office (2.2 percent) in the respective September forecasts.

### **SUMMARY:**

- The General Assembly has not specified a total program funding amount for FY 2013-14 or subsequent fiscal years. As a result, it is unclear whether the General Assembly intends to increase, decrease, or maintain total program funding in FY 2013-14.
- If total program funding remains flat, the portion devoted to base per pupil funding will crowd out the funding for "factors" that differentiate school districts' funding based on differences in the cost of providing educational services. Absent a funding increase, there would be no funding available for differentiation by FY 2015-16 and funding would be insufficient to increase base per pupil funding as required by Amendment 23.
- Based on current revenue forecasts and an anticipated transfer of General Fund to the State Education Fund in December 2013, the General Assembly could fund anticipated increases in enrollment (maintaining statewide average per pupil funding) through FY 2016-17 without increasing the General Fund appropriation above FY 2012-13 levels. However, this scenario leaves no funding for differentiation by FY 2016-17 and funding would be insufficient to increase base per pupil funding as required by Amendment 23.
- The anticipated transfer of General Fund to the State Education Fund in December 2013 would create a variety of options for the General Assembly to fund increases for education in coming years and either spread out or delay impacts to the General Fund.
- For FY 2013-14, the Governor proposes an increase of \$196.0 million in state funding for total program. When combined with an anticipated \$12.5 million increase in local funding, the request would provide an additional \$208.5 million for districts' total program spending in FY 2013-14, an amount sufficient to increase average per pupil funding by more than the anticipated rate of inflation in CY 2012.
- The Governor proposes to maintain General Fund appropriations for total program at the FY 2012-13 level and fund the entire increase in state funds from the State Education Fund. The anticipated transfer of General Fund to the State Education Fund in December 2013 makes that possible but the proposal would require larger increases in General Fund in future years.

## **RECOMMENDATION:**

Based on the current statutory school finance formula, staff's school finance funding projections, and the Governor's proposed budget for FY 2013-14, staff recommends that the Joint Budget Committee discuss public school funding with legislative leadership, the Education Committees, and the Governor's Office. Specifically:

1. Given that current law does not specify the total program funding amount for FY 2013-14, what assumptions should the Joint Budget Committee use to recommend "current law" appropriations to be included in the FY 2013-14 Long Bill? Staff recommends that the Committee sponsor a bill early in the 2013 Session to clarify a current law amount for FY 2013-14.
2. 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? What share of total program funding must be available for the "factors" to maintain a thorough and uniform system of public schools?
3. The use of one-time funding (such as year-end transfers of General Fund to the State Education Fund) 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?

## **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>8</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>9</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.

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<sup>8</sup> See Article IX, Section 17 of the State Constitution.

<sup>9</sup> See Article 54 of Title 22, C.R.S.

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Beginning in 2010, the annual projections changed in two ways. First, the projections now must incorporate the negative factor (which the General Assembly extended indefinitely during the 2011 Session) on an ongoing basis. As a result, the “current law” amount for public school finance is effectively set through the legislative designation of a negative factor value for each year. Whereas in prior years the current law amount was generated through the school finance formula, the General Assembly now sets the amount annually through the negative factor.

In addition, the concept of SEF “solvency” changed because of declines in the SEF fund balance. Specifically, the projections now assume a minimum SEF balance (from \$50 million to \$100 million, depending on the year) to account for income tax revenue forecast error and to avoid requiring the State Treasurer to liquidate long-term investments.

**2012 Projection Assumptions**

Without the negative factor and total program specified through FY 2013-14 and beyond, current law does not make clear whether the General Assembly intends to increase, decrease, or maintain total program funding in FY 2013-14 or subsequent fiscal years.

In addition, the General Assembly has taken multiple actions to make one-time funds available for school finance in recent years. Affecting the forecast period (through FY 2016-17), H.B. 12-1338 makes the following transfers of General Fund revenues above the required statutory reserve to the SEF: (1) \$59.0 million in FY 2011-12 revenues, scheduled for December 2012; and (2) an estimated \$678.5 million in FY 2012-13 revenues, scheduled for December 2013 (based on the September 2012 Legislative Council Staff Revenue Forecast). Also, the General Assembly has “swept” certain state trust land revenues and Public School (Permanent) Fund interest into the State Public School Fund during the economic downturn. The “sweep” expires at the end of FY 2012-13 and will require \$36.0 million in other funding to backfill the sweep amount assumed in the FY 2012-13 appropriation.

Consistent with previous analyses, staff’s 2012 funding projections assume the following:

- The General Assembly will not change existing appropriations for FY 2012-13 mid-year.
- Given that current law does not indicate whether the General Assembly intends to increase, decrease, or maintain total program funding in FY 2013-14 and beyond, the *baseline* projection assumes that school districts’ total program funding will remain at its current (FY 2012-13) level for the next five fiscal years. The projections indicate that the state share would decline over that period because of anticipated increases in local revenues.
- 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 \$55.9 million in FY 2012-13). The projections do not currently include additional increases that



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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).

- The General Assembly seeks to maintain a minimum balance in the SEF to account for income tax revenue forecast error and to avoid requiring the State Treasurer to liquidate long-term investments. Consistent with General Assembly actions during the 2011 and 2012 sessions, the projections assume that the year-end balance of the SEF should not fall below \$100.0 million over the forecast period.
- With respect to the expiration of the “sweep” of state trust land revenues, the projections assume that SEF moneys will backfill the loss of those one-time funds in FY 2013-14.

Finally, staff will update these projections again based on the Legislative Council Staff December 2012 revenue forecast (including projections of 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 2013

**2012 Projections (FY 2013-14 through FY 2016-17)**

The General Assembly faces two basic decisions regarding school finance in FY 2013-14:

- First, how much should the State spend on total program in FY 2013-14?
- Second, how should the State pay for the selected total program amount, particularly balancing use of the General Fund and the SEF?

*Question 1: How much should the state spend on total program in FY 2012-13?*

As discussed above, prior to the implementation of the negative factor, the *amount* to be spent on total program each year (barring changes to the formula) was a straightforward calculation under the school finance formula. Now, with the negative factor in place, the General Assembly annually sets the appropriation for total program and then specifies the negative factor accordingly. As a result, the General Assembly faces a menu of options regarding expenditures for total program, ranging from reducing appropriations below FY 2012-13 levels (within constitutional constraints discussed above) to eliminating the negative factor and “fully funding” the formula.

Consistent with the JBC Staff’s office-wide approach for General Fund projections, this year’s projections include four incremental scenarios to illustrate potential answers to question of how much to spend on total program:

- *Baseline:* Maintain districts’ total program funding at its current level (as noted above, the anticipated increases in local revenues would allow the state share to decrease each year).
- *Caseload:* Fund annual enrollment changes to maintain statewide average per pupil funding at current levels (\$6,474 in FY 2012-13).

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- *Inflation:* Annually increase statewide average per pupil funding by the rate of inflation (estimated at 2.1 percent in 2012 in the Legislative Council Staff September Revenue Forecast).
- *Policy Option:* “Fully fund” the statutory school finance formula and eliminate the negative factor beginning in FY 2013-14.

Please note, however, that the baseline and caseload scenarios both appear to be inconsistent with Amendment 23 and the constitutional requirement to maintain a “thorough and uniform system of free public schools.”<sup>10</sup> Specifically, in order to comply with Amendment 23, the General Assembly must increase *base per pupil funding* by at least the rate of inflation each year. If statewide average per pupil funding grows slower than the rate of inflation, the share of funding devoted to base per pupil funding grows each year and crowds out the portion of funding that recognizes characteristics that change school districts’ costs. During the recent economic downturn, funding related to these factors declined from 24 percent of total program funding in FY 2009-10 to 9.7 percent in FY 2012-13. This year’s projections indicate that there would be no funding available for the factors by FY 2015-16 under the baseline scenario and by FY 2016-17 under the caseload scenario.

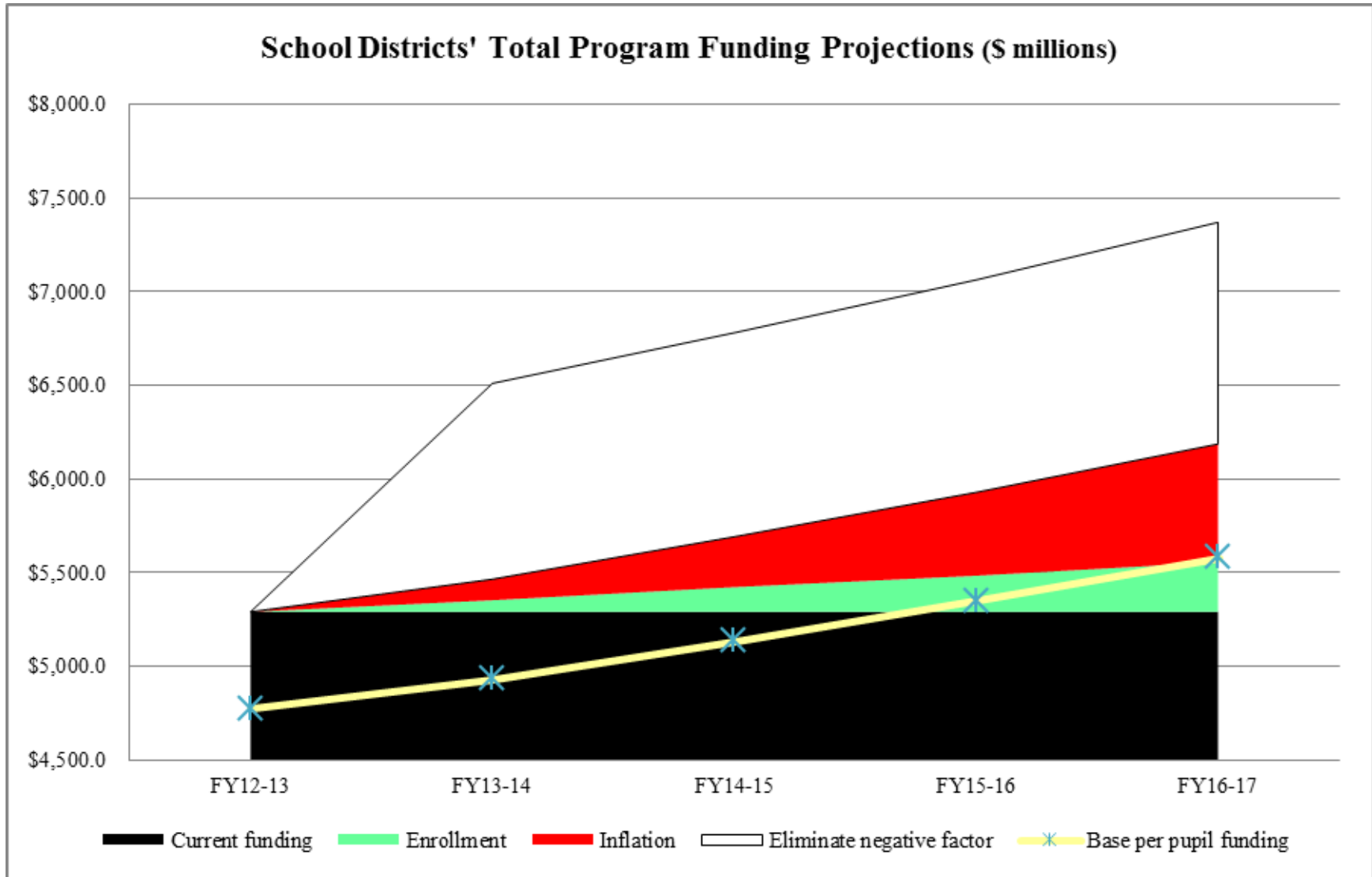
The graphic on the following page illustrates staff’s funding projections based on these four incremental scenarios, with each layer of the area chart representing additional state funding required under each scenario. The graphic also includes a line to identify the costs of simply providing base per pupil funding, keeping pace with projected enrollment increases and providing the constitutionally required inflationary increases in base per pupil funding. As base per pupil funding approaches the total funding under each scenario, the share of funding available for formula factors declines and eventually disappears as the amount required for base per pupil funding exceeds the appropriation.

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<sup>10</sup> See Sections 17 and 2 of Article IX of the State Constitution, respectively.



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*Question 2: How should the State pay for school finance in FY 2013-14?*

As discussed above, the September 2012 Legislative Council Staff Revenue Forecast anticipates a transfer of \$678.5 million in FY 2012-13 General Fund revenues to the SEF in December 2013. Given the magnitude of the anticipated transfer, 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 (as proposed by the Governor and discussed following staff's 2012 projections). Each financing option creates different near- and long-term consequences for the General Fund.

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. Please note that significant changes in the amount transferred to the SEF would require adjustments to these assumptions, with reductions to the transfer increasing costs to the General Fund each year. Staff's assumptions regarding General Fund and SEF expenditures for each of the four scenarios are below.

- *Baseline:* Holding total program constant allows for a decrease in the anticipated state share each year because of predicted increases in local revenues. **For simplicity, the baseline projection holds General Fund expenditures for total program constant at FY 2012-13 appropriated level (\$2.85 billion).** The SEF absorbs all fluctuations resulting from expiring one-time revenues and increasing available local funds.
- *Caseload:* Funding projected enrollment requires the total state share to increase in most years, including an increase of \$49.9 million in FY 2013-14. However, **the projections again hold General Fund expenditures constant at \$2.85 billion per year because the anticipated SEF balances would allow the SEF to fund the necessary increases in state share for the entire forecast period.**
- *Inflation:* Increasing average per pupil funding by the projected rate of inflation in FY 2013-14 requires the state share of total program spending to increase \$174.8 million above FY 2012-13 levels (\$112.4 million above the caseload scenario in FY 2013-14). Because of the magnitude and ongoing nature of the increases in the inflation scenario, the SEF cannot absorb the increases for the forecast period and maintain a balance above \$100 million. **To smooth out General Fund expenditures, the projections assume that General Fund appropriations for total program grow 4.6 percent per year (an increase of \$131.2 million in FY 2013-14) throughout the forecast period.**
- *Policy:* Fully funding the formula and eliminating the negative factor in FY 2013-14 and beyond would require an increase of \$1.2 billion in *state* expenditures for school finance in FY 2013-14 (relative to FY 2012-13 appropriations), more than \$1.0 billion above the state share required for the inflation scenario. Although the projections assume that the necessary increases are shared between the General Fund and the SEF, the magnitude of the necessary increases requires large increases in General Fund appropriations in FY 2013-14 (\$684.6 million or 24.0 percent) and FY 2014-15 (813.5 million or 23.0 percent).

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Table 1 details the necessary changes in General Fund appropriations under each scenario.

<b>TABLE 1: Projection of General Fund Need for Public School Finance</b>				
	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Base Appropriation	\$2,852,301,877	\$3,536,854,327	\$4,350,330,822	\$4,567,847,363
Total GF Adjustments to Maintain FY 2012-13 Total Program (Including State and Local Funds)	0	0	0	0
Annual GF Increases to Fund Projected Enrollment (Maintain Average PPR)	0	0	0	0
Annual GF Increases to Index Average PPR to Inflation	131,205,886	137,241,357	143,554,460	150,157,965
Annual Increases to "Fully Fund" Statutory Formula (Eliminate Negative Factor in FY 2013-14)	553,346,564	676,235,138	73,962,081	78,234,403
Adjusted GF Appropriation to "Fully Fund" Formula (Eliminating Negative Factor)	\$3,536,854,327	\$4,350,330,822	\$4,567,847,363	\$4,796,239,731
Total Annual GF Change	\$684,552,450	\$813,476,495	\$217,516,541	\$228,392,368
Total Annual Percent Change	24.0%	23.0%	5.0%	5.0%

Table 2, below, includes additional fund sources to put the General Fund projections in Table 1 in broader context. Specifically, Table 2 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. For example, under the baseline scenario, while total program funding remains flat, both the state share of funding and statewide average per pupil funding decline annually. Conversely, the policy option requires state funding to increase by 35.9 percent, total program funding to increase by 23.1 percent, and statewide average per pupil funding to increase by 22.0 percent in FY 2013-14.

<b>TABLE 2: State and Local Funding Corresponding to General Fund Projections</b>					
	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>Maintain Districts' Total Program Funding</b>					
<i>Projected Pupil Count</i>	817,221	826,852	837,662	847,113	858,240
General Fund	\$2,852,301,877	\$2,852,301,877	\$2,852,301,877	\$2,852,301,877	\$2,852,301,877
State Education Fund	324,236,331	420,566,373	367,282,623	260,904,110	203,385,614
State Public School Fund	<u>189,922,411</u>	<u>81,128,036</u>	<u>84,052,682</u>	<u>87,094,315</u>	<u>90,257,612</u>
Subtotal: State Share of Funding	\$3,366,460,619	\$3,353,996,286	\$3,303,637,182	\$3,200,300,302	\$3,145,945,103
<i>Annual Percent Change</i>	1.0%	-0.4%	-1.5%	-3.1%	-1.7%
Local Share of Funding	\$1,924,424,268	\$1,936,888,601	\$1,987,247,705	\$2,090,584,585	\$2,144,939,784
<i>Annual Percent Change</i>	1.3%	0.6%	2.6%	5.2%	2.6%
Total Program Funding	\$5,290,884,887	\$5,290,884,887	\$5,290,884,887	\$5,290,884,887	\$5,290,884,887
<i>Annual Percent Change</i>	1.1%	0.0%	0.0%	0.0%	0.0%
Average Funding Per Pupil	\$6,474	\$6,398.83	\$6,316.25	\$6,245.79	\$6,164.80
<i>Annual Percent Change</i>	0.0%	-1.2%	-1.3%	-1.1%	-1.3%

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<b>TABLE 2: State and Local Funding Corresponding to General Fund Projections</b>					
	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>Fund Enrollment Increases (Maintain Average PPR at FY 2012-13 Level)</b>					
General Fund	\$2,852,301,877	\$2,852,301,877	\$2,852,301,877	\$2,852,301,877	\$2,852,301,877
State Education Fund	324,236,331	482,917,838	499,623,150	454,429,501	468,955,344
State Public School Fund	<u>189,922,411</u>	<u>81,128,036</u>	<u>84,052,682</u>	<u>87,094,315</u>	<u>90,257,612</u>
Subtotal: State Share of Funding	\$3,366,460,619	\$3,416,347,751	\$3,435,977,709	\$3,393,825,693	\$3,411,514,833
<i>Annual Percent Change</i>	1.0%	1.5%	0.6%	-1.2%	0.5%
Local Share of Funding	\$1,924,424,268	\$1,936,888,601	\$1,987,247,705	\$2,090,584,585	\$2,144,939,784
<i>Annual Percent Change</i>	1.3%	0.6%	2.6%	5.2%	2.6%
Total Program Funding	\$5,290,884,887	\$5,353,236,352	\$5,423,225,414	\$5,484,410,278	\$5,556,454,617
<i>Annual Percent Change</i>	1.1%	1.2%	1.3%	1.1%	1.3%
Average Funding Per Pupil	\$6,474	\$6,474.24	\$6,474.24	\$6,474.24	\$6,474.24
<i>Annual Percent Change</i>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Increase Average Per Pupil Funding by Inflation</b>					
General Fund	\$2,852,301,877	\$2,983,507,763	\$3,120,749,120	\$3,264,303,580	\$3,414,461,545
State Education Fund	324,236,331	464,130,707	500,107,321	487,085,673	537,499,414
State Public School Fund	<u>189,922,411</u>	<u>81,128,036</u>	<u>84,052,682</u>	<u>87,094,315</u>	<u>90,257,612</u>
Subtotal: State Share of Funding	\$3,366,460,619	\$3,528,766,506	\$3,704,909,123	\$3,838,483,568	\$4,042,218,571
<i>Annual Percent Change</i>	1.0%	4.8%	5.0%	3.6%	5.3%
Local Share of Funding	\$1,924,424,268	\$1,936,888,601	\$1,987,247,705	\$2,090,584,585	\$2,144,939,784
<i>Annual Percent Change</i>	1.3%	0.6%	2.6%	5.2%	2.6%
Total Program Funding	\$5,290,884,887	\$5,465,655,107	\$5,692,156,828	\$5,929,068,153	\$6,187,158,355
<i>Annual Percent Change</i>	1.1%	3.3%	4.1%	4.2%	4.4%
Average Funding Per Pupil	\$6,474	\$6,610.20	\$6,795.29	\$6,999.15	\$7,209.12
<i>Annual Percent Change</i>	0.0%	2.1%	2.8%	3.0%	3.0%
<b>Fully Fund Statutory Formula and Eliminate Negative Factor Beginning in FY 2013-14</b>					
General Fund	\$2,852,301,877	\$3,536,854,327	\$4,350,330,822	\$4,567,847,363	\$4,796,239,731
State Education Fund	324,236,331	956,458,209	359,528,220	317,868,016	339,432,197
State Public School Fund	<u>189,922,411</u>	<u>81,128,036</u>	<u>84,052,682</u>	<u>87,094,315</u>	<u>90,257,612</u>
Subtotal: State Share of Funding	\$3,366,460,619	\$4,574,440,572	\$4,793,911,724	\$4,972,809,694	\$5,225,929,540
<i>Annual Percent Change</i>	1.0%	35.9%	4.8%	3.7%	5.1%
Local Share of Funding	\$1,924,424,268	\$1,936,888,601	\$1,987,247,705	\$2,090,584,585	\$2,144,939,784
<i>Annual Percent Change</i>	1.3%	0.6%	2.6%	5.2%	2.6%
Total Program Funding	\$5,290,884,887	\$6,511,329,173	\$6,781,159,429	\$7,063,394,279	\$7,370,869,324
<i>Annual Percent Change</i>	1.1%	23.1%	4.1%	4.2%	4.4%

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**TABLE 2: State and Local Funding Corresponding to General Fund Projections**

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
<b>Fully Fund Statutory Formula and Eliminate Negative Factor Beginning in FY 2013-14</b>					
Average Funding Per Pupil	\$6,474	\$7,874.85	\$8,095.34	\$8,338.20	\$8,588.35
Annual Percent Change	0.0%	21.6%	2.8%	3.0%	3.0%

**Governor’s FY 2013-14 Request**

The Governor’s budget request proposes a \$196.0 million increase in state funding for school districts’ total program in FY 2013-14, with the entire increase supported by the SEF. When combined with an anticipated \$12.5 million increase in local revenues, the Governor’s proposal provides an increase of \$208.5 million for total program spending.

Relative to the first question discussed above (*How much should the State spend on school finance in FY 2013-14?*), the Governor’s proposal would:

- Fund anticipated enrollment growth *and increase average per pupil funding by more than the projected rate of inflation*. Statewide average per pupil revenue would grow from \$6,474 in FY 2012-13 to \$6,659 (an increase of 2.8 percent) using the Office of State Planning and Budgeting’s (OSPB’s) projected pupil count or \$6,650 (an increase of 2.7 percent) using Legislative Council Staff’s (slightly higher) projected pupil count in FY 2013-14. In both cases, the anticipated increase exceeds projected inflation rates of 2.1 percent (Legislative Council Staff) and 2.2 percent (OSPB).
- Keep the negative factor constant (in dollar terms) at FY 2012-13 levels of \$1,011,518,997. As a result, the negative factor’s size relative to total program spending would decline from 16.1 percent in FY 2012-13 to 15.6 percent in FY 2013-14.
- Specify the use of \$30.9 million of the increased funds through three legislative proposals embedded within the total program request. (The legislative proposals are discussed in the following issue paper.)

The Governor’s proposal would fund the *entire increase in total program spending from the SEF*. General Fund spending on total program would remain constant at FY 2012-13 levels, allowing the General Assembly to use anticipated FY 2013-14 General Fund revenues for other purposes. However, if the General Assembly intends to fund inflationary increases in average per pupil funding annually, the proposed reliance on the SEF in FY 2013-14 will increase the magnitude of required General Fund increase in the future. For example, current revenue projections indicate that maintaining a \$100 million minimum balance in the SEF in future years would require the following General Fund increases (relative to the FY 2012-13 school finance appropriation): more than \$150 million in FY 2014-15 and more than more \$660 million in FY 2015-16.

**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

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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 and how to finance any increases in appropriations. Staff recommends that the Committee initiate discussions with legislative leadership, the Education Committees, and the Governor’s Office concerning those broader questions.

*Total Program Amounts*

First, current law does not specify the General Assembly’s intended level of total program funding in FY 2013-14 or subsequent fiscal years. Staff recommends that the Committee discuss this issue with leadership and with the Education Committees to clarify what assumptions the Committee should use to recommend “current law” appropriations to be included in the FY 2013-14 Long Bill. For example, the Governor has proposed maintaining the negative factor at the same dollar amount as in FY 2012-13 (\$1,011,518,997), which would reduce the negative factor’s percentage of total program. Should the Joint Budget Committee make that assumption for the “current law” appropriation for FY 2013-14?

Staff also recommends that the Committee sponsor a bill early in the 2013 Session to specify a current law amount for inclusion in the FY 2013-14 Long Bill based on those discussions.

Second, as discussed above (and presented last year), it appears that the General Assembly will need to increase total program appropriations by more than the caseload (enrollment) scenario over the next three to four years to continue to comply with the constitutional requirements to provide a thorough and uniform system of public schools and to increase statewide base per pupil funding. Without sufficient increases, appropriations will not provide any resources for the differentiation factors and will eventually fall short of even funding the constitutionally required statewide base per pupil amount. Even with significant increases, the amount needed for differentiation is not clear. Staff recommends the following specific topics for discussion with leadership and the Education Committees:

1. Based on the current school finance formula, how much funding does Colorado need to provide over and above base per pupil funding to ensure that the various factors appropriately account for differences in districts’ costs of providing educational services? Given that the existing formula was established based on roughly one-quarter of total program funding being available for the factors, would the formula appropriately differentiate funding when only 6.8 percent of total program funding is available for the factors (under the baseline scenario in FY 2013-14)?
2. The negative factor in the statutory formula reduces all school districts’ funding by the same percentage, with the exception of those districts that receive little or no state funding. Does the General Assembly still consider the exception for certain districts consistent with the thorough and uniform requirement?
3. 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

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school finance to ensure the State's ability to continue to provide for the maintenance of a thorough and uniform system of public schools?

The Committee should be aware that the Colorado Children's Campaign and Sen. Johnston have conducted a series of public meetings over the past several months to formulate a proposal to revise Colorado's School Finance Act, including proposals affecting available revenues and expenditures. The General Assembly may consider a resulting bill during the 2013 Session.

*Total Program Fund Sources*

As discussed above, the anticipated transfer of approximately \$680 million in FY 2012-13 General Fund revenues to the SEF allows for increased flexibility in the funding of school finance appropriations in FY 2013-14 and beyond. The availability of those revenues may decrease pressure on the General Fund to varying degrees, depending on the General Assembly's strategy regarding the use of the SEF.

Because of the range of options available and the potential to require large General Fund increases in future years, staff recommends that the Committee initiate discussions with legislative leadership, the Education Committees, and the Governor's Office regarding a multi-year strategy to manage General Fund and SEF appropriations.

**RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC 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 strategic plan.



## **Issue: Legislative Proposals in the Governor’s Total Program Request**

The Governor’s FY 2013-14 request for the State Share of Districts’ Total Program includes three legislative proposals that would specify the use of a total of \$30.9 million of the requested increase in total program funding in FY 2013-14. The requests would: (1) dedicate approximately \$21.0 million to an effort to expand preschool and full-day kindergarten services for at-risk students; (2) increase the full-day kindergarten factor from 0.58 pupil FTE to 0.597, an increase of \$6.2 million for full-day kindergarten statewide, *and* eliminate \$6.2 million in funding for the Hold-harmless Full-day Kindergarten Funding line item; and (3) spend \$3.0 million on a “quality teacher pipeline” proposal to provide incentives to help recruit and retain teachers in rural, hard to serve districts.

### **SUMMARY:**

- Within the requested \$196 million increase for total program spending, the Governor is proposing to specify the use of \$30.9 million of the increased funding through three legislative proposals.
- The first proposal would: require school districts with more than 200 at-risk students to set aside \$70 per at-risk student (totaling an estimated \$21.0 million statewide) in a dedicated fund to expand early education (preschool and full-day kindergarten) services for at-risk children. Affected districts could use the funds to provide additional preschool slots or additional full-day kindergarten slots for at-risk students.
- The second proposal would: (1) eliminate the Hold-harmless Full-day Kindergarten Funding line item and use the savings (the line item was funded at \$6.9 million in FY 2012-13) to increase the supplemental full-day kindergarten factor from 0.08 to 0.097 and count kindergarten students statewide as 0.597 pupil FTE rather than the 0.58 under current law.
- The third proposal would direct the Department to retain \$3.64 per funded pupil statewide (an estimated \$3.0 million in FY 2013-14) to create a “quality teacher pipeline” program to provide incentives to improve the recruitment and retention of teachers in “rural, hard to serve” districts. The proposal would require the Department to contract with a vendor, and the vendor would have to provide a 2:1 match to the state funds.

### **RECOMMENDATION:**

Staff recommends that the Joint Budget Committee discuss the Governor’s legislative proposals with the Education Committees as potential additions to the annual school finance bill. Staff recommends that the Joint Budget Committee consider encouraging the Education Committees to include the proposal to eliminate the Hold-harmless Full-day Kindergarten Funding line item in the school finance bill and to discuss additional potential uses for those funds. Finally, staff



recommends that the Joint Budget Committee defer to the Education Committees' expertise on both of the other legislative proposals (the Early Education Dedicated Fund and the Quality Teacher Pipeline).

## **DISCUSSION:**

The Governor's request embeds three distinct legislative proposals within the request to increase state spending on total program by \$196.0 million in FY 2013-14 (the requested increase is discussed in the preceding issue paper). In total, the legislative proposals would specify the use of \$30.9 million of the requested increase for total program. The legislative proposals include:

1. Creating an *Early Education Dedicated Fund* to expand early education opportunities for at-risk students;
2. Increasing the statewide *supplemental full-day kindergarten factor* and eliminating the Hold-harmless Full-day Kindergarten Funding line item; and
3. Establishing a *Quality Teacher Pipeline* program to provide incentives to improve the recruitment and retention of teachers in "rural, hard to serve" districts.

### **Early Education Dedicated Fund**

The first proposal would require school districts with more than 200 at-risk students to deposit \$70 per at risk student into an *Early Education Dedicated Fund* to support the expansion of preschool and full-day kindergarten opportunities for at-risk children. Under the Governor's proposal, the program would be optional for districts with at-risk counts within 10.0 percent of 200.

The Department estimates that the proposal would set aside approximately \$21.0 million statewide to expand early education opportunities. The proposal specifically seeks to increase the number of at-risk children receiving services rather than expand services for children already being served. Thus, according to the Department school districts could use the funds to either provide additional preschool slots or provide additional full-day kindergarten slots for at-risk students.

Although the proposal does not increase the statutory number of slots for the Colorado Preschool Program (20,160 under current law), the Department reports that districts using the funds to expand preschool opportunities would use the same eligibility criteria as the Colorado Preschool Program. In contrast to the Colorado Preschool Program, in which slots are allocated by the Department, each district's share of the proposed funds would be directly proportional to the number of funded at-risk students attending school in the district.

### *Analysis and Considerations*

Based on discussions with a variety of education stakeholders, as well as a recent series of public meetings exploring potential changes to the School Finance Act, many in the education community support the concept of additional funding for early education of at-risk students. However, this particular proposal raises several concerns:

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- First, by setting aside \$70 per at-risk K-12 student for the Early Education Dedicated Fund, the program effectively takes funding away from older students, including older at-risk students, to support the additional early education programs. Especially with the negative factor still in place at more than \$1.0 billion, the potential impact on older students is a concern.
- Second, and somewhat related to the first point, the proposal applies specifically to the school districts with larger at-risk populations. In fact, the magnitude of the overall reduction to funding for older students grows in direct proportion to the number of at-risk children, reducing the flexibility of those districts to serve the older populations.
- Third, some stakeholders are particularly concerned about setting aside funds and reducing districts' flexibility with state funding in the context of potential federal sequestration (discussed in the following issue paper) of Title I funds that supporting schools with at-risk populations.
- Fourth, based on discussions with some stakeholders, the proposed amount may not actually increase spending on early education, especially full-day kindergarten. Stakeholders report that many schools are almost certainly spending *at least* the proposed amount of additional funding to subsidize full-day kindergarten, and the proposed set-aside would require changes in accounting but would not necessarily increase the targeted spending.

In light of the concerns discussed above and the nature of the proposal as an education policy question entirely appropriate for consideration in the context of the annual school finance bill, staff does not recommend that the Committee take a specific position regarding this proposal. **Instead, staff recommends that the Committee discuss this proposal with the Education Committees as a potential change to be considered in the context of the annual school finance bill during the 2013 Session.**

**Supplemental Full-day Kindergarten Factor/ Hold-harmless Full-Day Kindergarten**

The second proposal includes two components: (1) eliminate the Hold-harmless Full-day Kindergarten Funding line item (funded at \$6.9 million in FY 2012-13) and (2) use the savings to increase the supplemental full-day kindergarten factor from 0.08 to 0.097 (and thus fund kindergarten students statewide as 0.597 FTE rather than 0.58 FTE as under current law).

*Background*

Prior to FY 2008-09, statute allowed school districts participating in the Colorado Preschool Program (CPP) to use a portion of their CPP “slots” to provide full-day kindergarten services. House Bill 08-1388 made three relevant changes to full-day kindergarten funding. First, the bill provided supplemental full-day kindergarten funding by counting kindergarten students as 0.58 FTE rather than 0.50 FTE. Second, the bill prohibited districts from using CPP slots for full-day kindergarten, beginning in FY 2008-09. Third, the bill included a “hold-harmless” provision [Section 22-54-130, C.R.S.] for the 60 districts that used CPP slots for full-day kindergarten in FY 2007-08.

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As a result of H.B. 08-1388, all districts statewide receive 0.58 FTE funding for all kindergarten students, and the districts affected by the hold-harmless provision *also* receive additional per pupil funding (0.42 FTE) based on the number of kindergarten students previously served through CPP.

*Analysis and Considerations*

Because the Governor’s proposal eliminates the hold-harmless funding currently distributed to 60 districts and instead spreads that amount of money statewide to increase the funding amount for all kindergarten students, the proposal inherently creates “winners” and “losers” to varying degrees. Using FY 2012-13 total program data, the Department modeled the impact of the Governor’s proposal on all 178 school districts statewide.

The Department estimates that 120 school districts would see a net increase in revenue (“win”) under the Governor’s proposal, with an average (mean) increase of \$29,844 per district:

- 111 school districts that *do not* receive hold-harmless funding (those that did not utilize CPP slots for full-day kindergarten in FY 2007-08) see a net increase (ranging from \$450 in Bent County (McClave) to \$486,000 in Douglas County) from the increased supplemental factor.
- 9 districts that currently receive hold-harmless funding would also see a net increase in funds because the revenue increase from the supplemental full-day kindergarten factor outweighs the decrease from the elimination of hold-harmless funding in those districts.

Table 1 displays the Department’s estimated increases for the top ten “winners” under the Governor’s proposal based on the total increase in funds.

<b>TABLE 1: Top 10 Revenue Increases Under Governor's Proposal</b>		
<b>County</b>	<b>District</b>	<b>Net Change in Revenue</b>
Douglas	Douglas	\$485,555
Arapahoe	Cherry Creek	399,329
Arapahoe	Aurora	368,275
Jefferson	Jefferson	330,650
Larimer	Poudre	215,020
Adams	Adams 12 Five Star	211,531
Boulder	St. Vrain	195,449
El Paso	Academy	151,879
El Paso	Falcon	126,698
Larimer	Thompson	110,634

Based on the department’s estimates, 51 districts that currently receive hold-harmless funding would experience a net reduction in revenues under the Governor’s proposal, with an average (mean) reduction of \$71,763 per district. Districts that used particularly large numbers of CPP slots for kindergarten in FY 2007-08 see a particularly large reduction because the increased

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supplemental full-day kindergarten factor cannot compensate for the significant loss of funds as a result of the elimination of the hold-harmless provision.

Table 2 displays the top ten “losers” under the Governor’s proposal, based on the overall net loss of funds.

<b>TABLE 2: Top 10 Revenue Decreases Under Governor's Proposal</b>		
<b>County</b>	<b>District</b>	<b>Net Change in Revenue</b>
Denver	Denver	(\$651,197)
Arapahoe	Sheridan	(305,943)
Pueblo	Pueblo City	(296,894)
Adams	Commerce City	(252,332)
El Paso	Harrison	(251,099)
El Paso	Colorado Springs	(186,921)
Mesa	Mesa Valley	(150,680)
Arapahoe	Englewood	(141,619)
Alamosa	Alamosa	(77,769)
Lake	Lake	(76,010)

Many districts fall between the two extremes and would experience smaller changes in revenues. Based on the Department’s estimates, an additional 7 districts would see no net change in revenues under this proposal.

In light of the potential creation of winners and losers and the number of potential options available to the General Assembly to modify the proposal, staff recommends that the Committee and the General Assembly consider this proposal as two distinct parts: (1) the elimination of the hold-harmless funds and (2) the use of the generated savings to increase the supplemental full-day kindergarten factor.

Hold-harmless Full-day Kindergarten Funding Elimination: As detailed in Section 22-54-131, C.R.S. H.B. 08-1388 envisioned increases in the support for full-time kindergarten over time which would likely have alleviated the need for the hold-harmless provision. However, the supplemental factor has remained at 0.08 since the enactment of H.B. 08-1388, and the basis for the hold-harmless funding, a given district’s use of CPP slots used for full-day kindergarten in FY 2007-08, remains unchanged. Staff raises the following points about the hold-harmless full-day kindergarten component of the proposal.

- First, even when the General Assembly enacted H.B. 08-1388, the provision went beyond simply holding the affected districts harmless. The districts receiving hold-harmless funds have benefited from the increased factor *and* received hold-harmless funds on top of the supplemental full-day kindergarten factor. Rather than simply holding recipient districts harmless, the provision has created additional inequity between districts.

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- Second, but related to the first point, while a temporary hold-harmless provision may have made sense in the context of an increasing supplemental full-day kindergarten factor, staff argues that continuing to link the additional funding to CPP slot usage for kindergarten in FY 2007-08 may appear to be an arbitrary basis for the inequity between districts.
- Finally, staff notes that although the CPP requires participating students to be at-risk (based on a variety of potential factors) the hold-harmless full-day kindergarten funding *does not* require the funds to benefit at-risk students.

In light of these concerns, **staff recommends that the Committee and the General Assembly support the elimination of hold-harmless full-day kindergarten funding. Staff recommends that the Committee discuss the issue with the Education Committees for possible inclusion in the annual school finance bill. If the General Assembly is concerned about the impacts on recipient districts, then staff would recommend enacting legislation that would phase out the hold-harmless provision over a period of more than one year.** Staff notes that CASB and other stakeholders are concerned about the potential loss of revenues to districts receiving hold-harmless funding and may prefer to see the impact to those districts minimized or eliminated. Some stakeholders would support the expansion of the supplemental full-day kindergarten factor but may not support the elimination of the hold-harmless provision.

Increasing Supplemental Full-day Kindergarten Factor: The Governor’s proposal would use the savings specifically to increase the supplemental full-day kindergarten factor. As discussed above many districts would see a net increase in funding. The increased support for full-day kindergarten has a clear connection to the elimination of the hold-harmless provision, would provide additional funding to every district based on their kindergarten population, and could demonstrate an intent to continue to increase the supplemental factor (if that is the General Assembly’s intent). Those considerations may benefit the proposal.

However, depending on the General Assembly’s goals, if the General Assembly elects to eliminate the hold-harmless funding (either in one year or phased out over multiple years), **staff recommends that the Committee and General Assembly consider additional options for the use of those funds.**

- CPP Slots: First, much of the discussion regarding early education has focused on at-risk children (including the first legislative proposal discussed above). Neither the hold-harmless funding nor the supplemental full-day kindergarten funding specifically focuses services on at-risk students. Staff notes that because the hold-harmless funding is linked to at-risk students served through CPP, the districts that “lose” under the Governor’s proposal generally have greater shares of at-risk students than the bit “winners” (which tend to have large kindergarten populations and relatively low at-risk populations. As an alternative, the General Assembly could use the savings generated by the elimination of the hold-harmless provision to increase the statutory number of CPP slots. Based on current costs per CPP slot, Legislative Council Staff estimates that the \$6.9 million would support approximately 2,340 half-time CPP slots (an 11.6 percent increase above the current 20,160 slots). Doing so would specifically benefit students determined to be at-risk based on the CPP criteria and

could arguably have a greater impact than effectively spreading the additional funding across the statewide kindergarten population. Staff notes that this option would require districts and the Department to complete an allocation process for the additional slots, and staff does not attempt to project the distribution of slots among districts.

- Total Program: Second, districts do have other options for the support of full-day kindergarten, such as charging tuition, that are not available for the support of higher grades. In light of the other available options, the General Assembly may wish to consider simply using the savings from the hold-harmless provision to increase total program spending. Staff notes that this option would further dilute the funding but increasing total program may be an appealing alternative.
- At-risk Kindergarten Program: Finally, the General Assembly could formulate a new program to specifically focus the additional funding on at-risk kindergarten students. This would require the creation of a new program that could be within or outside of the total program funding stream, although staff does not have a specific program in mind.

**As discussed above, staff recommends that the Committee discuss the Governor’s proposal with the Education Committees in the context of the annual school finance bill. Staff further recommends that the Committee and General Assembly consider a range of additional options for the use of potential savings from the proposed elimination of the hold-harmless full-day kindergarten funding.**

### **Quality Teacher Pipeline**

The third proposal would direct the department to retain \$3.64 per funded student (statewide) from total program funding to support a new “quality teacher pipeline” initiative to improve the recruitment and retention of teachers in “hard to serve rural districts.” The program would provide incentive payments in the form of either loan repayment or hiring bonus programs to attract teachers to such districts. The proposal would require the Department to contract with an external vendor to administer the program and would require any such vendor to secure a 2:1 match of funding from outside sources (\$2 of external funding for each \$1 of state funds). The statutory language accompanying the proposal would allow the outside vendor to retain up to 10.0 percent of the funding to administer the program. Based on the Department’s assumed pupil counts, the proposal would set aside \$3.0 million in FY 2013-14, to be matched by \$6.0 million in external funding.

### *Analysis and Considerations*

Education stakeholders indicate that many rural districts in Colorado face challenges in recruiting and retaining teachers. The school finance formula recognizes some differences that may be relevant. For example, the cost of living factor provides additional funds to districts with particularly high costs of living that require elevated teacher salaries. However, many other rural districts find it particularly difficult to recruit and retain qualified teachers simply because the local applicant pool is small and the districts are unable to recruit from a larger area. The Governor’s proposal appears to be an attempted step toward addressing that problem. The Governor’s Office reports that a variety of other states have similar programs in place. To date, staff has been unable to evaluate the effectiveness of those programs.



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Based in part on discussion with education stakeholders, staff raises three potential concerns about this proposal:

- First, as discussed with respect to the Early Education Dedicated Fund proposal (above), any attempt to set aside total program funds with the negative factor in place and at its current magnitude is likely to meet opposition. Many stakeholders' first priority is to reduce and eventually eliminate the negative factor, and "earmarking" total program funds specifically to benefit a subset of districts may be counter to that goal.
- Second, the requirement to contract with an outside vendor and allowing the vendor to retain up to 10.0 percent of funding to administer the program may arouse concern. In response to staff questions regarding the type of entity likely to administer such a program, the Department has indicated that Teach for America and the Boettcher Foundation would be illustrative examples of entities that may wish to compete for such a contract.
- Third, staff would also note that there is no statutory definition of "hard to serve rural districts." Instead, the proposal requires the Department to define that term in rule. Without such a definition, it is difficult to determine which districts would be likely to benefit from such a program or whether the proposed solutions (loan forgiveness and hiring bonuses) are likely to solve the problems facing those specific districts.

**Similar to the first proposal (Early Education Dedicated Fund), staff recommends that the Committee discuss the Quality Teacher Pipeline proposal with the Education Committees in the context of the annual school finance bill. Staff does not recommend a specific position on this proposal and recommends that the Committee defer to the Education Committees.**

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

Each of the legislative proposals discussed in this issue paper relates to the Department's strategic plan at some level. The most direct connections are below.

*Early Education Dedicated Fund:* As an effort to devote additional resources to early education, this proposal appears relate most directly to:

- Goal 1: Prepare students to thrive in their education and in a globally competitive workforce.
  - Objective a: Ensure every student is making adequate growth to graduate from high school postsecondary and workforce ready.
  - Objective b: Increase achievement for all students and close achievement gaps.

*Hold-harmless Full-day Kindergarten/Supplemental Full-day Kindergarten Factor:* As an effort to increase statewide support for full-day kindergarten, the proposal appears to relate most directly to:

- Goal 1: Prepare students to thrive in their education and in a globally competitive workforce.

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- Objective a: Ensure every student is making adequate growth to graduate from high school postsecondary and workforce ready.
- Objective b: Increase achievement for all students and close achievement gaps.

*Quality Teacher Pipeline:* If successful, improving the recruitment and retention of quality teachers in low-performing schools could impact a variety of goals and objectives in the Department's strategic plan. The proposal relates most directly to:

- Goal 2: Ensure effective educators for every student and effective leaders for every school and district.
  - Objective b: Optimize the preparation, licensure, retention, and effectiveness of new educators.
  - Objective c: Eliminate the educator equity gap.



## **Issue: Potential Effects of Federal Sequestration on Education**

Federal funds are a significant source of funding for education programs in Colorado, providing an estimated \$628.7 million for a variety of programs in FY 2012-13. Although the U.S. Department of Education has indicated that sequestration would not affect education funding in FY 2012-13, the Colorado Department of Education estimates that sequestration could reduce available funding by \$39.0 million in FY 2013-14, including potential reductions of \$12.8 million in special education funding and \$12.4 million in Title I funding. The potential reductions would impact state-level operations at the Department as well as distributions to schools and districts.

### **SUMMARY:**

- The Department’s FY 2012-13 budget includes an estimated \$628.7 million in federal funds, 14.2 percent of the Department’s total appropriation. For certain programs, the proportion of funding is much higher; for example, federal funds make up 45.8 percent of special education appropriations in the current year (this ratio does *not* include local spending).
- If federal sequestration occurs, the Department anticipates 8.2 percent reductions to many federal programs in FY 2013-14, an estimated \$39.0 million cut to education-related funding in Colorado. Of that total, the Department estimates that \$3.0 million would impact state-level operations at the Department and \$36.0 million would impact distributions to school districts.
- Because of the importance of federal funding for specific programs, certain programs such as Title I funding and special education would be particularly hard hit and may force a loss of positions at the state, district, and school levels.

### **DISCUSSION:**

Federal funds play a significant role in education funding in Colorado. At an estimated \$628.7 million in FY 2012-13, federal funding makes up 14.2 percent of the Department of Education’s current appropriation. However, that ratio understates the importance of federal funds for specific programs. For example, the federal Title I program, which targets schools with concentrations of students in poverty, will provide an estimated \$140.3 million to Colorado in FY 2012-13. Federal funds also represent a major source of funding for special education programs for children with disabilities, estimated at \$158.7 million in the FY 2012-13 Long Bill (45.8 percent of the Long Bill appropriation for special education).

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If federal sequestration occurs as scheduled in January, the Department anticipates 8.2 percent reductions to many federally funded programs in FY 2013-14.<sup>11</sup> Based on current estimates, the Department anticipates \$39.0 million in sequestration reductions to Colorado’s education funding, although the relative importance of those reductions (as a share of total anticipated spending on each program) would vary significantly across programs. Within that total, the Department expects \$3.0 million in reductions to state-level operations at the Department and \$36.0 million in reductions to local operations at the district and school levels. Please note that the estimated reductions are updated and significantly different from amounts previously compiled by Legislative Council Staff and the Joint Budget Committee Staff.

Table 1 summarizes the Department’s estimated reductions to state-level operations at the Department, including rough estimates of the number of state positions that could be lost as a result of the reductions. As shown in the table, state-level special education programs would be particularly hard-hit, in part because the Department supports all of the state-level special education FTE with federal funds.

<b>TABLE 1: Estimated State-Level (CDE) Impact of Sequestration in FY 2013-14</b>				
<b>Federal Program</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>Sequestration Reduction</b>	<b>Estimated FTE Impact</b>
	<b>Funding (State Level)</b>	<b>Est. (State Level)</b>		
IDEA Part B Grants	\$16,965,826	\$15,574,628	(\$1,391,198)	(15.6)
Title I Grants	1,763,860	1,606,857	(157,003)	(1.8)
Improving Teacher Quality	849,345	615,313	(234,032)	(2.6)
Adult Basic and Literacy Education	1,066,586	679,106	(387,480)	(4.3)
School Turnaround Grants	288,141	242,140	(46,001)	(0.5)
21st Century Comm. Learning Centers	585,853	540,157	(45,697)	(0.5)
English Learner Education	495,066	454,471	(40,595)	(0.5)
Migrant Student Education	1,386,118	1,272,455	(113,663)	(1.3)
State Assessment Grants	6,551,846	6,014,595	(537,251)	(6.0)
Rural and Low-income Schools Prog.	20,372	12,462	(7,909)	(0.1)
<b>Total for Impacted Programs</b>	<b>\$29,973,012</b>	<b>\$27,012,184</b>	<b>(\$2,960,828)</b>	<b>(33.2)</b>

Table 2 (on the following page) summarizes the Department’s estimates of reductions to federal funds distributed to districts and schools, including estimates of potential impacts to local positions statewide. Please note that the FTE estimates associated with local impacts are particularly rough. The management of any such reductions would be at the discretion of the local agencies.

<sup>11</sup> The Department had originally expected mid-year reductions in FY 2012-13 but the U.S. Department of Education has indicated that education cuts will not affect states until FY 2013-14.

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<b>TABLE 2: Estimated Local (LEA) Impact of Sequestration in FY 2013-14</b>				
<b>Federal Program</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>Sequestration Reduction</b>	<b>Estimated FTE Impact</b>
	<b>Funding (Local Level)</b>	<b>Est. (Local Level)</b>		
IDEA Part B Grants	\$137,446,688	\$126,069,689	(\$11,376,999)	202.0
Title I Grants	140,342,309	128,129,672	(12,212,637)	180.0
Improving Teacher Quality	25,508,382	17,472,085	(8,036,297)	41.0
Adult Basic and Literacy Education	5,956,755	4,753,743	(1,203,012)	21.0
School Turnaround Grants	5,474,678	4,600,660	(874,018)	-
21st Century Comm. Learning Centers	9,595,116	8,808,316	(786,800)	10.0
English Learner Education	8,416,120	7,719,943	(696,177)	10.0
Migrant Student Education	5,500,281	5,049,258	(451,023)	6.0
State Assessment Grants	-	-	-	-
Rural and Low-income Schools Prog.	<u>598,289</u>	<u>234,717</u>	<u>(363,572)</u>	<u>3.0</u>
<b>Total for Impacted Programs</b>	<b>\$338,838,618</b>	<b>\$302,838,083</b>	<b>(\$36,000,535)</b>	<b>473.0</b>

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

Reductions from sequestration could impact a variety of goals and objectives in the Department's strategic plan. Given the particularly significant impact for Title I (disadvantaged) schools and special education, the reductions could be particularly significant to goals and objectives related to disadvantaged students and achievement gaps including:

- Goal 1: Prepare students to thrive in their education and in a globally competitive workforce.
  - Objective a: Ensure every student is making adequate growth to graduate from high school postsecondary and workforce ready.
  - Objective b: Increase achievement for all students and close achievement gaps.
  
- Goal 3: Build the capacity of schools and districts to meet the needs of Colorado students and their families.
  - Increase performance for all districts and schools.
  - Turnaround the state's lowest performing districts and schools.

## **Issue: Increase for Accountability and Improvement Planning Under S.B. 09-163**

The Department is requesting an increase of \$625,501 General Fund and 3.2 FTE to support additional accountability and improvement planning efforts associated with S.B. 09-163 in FY 2013-14 (increasing to \$973,851 and 3.5 FTE in FY 2014-15 and beyond). The request seeks to improve training, technical assistance, and data analysis provided to districts and schools, especially low-performing districts and schools. The request would also provide additional resources to support an independent State Review Panel to review struggling schools' and districts' improvement plans and advise the State Board of Education regarding consequences for those districts and schools under the "five-year clock" created by S.B. 09-163.

### **SUMMARY:**

- Senate Bill 09-163 created the State's current accountability and improvement system for public schools and school districts. The bill aligned previously conflicting accountability systems to allow for a single system for state and federal purposes. The bill also clarified the Department's and the State Board of Education's responsibilities with respect to performance evaluation and accreditation of school districts and public schools.
- The Legislative Council Staff Final Fiscal Note for S.B. 09-163 did not anticipate additional costs associated with the bill, and the bill did not include any additional funds for implementation. The Department has implemented the bill primarily through the reallocation of federal funds, at an estimated cost of \$1.4 million and 9.7 FTE in FY 2011-12.
- Under the bill, the Department accredits school districts and assigns each district to one of five accreditation categories based on performance. The Department also assigns individual schools improvement plan types based on performance. Under the bill, any school district that is assigned to the lowest two accreditation categories for five consecutive years loses accreditation. Similarly, any school assigned to the lowest two plan types for five consecutive years faces forced closure or restructuring.
- The Department is requesting additional resources for FY 2013-14 to: (1) improve the training, technical assistance, and data analysis provided to schools and districts throughout the improvement planning and accreditation process; (2) strengthen documentation of the planning and accreditation processes; and (3) fully fund an external State Review Panel to review struggling schools' and districts' progress and advise the State Board regarding status and consequences.
- Particularly with districts and schools approaching the five-year deadline created by the bill, the Department argues that additional resources are necessary both to improve assistance provided to those districts and schools and to improve the body of evidence that will inform any accreditation decisions or consequences regarding those districts and schools.

**DISCUSSION:**

**Background**

Senate Bill 09-163 created the State’s current accountability and improvement system for public schools and school districts. The bill aligned two previously conflicting accountability systems: the district accreditation system and school accountability reports. In February 2012, the Department received a waiver from the U.S. Department of Education allowing Colorado to use the State system in lieu of the federal accountability system. Thus, the State now has a single statewide accountability system created by S.B. 09-163. The bill also changed the distribution of district and school performance information, making all information available on-line through the SchoolView system. Finally, the bill authorized the creation of a State Review Panel to advise the State Board of Education regarding accreditation and plan assignments for schools and school districts.

Under the bill, the State Board of Education accredits school districts and assigns improvement plan types to individual public schools throughout the state. Local school districts (and the Charter School Institute) accredit their respective schools. The bill creates responsibilities for the Department and the State Board in five major categories:

- Data analysis and annual accreditation (school districts) and improvement plan assignment (schools).
- Reviewing district and school improvement plans.
- Providing technical assistance and advice to low performing school districts and schools to increase performance.
- Making all performance data and plans available to the public through SchoolView.
- Advising the State Board of Education regarding potential consequences for districts and schools affected by the “five-year clock” (discussed below).

*Accountability Structure and the Five-year Clock*

Under the bill, the Department annually assigns each school district in Colorado (and the Charter School Institute) to one of five accreditation categories and assigns each public school in the State one of four improvement plan types (see Table 1):

<b>TABLE 1: District Accreditation and School Plan Categories</b>	
<b>District Accreditation Categories</b>	<b>School Improvement Plan Categories</b>
Accredited with Distinction	
Accredited	Performance Plan
Accredited with Improvement Plan	Improvement Plan
Accredited with Priority Improvement Plan	Priority Improvement Plan
Accredited with Turnaround Plan	Turnaround Plan

The bill creates a “five-year clock” for the lowest performing school districts and schools as indicated by accreditation categories and plan types. Under the bill, the State Board must remove the accreditation of any school district (or the Charter School Institute) that is accredited below “Accredited with Improvement Plan” for five consecutive years. Similarly, the State

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Board must instruct the local school district or the Charter School Institute to restructure or close any school that is assigned to the Priority Improvement Plan or Turnaround Plan categories for five consecutive years.

Based on the latest district accreditation (November 2012) and school improvement plan assignment (December 2012) decisions from the State Board of Education, 34 school districts and 191 schools are currently on the five-year clock. Table 2 shows the number of districts and schools that will enter each year of the five-year clock as of July 2013.

<b>TABLE 2: School Districts and Schools Facing the Five-year Clock as of July 2013<sup>12</sup></b>	
<b>Number of Districts in Each Year</b>	<b>Number of Schools in Each Year</b>
5 districts will enter year 1	70 schools will enter year 1
4 districts will enter year 2	61 schools will enter year 2
13 districts will enter year 3	60 schools will enter year 3
3 districts will enter year 4	

*Anticipated and Actual Costs*

The Legislative Council Staff Final Fiscal Note on S.B. 09-163 (Fiscal Note) focused on the information technology and programming costs required by the bill and did not anticipate additional state costs for technical assistance provided to districts and schools. The Fiscal Note recognized that system development under the bill would require 3.0 additional FTE but anticipated that savings from the elimination of printings costs for district and school reports, along with the reallocation of funds supporting the previous accountability systems, would support the necessary costs and FTE. In alignment with the Fiscal Note, the Department has implemented the bill to date without an increase in resources, largely through the use of federal funds.

The Department focused largely on system design and development for the first two years of implementation (FY 2009-10 and FY 2010-11), with the first reports under the system published in August 2010. In FY 2011-12 and FY 2012-13, while continuing to make changes and update the accountability system, the Department has increased its focus on providing data analysis and technical assistance to low-performing districts and schools. For reference purposes, Table 3 displays the Department’s estimated costs associated with the bill in FY 2011-12. Please note that the Department has not specifically tracked S.B. 09-163 implementation costs; Table 3 (on the following page) represents the Department’s best estimates of actual costs in FY 2011-12.

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<sup>12</sup> For detailed results, see: <http://www.cde.state.co.us/Accountability/PerformanceFrameworks.asp>

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<b>TABLE 3: Estimated S.B. 09-163 Implementation Costs in FY 2011-12</b>		
<b>Activity Description</b>	<b>Est. Costs</b>	<b>FTE</b>
Performance Framework	\$150,000	2.0
Unified Improvement Planning Input/Design/Setup	194,343	0.5
SchoolView	112,500	1.5
Policy Development (Five-year Clock)	120,000	1.6
Improvement Plan Submission and Posting	48,750	0.7
State Review Panel	268,000	1.0
Plan Reviews	235,593	1.0
Support/Training/Technical Assistance	252,260	1.5
<b>Total</b>	<b>\$1,381,446</b>	<b>9.7</b>

**FY 2013-14 Request**

For FY 2013-14, the Department is requesting an increase of \$625,501 General Fund and 3.2 FTE (the request anticipates a need for \$973,851 and 3.5 FTE in FY 2014-15 and beyond) to: (1) improve the data analysis and technical assistance provided to school districts and schools, particularly those facing consequences under the five-year clock; and (2) fully fund an independent State Review Panel to review turnaround and priority improvement plans, document the Department’s technical assistance and the districts’/schools’ response, and advise the State Board regarding consequences for schools and districts reaching the end of the five-year clock. Staff discusses the two major components of the request below.

*Department Data Analysis and Technical Assistance (CDE Expenses)*

The request includes \$432,501 and 3.2 FTE to support additional work at the Department in FY 2013-14 (annualizing to \$424,451 and 3.5 FTE in FY 2014-15). Of the total in FY 2013-14, \$362,621 is directly related to personal services and operating expenses for the requested FTE, while \$69,880 would support additional training and technical assistance costs, largely associated with an interagency agreement with an institution of higher education (see Table 4 on the following page).

The Department reports that the additional resources are necessary because of the increasing workload associated with school districts and schools on the five-year clock. As discussed above, school districts and schools on the five-year clock face significant consequences in the form of a loss of accreditation for districts and restructuring or closure for schools. The Department reports that small districts are especially short of the resources and expertise needed to successfully complete and execute the improvement planning process and that such expertise is generally even more lacking at the school-level.

With a total of 225 entities (34 school districts and 191 schools) on the five-year clock, the Department must complete detailed reviews and provide feedback on 225 plans per year. To date, the Department’s (and the State Review Panel’s) focus has been on the Turnaround districts and schools. Due to a lack of resources, the districts and schools in Priority Improvement Status have received minimal assistance and inadequate reviews of improvement plans. However, under S.B. 09-163 those districts and schools face the same consequences at the end of the five-



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year clock period as Turnaround districts and schools. The Department is requesting the additional resources in part to specifically improve the assistance provided to the Priority Improvement districts and schools.

<b>TABLE 4: Training, Technical Assistance, and Data Analysis Costs</b>				
	<b>FY 2013-14</b>	<b>FTE</b>	<b>FY 2014-15</b>	<b>FTE</b>
<b>Costs Associated with FTE</b>				
Personal Services	\$321,386	3.2	\$351,523	3.5
Operating Expenses Associated with FTE	<u>41,235</u>		<u>3,048</u>	
<b>Subtotal, Costs Associated with FTE</b>	362,621	3.2	354,571.0	3.5
<b>Other Technical Assistance Costs</b>				
Copies	\$1,000		\$1,000	
Technology	2,500		2,500	
Supplies/Communications	5,380		5,380	
In-state Travel	4,000		4,000	
Reimbursements	1,500		1,500	
Out of State Presentations and Meetings	3,000		3,000	
Interagency Agreement (Higher Education)	<u>52,500</u>		<u>52,500</u>	
<b>Subtotal, Other Technical Assistance Costs</b>	\$69,880		\$69,880	
<b>Total</b>	<b>\$432,501</b>	<b>3.2</b>	<b>\$424,451</b>	<b>3.5</b>

*State Review Panel*

The request includes a total of \$193,000 to support an independent State Review Panel (Panel) in FY 2013-14 (increasing to \$549,400 in FY 2014-15). The Department has a Panel in place now, as authorize by S.B. 09-163. The Department manages the current Panel internally, which consists of volunteers from the field, and primarily reviews the turnaround plans submitted by the lowest-performing districts and schools. The current Panel review appears to be largely redundant with the Department’s review, and the current Panel does not visit the affected schools and districts.

The Department is proposing major changes to the Panel. The new Panel would be independent of the Department, potentially managed by an institution of higher education. The proposed Panel would: (1) review districts’ and schools’ Turnaround and Priority Improvement plans; (2) review the feedback and technical assistance the Department provides to affected districts and schools; (3) evaluate the districts’ and schools’ response to the Department’s feedback and technical assistance; (4) visit the affected districts and schools to assess their capacity to successfully improve (including assessing a variety of criteria required by S.B. 09-163); and (5) advise the State Board regarding consequences for districts and schools approaching the end of the five-year clock.

According to the Department, the proposed Panel would benefit the accountability process in two major ways:



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- The Panel would provide a body of evidence to support and substantiate high-stakes recommendations to the State Board. Given the magnitude of potential consequences for districts and schools, the Department wants to ensure that the process provides an adequate body of evidence to support the State Board’s decisions.
- As an independent entity, the Panel may have greater credibility in advising the State Board regarding districts and schools at the end of the five-year clock. The Department’s staff will work closely with affected districts and schools for years, and the proposed Panel would provide a more independent view.

**Education Stakeholder Input**

Staff views the Department’s request as a “customer service” request to improve services provided to school districts and schools facing potentially significant consequences under the five-year clock. Staff discussed the request in that context with a variety of stakeholders from the education community (including CASB, CASE, and CEA). In each case, these stakeholders reported that the Department’s technical assistance has been useful to recipient districts and schools and that additional assistance is definitely necessary. In particular, the stakeholders agree that Priority Improvement districts and schools have tended to “fall through the cracks” of the current system and need additional assistance. All three groups support the request.

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

With a focus on school and district improvement, the requested increase relates directly to:

- Goal 1: Prepare students to thrive in their education and in a globally competitive workforce.
  - Objective a: Ensure every student is making adequate growth to graduate from high school postsecondary and workforce ready.
  - Objective b: Increase achievement for all students and close achievement gaps.
- Goal 3: Build the capacity of schools and districts to meet the needs of Colorado students and their families.
  - Objective a: Increase performance for all districts and schools.
  - Objective b: Turnaround the state’s lowest performing schools and districts.

## **Issue: Standardized Assessment Update**

The Department is requesting an increase of \$4.2 million cash funds (from the State Education Fund) to support the continued development and administration of standardized assessments required by a variety of legislative changes in recent years. The request includes funds to: (1) augment national consortium-based assessments in mathematics and English language arts to address Colorado-specific standards that are not addressed in the consortium tests; (2) develop new Spanish literacy assessments aligned to the revised statewide content standards, as required by statute; (3) support the administration of alternate social studies assessments for students with significant cognitive disabilities; and (4) support anticipated increases in English language learner populations and the associated costs of English language proficiency assessments. This issue brief also provides an update on the Department's progress developing new science and social studies assessments approved through the FY 2012-13 appropriation.

### **SUMMARY:**

- In FY 2012-13, the General assembly appropriated \$6.4 million cash funds to support the development of new assessments aligned to revised statewide content standards. The majority of that funding (\$5.2 million) was dedicated to the development of science and social studies assessments. The Department is on schedule to pilot the new assessments in spring 2013 and administer the tests statewide beginning in 2014.
- For FY 2013-14, the Department is requesting an increase of \$4.2 million to address additional costs associated with the shift to new assessments. The bulk of the requested increase (\$3.5 million) would support: (1) development of math and English language arts items to assess Colorado-specific standards and augment multi-state consortia tests; and (2) development of new Spanish literacy assessments aligned to the revised statewide standards.

### **DISCUSSION:**

#### *Background*

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 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

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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.

*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

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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.

The appropriation included no funds associated with mathematics or English language arts. However, the Department made clear during discussions of the FY 2012-13 assessment request that multi-state consortium tests (aligned to the Common Core State Standards) for mathematics and English language would require augmentation to include Colorado-specific standards that go beyond the Common Core (particularly in the area of financial literacy).

*FY 2012-13 Progress Update*

The Department contracted with Pearson for the development of the new science and social studies assessments and reports that development is on schedule. The Department plans to field test the new assessments in a sample of school districts in spring 2013 and to begin statewide administration in spring 2014.

The Department plans to administer the science assessments in grades 5, 8, and once in high school and to administer the social studies assessments in grades 4, 7, and once in high school. Contingent upon legislative approval, the Department intends to administer both high school tests in the fall of 12<sup>th</sup> grade to allow education providers maximum flexibility in determining the scope and sequencing of teaching the high school standards.

Higher-than-anticipated costs required one significant change in development. The Department had always intended to administer the new science assessment on-line but had proposed the social studies assessments as paper-based tests. However, the Department's initial cost estimates (provided by an external vendor) were low. The Department reports that a paper-based social studies assessment would have required an additional \$1.8 million in development costs in FY 2012-13. To remain within the budget, the Department elected to administer both of the new assessments on-line, with statewide administration in spring 2014.

Unfortunately, the Department's cost estimates for the ongoing administration (in FY 2013-14 and beyond) of the science and social studies assessments were also low. During discussions of the FY 2012-13 request and appropriation, the Department's external vendor estimated that administration of the science and social studies tests would cost a total of \$4.4 million in FY 2013-14 and beyond. The Department's contract with Pearson requires \$6.1 million in administration costs in FY 2013-14, a difference of \$1.7 million (39.3 percent) above the estimates from 2012. This difference understates the error in the initial estimate, however, because the initial estimate assumed a paper-based social studies assessment. The Department now reports that administration of the paper-based test would have cost another \$1.6 million in

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FY 2013-14 and beyond, for a total increase of \$3.3 million (75.9 percent) above the initial estimate of \$4.4 million.

*FY 2013-14 Request*

For FY 2013-14, the Department requests an increase of \$4.2 million cash funds (from the State Education Fund) for assessment-related costs. The request includes the following four components.

- \$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 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.

Table 1, on the following page, outlines the state-funded assessment costs in FY 2012-13, the requested changes for FY 2013-14, and the total requested appropriation of state funds for assessments.

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<b>TABLE 1: State Funding For Assessments in the Governor's FY 2013-14 Request</b>			
<b>Description</b>	<b>FY 2012-13 Appropriation</b>	<b>Change Request</b>	<b>FY 2013-14 Request.</b>
<b>General Assessment Costs</b>			
TCAP Administration	\$13,903,823	\$0	\$13,903,823
Science and Social Studies	5,208,292	0	5,208,292
Math and English Augmentation	0	2,000,000	2,000,000
Spanish Literacy	<u>0</u>	<u>1,476,734</u>	<u>1,476,734</u>
Total	\$19,112,115	\$3,476,734	\$22,588,849
<b>Other Assessments</b>			
Alternate Assessments for Students with Disabilities	\$615,282	\$368,318	\$983,600
ACT Continuation	1,981,540	0	1,981,540
English Language Proficiency	<u>534,169</u>	<u>347,750</u>	<u>881,919</u>
Total	\$3,130,991	\$716,068	\$3,847,059
<b>Total State Funding for Assessments</b>	<b>\$22,243,106</b>	<b>\$4,192,802</b>	<b>\$26,435,908</b>

**RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC 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 all of the goals and objectives in the strategic plan.

## **Issue: Building Excellent Schools Today**

The Building Excellent Schools Today (BEST) program is the State's primary public school capital construction assistance program. This issue brief discusses the operations of the program and recommends that the General Assembly discuss a variety of potential issues regarding the program's fund sources, spending, reserves, and legislative oversight.

### **SUMMARY:**

- The BEST program, created by 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 COPs and cash grants. State trust lands provide the vast majority of state funding for the program.
- Including the projects approved in FY 2012-13, the program has provided or approved a total of \$979.2 million (including \$686.0 million in state funds and \$293.3 million in local matching funds) in public school capital construction projects from FY 2008-09 through FY 2012-13. That total represents 7.0 percent of the need found in the program's statewide priority assessment for the period from 2010 through 2013.
- The program has generally supported larger projects with COP awards and smaller projects with cash grants. However, as the program approaches a statutory cap on the state share of annual COP payments, it is increasing the use of cash grants for large projects and spending more on cash grants on an annual basis. Given growth in the program's funding and changes in the program's use of funds, the General Assembly may wish to consider adjustments to the BEST program.

### **RECOMMENDATION:**

Staff recommends that the Committee discuss the status and future of the BEST program with the Education Committees and other interested legislators. Staff recommends that the discussions include: (1) the program's fund sources, including the current reliance on one-time funding from bonus payments on state trust lands; (2) balancing the use of state trust land funding, particularly one-time funds, between BEST and the Permanent Fund; (3) whether the General Assembly should change the fund source, structure, and/or oversight of the program's cash grants; and (4) the program's current lack of a reserve to support certificate of participation (COP) obligations if state trust land revenues decline. Staff recommends that the General Assembly consider legislation to address some or all of these questions. At a minimum, staff recommends that the General Assembly enact legislation requiring the program to establish a reserve sufficient to support COP payments during a temporary decline in state trust land revenues.



**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.

*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 are the dominant source, accounting for 92.0 percent of the programs actual revenues in FY 2011-12. Table 1 displays actual BEST program revenues from state sources from the program’s inception in FY 2008-09 through FY 2011-12.

<b>TABLE 1: 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>
State Trust Lands	\$35,195,168	\$33,196,010	\$60,261,217	\$72,357,278
Lottery Proceeds	5,534,736	88,550	662,230	4,559,159
Interest Income	1,327,275	1,471,506	1,722,166	1,670,489
<b>Total Revenue</b>	<b>\$42,057,179</b>	<b>\$34,756,066</b>	<b>\$62,645,613</b>	<b>\$78,586,926</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 2012-13 is \$24.1 million (consisting of \$16.8 million state funds and \$7.3 million local funds). Annual lease payments for COPs are



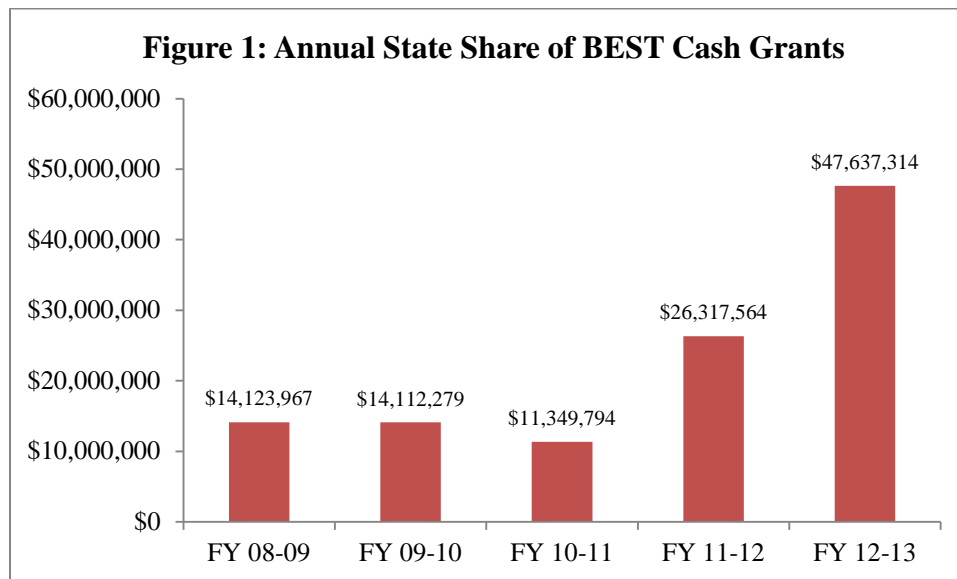
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subject to legislative appropriation and appear in the Long Bill each year. Statute (see Section 22-43.7-110 (2) (b) (I), C.R.S.) limits the state share of annual COP payments to no more than \$40.0 million but the annual *appropriation* for BEST COP payments includes both state funds and local matching funds. Thus, the FY 2012-13 appropriation of \$44.0 million includes an estimated \$33.9 million in state funds and \$9.4 million in local matching funds.

- **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 2012-13 is \$3.0 million (including \$1.7 million in state funds and \$1.3 million 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 appears to be changing the use of cash grants in order to continue to be able to fund large projects. Figure 1 shows the total state share of the cash grants that BEST has awarded each year.



**Total Assistance Provided**

Including the projects approved in FY 2012-13, the program has supported a total of \$979.2 million in school construction projects from FY 2009-10 through FY 2012-13, including \$686.0 million in state funds \$293.2 million in local matching funds. Of that total, \$789.4 million (80.6 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 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

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perspective, the total project funding of \$979.2 million represents approximately 7.0 percent of the \$13.9 billion in estimated statewide need from 2010 through 2013.

**Potential Issues and Concerns**

Staff recommends that the Committee discuss the status and operations of the BEST program with the Education Committees and with other interested members of the General Assembly. Particularly given potential legislative interest in expanding the program, staff recommends that the General Assembly consider the following specific issues.

1. Volatile Fund Source: As outlined above, state trust land income makes up the vast majority of the program's funding (92.0 percent of actual revenues in FY 2011-12). Although the State Land Board is in a period of record earnings as a result of increasing oil and gas development on state trust lands (see the FY 2013-14 Joint Budget Committee Staff Briefing Document covering the State Land Board for a detailed discussion of State Land Board revenues), the current revenues are driven by oil and gas development and especially by one-time "bonus" payments for oil and gas leases. If members consider increasing the "cap" on the State share of COP payments, staff recommends that the General Assembly consider whether the existing fund sources will support such increased payments for the life of potential COPs.
2. Use of One-time Revenues: When the General Assembly created BEST in FY 2008-09, bonus payments provided only \$3.8 million (5.1 percent) of total school trust revenues and the treatment of one-time revenues would not have been a significant concern. However, bonus payments have increased in both magnitude and relative importance since that time (making up \$78.4 million (52.0 percent) of school trust revenues in FY 2011-12). Staff recommends that the General Assembly consider whether the use of such one-time moneys is appropriate for BEST or whether those funds should be deposited into the Permanent Fund.
3. Continuous Appropriation for Cash Grants: As discussed above, 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) but continuously appropriates funds for cash grants. As discussed above, the program is making increasing use of cash grants, particularly as it approaches the statutory cap on COP payments. Given the program's increasing use of cash grants, staff recommends that the General Assembly consider eliminating the continuous appropriation and requiring an annual appropriation for BEST cash grants.
4. Fund Source for Cash Grants: House Bill 08-1335 intended to use interest earned on the Permanent Fund to support the BEST program *unless the State Treasurer determined that doing so would prevent COP interest payments from qualifying for exemption from federal income taxation*.<sup>13</sup> The State Treasurer has made such a determination and as a result the program receives 50.0 percent of gross school trust revenues (rather than 35.0 percent if the program is able to use interest earned on the Permanent Fund). However, the General Assembly could still consider using interest earned on the Permanent Fund to provide a

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<sup>13</sup> See Section 22-43.7-104 (2) (a) (I) (A), C.R.S.

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stable fund source for BEST cash grants. For example, current law<sup>14</sup> annually credits \$11.0 million in Permanent Fund interest to the State Public School Fund for use in school finance. The General Assembly could direct those funds to the BEST program for cash grants instead.

5. No Reserve Requirement – Impact on Permanent Fund: The structure of the BEST program commits the state to long-term obligations (COP payments) based on a volatile fund source. However, statute does *not* require the program to maintain a reserve in case of a decline in State Land Board revenues. Statute (Section 22-43.7-104 (2) (b) (I) (B), C.R.S.) provides that the program will receive more than 50.0 percent of school trust revenues if necessary to make annual COP payments. While this allowance should prevent any risk to the General Fund (barring a precipitous decline in school trust revenues below the amount of the state share of the COP payment), this scenario would reduce any potential deposits to the Public School (Permanent Fund). In prior years, the program has maintained a significant fund balance that could have absorbed such a decline in school trust revenues. However, without a reserve requirement in place, staff is concerned that the program's increasing use of cash grants will spend down the fund balance. Regardless of decisions related to the issues discussed above, staff recommends that the General Assembly create a reserve requirement for the BEST program that would allow the program to make COP payments in the case of a decline in school trust revenues without requiring more than 50.0 percent of annual school trust revenues.

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

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

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<sup>14</sup> See Section 22-41-102 (3) (a), C.R.S.

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**Appendix A: Number Pages**

	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Appropriation</b>	<b>FY 2013-14 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>285,444</u>	<u>278,071</u>	<u>290,998</u>	<u>290,998</u>
FTE	2.0	2.0	2.0	2.0
General Fund	285,444	278,071	290,998	290,998
General Department and Program Administration	<u>3,565,982</u>	<u>3,349,453</u>	<u>3,782,451</u>	<u>3,782,451</u>
FTE	32.1	31.5	34.6	34.6
General Fund	2,092,763	1,553,500	1,589,218	1,589,218
Cash Funds	116,580	145,177	169,232	169,232
Reappropriated Funds	1,356,639	1,650,776	2,024,001	2,024,001
Office of Professional Services	<u>1,542,627</u>	<u>2,141,494</u>	<u>3,017,628</u>	<u>3,017,628</u>
FTE	20.7	25.0	25.0	25.0
Cash Funds	1,542,627	2,141,494	3,017,628	3,017,628
Division of On-line Learning	<u>226,081</u>	<u>301,128</u>	<u>337,334</u>	<u>337,334</u>
FTE	2.0	2.5	3.3	3.3
Cash Funds	226,081	301,128	337,334	337,334

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	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Appropriation</b>	<b>FY 2013-14 Request</b>	<b>Request vs. Appropriation</b>
Health, Life, and Dental	<u>2,537,559</u>	<u>3,140,202</u>	<u>3,406,391</u>	<u>4,165,942</u>	
General Fund	1,379,708	1,450,460	1,442,412	1,656,199	
Cash Funds	95,480	241,795	332,074	424,131	
Reappropriated Funds	73,100	377,766	326,418	470,274	
Federal Funds	989,271	1,070,181	1,305,487	1,615,338	
Short-term Disability	<u>27,174</u>	<u>49,954</u>	<u>51,054</u>	<u>67,931</u>	
General Fund	1,000	21,124	19,713	22,322	
Cash Funds	1,951	3,275	5,786	7,409	
Reappropriated Funds	5,745	5,237	5,237	7,722	
Federal Funds	18,478	20,318	20,318	30,478	
S.B. 04-257 Amortization Equalization Disbursement	<u>704,407</u>	<u>730,198</u>	<u>1,082,192</u>	<u>1,420,839</u>	
General Fund	275,835	330,197	376,311	468,423	
Cash Funds	55,516	46,929	104,605	155,359	
Reappropriated Funds	88,481	31,669	128,732	160,980	
Federal Funds	284,575	321,403	472,544	636,077	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>452,564</u>	<u>475,089</u>	<u>928,461</u>	<u>1,282,702</u>	
General Fund	140,309	179,308	321,845	422,882	
Cash Funds	41,279	37,711	89,895	140,255	
Reappropriated Funds	64,270	0	110,629	145,329	
Federal Funds	206,706	258,070	406,092	574,236	

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Salary Survey	<u>0</u>	<u>0</u>	<u>0</u>	<u>779,003</u>	
General Fund	0	0	0	244,648	
Cash Funds	0	0	0	101,340	
Reappropriated Funds	0	0	0	83,711	
Federal Funds	0	0	0	349,304	
Merit Pay	<u>0</u>	<u>0</u>	<u>0</u>	<u>612,156</u>	
General Fund	0	0	0	207,734	
Cash Funds	0	0	0	71,084	
Reappropriated Funds	0	0	0	66,915	
Federal Funds	0	0	0	266,423	
Workers' Compensation	<u>267,313</u>	<u>263,197</u>	<u>433,303</u>	<u>627,674</u>	
General Fund	119,340	104,925	165,608	239,896	
Cash Funds	23,029	19,997	37,916	64,516	
Reappropriated Funds	24,573	23,999	53,209	77,078	
Federal Funds	100,371	114,276	176,570	246,184	
Legal Services	<u>257,395</u>	<u>246,374</u>	<u>378,525</u>	<u>378,525</u>	
General Fund	134,613	168,455	214,910	214,910	
Cash Funds	107,843	63,767	148,165	148,165	
Reappropriated Funds	14,939	14,152	15,450	15,450	
Administrative Law Judge Services	<u>63,725</u>	<u>37,871</u>	<u>65,353</u>	<u>77,719</u>	
Cash Funds	34,303	31,654	54,073	64,305	
Reappropriated Funds	29,422	6,217	11,280	13,414	

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Payment to Risk Management and Property Funds	<u>30,477</u>	<u>53,752</u>	<u>78,918</u>	<u>92,027</u>	*
General Fund	26,385	43,770	78,918	92,027	
Cash Funds	1,511	3,403	0	0	
Reappropriated Funds	2,581	6,579	0	0	
Capitol Complex Leased Space	<u>538,886</u>	<u>548,356</u>	<u>556,399</u>	<u>668,885</u>	*
General Fund	103,425	81,077	80,400	92,240	
Cash Funds	94,638	119,692	130,363	150,498	
Reappropriated Funds	70,948	87,395	87,633	116,386	
Federal Funds	269,875	260,192	258,003	309,761	
Reprinting and Distributing Laws Concerning Education	<u>34,109</u>	<u>27,076</u>	<u>35,480</u>	<u>35,480</u>	
Cash Funds	34,109	27,076	35,480	35,480	
Emeritus Retirement	<u>5,386</u>	<u>2,099</u>	<u>0</u>	<u>0</u>	
General Fund	5,386	2,099	0	0	
<b>SUBTOTAL - (A) Administration and Centrally-</b>					
<b>Appropriated Line Items</b>	10,539,129	11,644,314	14,444,487	17,637,294	22.1%
<i>FTE</i>	<u>56.8</u>	<u>61.0</u>	<u>64.9</u>	<u>64.9</u>	(0.0%)
General Fund	4,564,208	4,212,986	4,580,333	5,541,497	21.0%
Cash Funds	2,374,947	3,183,098	4,462,551	4,886,736	9.5%
Reappropriated Funds	1,730,698	2,203,790	2,762,589	3,181,260	15.2%
Federal Funds	1,869,276	2,044,440	2,639,014	4,027,801	52.6%

\*This line item contains a decision item.

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
<b>(B) Information Technology</b>					
COFRS Modernization	<u>0</u>	<u>0</u>	<u>197,914</u>	<u>197,914</u>	
General Fund	0	0	61,100	61,100	
Cash Funds	0	0	89,496	89,496	
Reappropriated Funds	0	0	47,318	47,318	
Information Technology Services	<u>0</u>	<u>2,703,116</u>	<u>2,723,713</u>	<u>2,723,713</u>	
FTE	0.0	18.8	23.0	23.0	
General Fund	0	2,079,066	2,098,959	2,098,959	
Reappropriated Funds	0	624,050	624,754	624,754	
Purchase of Services from Computer Center	<u>45,635</u>	<u>144,252</u>	<u>189,795</u>	<u>169,259</u>	
General Fund	45,635	144,252	189,795	169,259	
Multiuse Network Payments	<u>0</u>	<u>28,398</u>	<u>103,502</u>	<u>202,097</u>	
General Fund	0	28,398	103,502	202,097	
Information Technology Asset Maintenance	<u>303,427</u>	<u>296,486</u>	<u>303,830</u>	<u>303,830</u>	
General Fund	303,427	296,486	303,830	303,830	
Disaster Recovery	<u>13,783</u>	<u>19,265</u>	<u>19,722</u>	<u>19,722</u>	
General Fund	13,783	19,265	19,722	19,722	
Information Technology Services	<u>1,431,090</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	9.7	0.0	0.0	0.0	
General Fund	806,717	0	0	0	
Reappropriated Funds	624,373	0	0	0	



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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
School Accountability Reports and State Data Reporting System	<u>1,281,151</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	6.4	0.0	0.0	0.0	
General Fund	1,281,151	0	0	0	
<b>SUBTOTAL - (B) Information Technology</b>	3,075,086	3,191,517	3,538,476	3,616,535	2.2%
<b>FTE</b>	<u>16.1</u>	<u>18.8</u>	<u>23.0</u>	<u>23.0</u>	<u>(0.0%)</u>
General Fund	2,450,713	2,567,467	2,776,908	2,854,967	2.8%
Cash Funds	0	0	89,496	89,496	0.0%
Reappropriated Funds	624,373	624,050	672,072	672,072	0.0%

**(C) Assessments and Data Analyses**

Colorado Student Assessment Program	<u>21,415,429</u>	<u>21,947,677</u>	<u>28,093,332</u>	<u>32,286,134</u> *
FTE	16.2	14.5	11.8	11.8
Cash Funds	15,584,332	15,879,370	22,243,106	26,435,908
Federal Funds	5,831,097	6,068,307	5,850,226	5,850,226
 Federal Grant for State Assessments and Related Activities	 <u>2,161,644</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	2,161,644	2,247,224	2,247,224	2,247,224

\*This line item contains a decision item.

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Longitudinal Analyses of Student Assessment Results	<u>249,102</u>	<u>7,693,157</u>	<u>8,044,511</u>	<u>8,044,511</u>	
FTE	2.2	2.8	3.0	3.0	
General Fund	249,102	276,057	286,311	286,311	
Federal Funds	0	7,417,100	7,758,200	7,758,200	
Early Literacy Assessment Tool	<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	
Basic Skills Placement or Assessment Tests	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>320,917</u>	
Cash Funds	0	0	1,000,000	320,917	
Preschool to Postsecondary Education Alignment	<u>397,943</u>	<u>456,289</u>	<u>567,685</u>	<u>567,685</u>	
FTE	2.3	3.4	3.5	3.5	
Cash Funds	397,943	456,289	567,685	567,685	
Educator Effectiveness Unit Administration	<u>0</u>	<u>0</u>	<u>424,390</u>	<u>424,390</u>	
FTE	0.0	0.0	3.0	3.0	
General Fund	0	0	424,390	424,390	
Educator Effectiveness Implementation	<u>0</u>	<u>0</u>	<u>8,258,981</u>	<u>1,832,151</u>	
FTE	0.0	0.0	17.5	14.5	
Cash Funds	0	0	6,426,830	0	
Federal Funds	0	0	1,832,151	1,832,151	

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Accountability and Improvement Planning	<u>0</u>	<u>0</u>	<u>0</u>	<u>625,501</u> *	
FTE	0.0	0.0	0.0	3.2	
General Fund	0	0	0	625,501	
<b>SUBTOTAL - (C) Assessments and Data Analyses</b>	24,224,118	32,344,347	51,636,123	49,348,513	(4.4%)
<b>FTE</b>	<u>26.4</u>	<u>26.4</u>	<u>44.5</u>	<u>44.7</u>	<u>0.4%</u>
General Fund	249,102	276,057	710,701	1,336,202	88.0%
Cash Funds	15,982,275	16,335,659	33,237,621	30,324,510	(8.8%)
Federal Funds	7,992,741	15,732,631	17,687,801	17,687,801	0.0%

**(D) State Charter School Institute**

State Charter School Institute Administration, Oversight, and Management	<u>1,327,971</u>	<u>1,471,394</u>	<u>1,831,657</u>	<u>2,466,743</u>
FTE	9.2	11.1	10.7	11.7
Reappropriated Funds	1,327,971	1,471,394	1,831,657	2,466,743
Institute Charter School Assistance Fund	<u>0</u>	<u>0</u>	<u>460,000</u>	<u>260,000</u>
Cash Funds	0	0	460,000	260,000
Other Transfers to Institute Charter Schools	<u>1,630,348</u>	<u>2,243,815</u>	<u>2,013,615</u>	<u>3,622,979</u>
Reappropriated Funds	1,630,348	2,243,815	2,013,615	3,622,979
Transfer of Federal Moneys to Institute Charter Schools	<u>3,760,840</u>	<u>5,214,512</u>	<u>5,730,000</u>	<u>5,730,000</u>
FTE	4.3	4.6	4.5	4.5
Reappropriated Funds	3,760,840	5,214,512	5,730,000	5,730,000

\*This line item contains a decision item.

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Department Implementation of Section 22-30.5-501 et seq., C.R.S.	<u>184,989</u>	<u>165,719</u>	<u>210,014</u>	<u>210,014</u>	
FTE	2.9	2.4	2.6	2.6	
Reappropriated Funds	184,989	165,719	210,014	210,014	
State Charter School Institute Emergency Reserve	<u>0</u>	<u>0</u>	<u>230,000</u>	<u>320,000</u>	
Reappropriated Funds	0	0	230,000	320,000	
<b>SUBTOTAL - (D) State Charter School Institute</b>	6,904,148	9,095,440	10,475,286	12,609,736	20.4%
FTE	<u>16.4</u>	<u>18.1</u>	<u>17.8</u>	<u>18.8</u>	<u>5.6%</u>
Cash Funds	0	0	460,000	260,000	(43.5%)
Reappropriated Funds	6,904,148	9,095,440	10,015,286	12,349,736	23.3%
<b>TOTAL - (1) Management and Administration</b>	44,742,481	56,275,618	80,094,372	83,212,078	3.9%
FTE	<u>115.7</u>	<u>124.3</u>	<u>150.2</u>	<u>151.4</u>	<u>0.8%</u>
General Fund	7,264,023	7,056,510	8,067,942	9,732,666	20.6%
Cash Funds	18,357,222	19,518,757	38,249,668	35,560,742	(7.0%)
Reappropriated Funds	9,259,219	11,923,280	13,449,947	16,203,068	20.5%
Federal Funds	9,862,017	17,777,071	20,326,815	21,715,602	6.8%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 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>1,452,478</u>	<u>1,327,752</u>	<u>1,501,265</u>	<u>1,501,265</u>	
FTE	15.0	15.6	17.2	17.2	
Cash Funds	64,790	20,293	20,418	20,418	
Reappropriated Funds	1,387,688	1,307,459	1,480,847	1,480,847	
State Share of Districts' Total Program Funding	<u>3,206,198,052</u>	<u>3,331,922,155</u>	<u>3,366,460,619</u>	<u>3,562,461,024</u>	*
General Fund	2,636,387,224	2,387,670,327	2,540,099,253	2,540,099,253	
General Fund Exempt	161,444,485	284,175,417	312,202,624	312,202,624	
Cash Funds	408,366,343	660,076,411	514,158,742	710,159,147	
Hold-harmless Full-day Kindergarten Funding	<u>6,925,561</u>	<u>6,890,040</u>	<u>6,919,157</u>	<u>0</u>	*
Cash Funds	6,925,561	6,890,040	6,919,157	0	
District Per Pupil Reimbursements for Juveniles Held in Jail	<u>17,626</u>	<u>27,029</u>	<u>100,000</u>	<u>100,000</u>	
Cash Funds	17,626	27,029	100,000	100,000	
At-risk Supplemental Aid	<u>0</u>	<u>0</u>	<u>3,839,627</u>	<u>3,839,627</u>	
Cash Funds	0	0	3,839,627	3,839,627	

\*This line item contains a decision item.

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	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Appropriation</b>	<b>FY 2013-14 Request</b>	<b>Request vs. Appropriation</b>
Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA Federal Funds	<u>49,148,594</u>	<u>10,878,016</u>	<u>0</u>	<u>0</u>	
	49,148,594	10,878,016	0	0	
Education Jobs Fund Program Federal Funds	<u>153,039,578</u>	<u>6,472,891</u>	<u>0</u>	<u>0</u>	
	153,039,578	6,472,891	0	0	
<b>SUBTOTAL - (A) Public School Finance</b>	3,416,781,889	3,357,517,883	3,378,820,668	3,567,901,916	5.6%
<i>FTE</i>	<u>15.0</u>	<u>15.6</u>	<u>17.2</u>	<u>17.2</u>	<u>0.0%</u>
General Fund	2,636,387,224	2,387,670,327	2,540,099,253	2,540,099,253	0.0%
General Fund Exempt	161,444,485	284,175,417	312,202,624	312,202,624	0.0%
Cash Funds	415,374,320	667,013,773	525,037,944	714,119,192	36.0%
Reappropriated Funds	1,387,688	1,307,459	1,480,847	1,480,847	0.0%
Federal Funds	202,188,172	17,350,907	0	0	0.0%

**(B) Categorical Programs**

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

Special Education - Children with Disabilities	<u>272,304,048</u>	<u>289,562,892</u>	<u>293,472,248</u>	<u>296,367,873</u> *
FTE	71.2	81.1	64.5	64.5
General Fund	71,216,792	71,572,347	71,572,347	71,572,347
Cash Funds	56,145,333	58,225,450	63,069,594	65,965,219
Reappropriated Funds	0	101,812	101,812	101,812
Federal Funds	144,941,923	159,663,283	158,728,495	158,728,495

\*This line item contains a decision item.

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	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Appropriation</b>	<b>FY 2013-14 Request</b>	<b>Request vs. Appropriation</b>
English Language Proficiency Program	<u>21,739,150</u>	<u>23,048,344</u>	<u>25,751,974</u>	<u>26,627,334</u> *	
FTE	6.2	6.4	4.6	4.6	
General Fund	3,088,808	3,101,598	3,101,598	3,101,598	
Cash Funds	9,307,545	9,984,180	11,358,657	12,234,017	
Federal Funds	9,342,797	9,962,566	11,291,719	11,291,719	
<b>SUBTOTAL - (I) District Programs Required by Statute</b>	294,043,198	312,611,236	319,224,222	322,995,207	1.2%
<i>FTE</i>	<u>77.4</u>	<u>87.5</u>	<u>69.1</u>	<u>69.1</u>	(0.0%)
General Fund	74,305,600	74,673,945	74,673,945	74,673,945	0.0%
Cash Funds	65,452,878	68,209,630	74,428,251	78,199,236	5.1%
Reappropriated Funds	0	101,812	101,812	101,812	0.0%
Federal Funds	154,284,720	169,625,849	170,020,214	170,020,214	0.0%

**(II) Other Categorical Programs**

Public School Transportation	<u>50,777,960</u>	<u>52,052,250</u>	<u>52,417,107</u>	<u>53,528,739</u> *	
FTE	2.0	2.0	2.0	2.0	
General Fund	37,419,163	36,922,227	36,922,227	36,922,227	
Cash Funds	13,358,797	15,130,023	15,494,880	16,606,512	
Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education	<u>23,296,124</u>	<u>22,764,221</u>	<u>24,218,018</u>	<u>24,566,338</u> *	
General Fund	17,727,636	17,792,850	17,792,850	17,792,850	
Cash Funds	5,568,488	4,971,371	6,425,168	6,773,488	

\*This line item contains a decision item.

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Special Education Programs for Gifted and Talented					
Children	<u>9,057,765</u>	<u>9,201,106</u>	<u>9,473,606</u>	<u>9,615,492</u> *	
FTE	0.4	0.5	0.5	0.5	
General Fund	5,456,826	5,500,000	5,500,000	5,500,000	
Cash Funds	3,600,939	3,701,106	3,973,606	4,115,492	
Expelled and At-risk Student Services Grant Program	<u>7,108,239</u>	<u>7,439,965</u>	<u>7,493,560</u>	<u>7,493,560</u>	
FTE	1.0	1.1	1.0	1.0	
General Fund	5,651,021	5,786,766	5,788,807	5,788,807	
Cash Funds	1,457,218	1,653,199	1,704,753	1,704,753	
Small Attendance Center Aid	<u>959,379</u>	<u>959,379</u>	<u>959,379</u>	<u>959,379</u>	
General Fund	765,582	787,645	787,645	787,645	
Cash Funds	193,797	171,734	171,734	171,734	
Comprehensive Health Education	<u>955,578</u>	<u>970,107</u>	<u>1,005,396</u>	<u>1,005,396</u>	
FTE	0.6	1.0	1.0	1.0	
General Fund	300,000	299,279	300,000	300,000	
Cash Funds	655,578	670,828	705,396	705,396	
<b>SUBTOTAL - (II) Other Categorical Programs</b>	92,155,045	93,387,028	95,567,066	97,168,904	1.7%
<b>FTE</b>	<u>4.0</u>	<u>4.6</u>	<u>4.5</u>	<u>4.5</u>	<u>0.0%</u>
General Fund	67,320,228	67,088,767	67,091,529	67,091,529	0.0%
Cash Funds	24,834,817	26,298,261	28,475,537	30,077,375	5.6%

\*This line item contains a decision item.



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	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Appropriation</b>	<b>FY 2013-14 Request</b>	<b>Request vs. Appropriation</b>
<b>SUBTOTAL - (B) Categorical Programs</b>	386,198,243	405,998,264	414,791,288	420,164,111	1.3%
<i>FTE</i>	<u>81.4</u>	<u>92.1</u>	<u>73.6</u>	<u>73.6</u>	(0.0%)
General Fund	141,625,828	141,762,712	141,765,474	141,765,474	0.0%
Cash Funds	90,287,695	94,507,891	102,903,788	108,276,611	5.2%
Reappropriated Funds	0	101,812	101,812	101,812	0.0%
Federal Funds	154,284,720	169,625,849	170,020,214	170,020,214	0.0%

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

**(I) Health and Nutrition**

Federal Nutrition Programs	<u>147,405,447</u>	<u>158,395,957</u>	<u>156,638,128</u>	<u>156,631,328</u>
FTE	9.4	10.5	9.0	9.0
General Fund	81,764	80,159	89,127	82,327
Federal Funds	147,323,683	158,315,798	156,549,001	156,549,001
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>688,274</u>	<u>683,230</u>	<u>850,000</u>	<u>850,000</u>
Cash Funds	688,274	683,230	850,000	850,000
Start Smart Nutrition Program Fund	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>
General Fund	700,000	700,000	700,000	700,000
Start Smart Nutrition Program	<u>679,996</u>	<u>765,105</u>	<u>843,495</u>	<u>843,495</u>
Cash Funds	6,015	65,105	143,495	143,495
Reappropriated Funds	673,981	700,000	700,000	700,000

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S.B. 97-101 Public School Health Services	<u>71,662</u>	<u>139,649</u>	<u>142,073</u>	<u>142,073</u>	
FTE	0.6	1.4	1.4	1.4	
Reappropriated Funds	71,662	139,649	142,073	142,073	
School Breakfast Program	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	500,000	0	0	0	
<b>SUBTOTAL - (I) Health and Nutrition</b>	152,518,023	163,156,585	161,646,340	161,639,540	0.0%
<b>FTE</b>	<u>10.0</u>	<u>11.9</u>	<u>10.4</u>	<u>10.4</u>	<u>0.0%</u>
General Fund	1,281,764	780,159	789,127	782,327	(0.9%)
Cash Funds	3,166,933	3,220,979	3,466,139	3,466,139	0.0%
Reappropriated Funds	745,643	839,649	842,073	842,073	0.0%
Federal Funds	147,323,683	158,315,798	156,549,001	156,549,001	0.0%

**(II) Capital Construction**

Division of Public School Capital Construction					
Assistance	<u>656,517</u>	<u>733,308</u>	<u>874,831</u>	<u>874,831</u>	
FTE	6.8	7.5	9.0	9.0	
Cash Funds	656,517	733,308	874,831	874,831	
Public School Capital Construction Assistance Board -					
Lease Payments	<u>11,816,671</u>	<u>35,183,873</u>	<u>44,000,000</u>	<u>44,000,000</u>	
Cash Funds	11,816,671	35,183,873	44,000,000	44,000,000	
Financial Assistance Priority Assessment	<u>75,936</u>	<u>41,550</u>	<u>50,000</u>	<u>50,000</u>	
Cash Funds	75,936	41,550	50,000	50,000	

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
State Aid for Charter School Facilities	<u>5,000,000</u>	<u>5,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>	
Cash Funds	5,000,000	5,000,000	6,000,000	6,000,000	
<b>SUBTOTAL - (II) Capital Construction</b>	17,549,124	40,958,731	50,924,831	50,924,831	0.0%
<i>FTE</i>	<u>6.8</u>	<u>7.5</u>	<u>9.0</u>	<u>9.0</u>	<u>0.0%</u>
Cash Funds	17,549,124	40,958,731	50,924,831	50,924,831	0.0%
<b>(III) Reading and Literacy</b>					
Read-to-Achieve Grant Program	<u>5,383,445</u>	<u>4,338,262</u>	<u>0</u>	<u>0</u>	
FTE	1.0	1.0	0.0	0.0	
Cash Funds	5,383,445	4,338,262	0	0	
Early Literacy Program	<u>0</u>	<u>0</u>	<u>5,411,989</u>	<u>20,945,023</u>	
FTE	0.0	0.0	9.8	8.0	
Cash Funds	0	0	5,411,989	20,945,023	
Federal Title I Reading First Grant	<u>1,483,688</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.7	0.0	0.0	0.0	
Federal Funds	1,483,688	0	0	0	
<b>SUBTOTAL - (III) Reading and Literacy</b>	6,867,133	4,338,262	5,411,989	20,945,023	287.0%
<i>FTE</i>	<u>1.7</u>	<u>1.0</u>	<u>9.8</u>	<u>8.0</u>	<u>(18.4%)</u>
Cash Funds	5,383,445	4,338,262	5,411,989	20,945,023	287.0%
Federal Funds	1,483,688	0	0	0	0.0%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
<b>(IV) Professional Development and Instructional Support</b>					
Content Specialists	<u>375,144</u>	<u>410,402</u>	<u>441,808</u>	<u>441,808</u>	
FTE	3.5	3.9	5.0	5.0	
Cash Funds	375,144	410,402	441,808	441,808	
Office of Dropout Prevention and Student Reengagement	<u>150,172</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	
FTE	2.0	2.3	2.3	2.3	
Federal Funds	150,172	3,000,000	3,000,000	3,000,000	
National Credential Fee Assistance	<u>0</u>	<u>0</u>	<u>604,800</u>	<u>705,600</u>	
Cash Funds	0	0	604,800	705,600	
Closing the Achievement Gap	<u>1,800,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	1,800,000	0	0	0	
School Leadership Academy Program	<u>71,488</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	71,488	0	0	0	
<b>SUBTOTAL - (IV) Professional Development and Instructional Support</b>	2,396,804	3,410,402	4,046,608	4,147,408	2.5%
FTE	<u>5.5</u>	<u>6.2</u>	<u>7.3</u>	<u>7.3</u>	0.0%
General Fund	71,488	0	0	0	0.0%
Cash Funds	2,175,144	410,402	1,046,608	1,147,408	9.6%
Federal Funds	150,172	3,000,000	3,000,000	3,000,000	0.0%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
<b>(V) Facility Schools</b>					
Facility Schools Unit and Facility Schools Board	<u>198,681</u>	<u>189,922</u>	<u>258,575</u>	<u>258,575</u>	
FTE	2.5	2.2	3.0	3.0	
Reappropriated Funds	198,681	189,922	258,575	258,575	
Facility School Funding	<u>14,179,339</u>	<u>13,255,214</u>	<u>14,508,000</u>	<u>14,508,000</u>	
Cash Funds	14,179,339	13,255,214	14,508,000	14,508,000	
<b>SUBTOTAL - (V) Facility Schools</b>	<b>14,378,020</b>	<b>13,445,136</b>	<b>14,766,575</b>	<b>14,766,575</b>	<b>0.0%</b>
FTE	<u>2.5</u>	<u>2.2</u>	<u>3.0</u>	<u>3.0</u>	<u>0.0%</u>
Cash Funds	14,179,339	13,255,214	14,508,000	14,508,000	0.0%
Reappropriated Funds	198,681	189,922	258,575	258,575	0.0%

**(VI) Other Assistance**

Appropriated Sponsored Programs	<u>230,030,904</u>	<u>234,162,767</u>	<u>281,945,000</u>	<u>281,945,000</u>	
FTE	70.4	83.5	74.0	74.0	
Cash Funds	1,198,306	1,283,631	2,350,000	2,350,000	
Reappropriated Funds	4,475,388	4,480,000	4,595,000	4,595,000	
Federal Funds	224,357,210	228,399,136	275,000,000	275,000,000	
School Counselor Corps Grant Program	<u>4,988,422</u>	<u>4,991,186</u>	<u>5,000,000</u>	<u>5,000,000</u>	
FTE	0.9	0.9	1.0	1.0	
Cash Funds	4,988,422	4,991,186	5,000,000	5,000,000	
BOCES Funding per Section 22-5-122, C.R.S.	<u>0</u>	<u>0</u>	<u>1,300,000</u>	<u>1,300,000</u>	
FTE	0.0	0.0	0.0	1.0	
Cash Funds	0	0	1,300,000	1,300,000	

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Contingency Reserve Fund	<u>3,981,551</u>	<u>100,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	
General Fund	2,946,551	0	0	0	
Cash Funds	1,035,000	100,000	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	
Interstate Compact on Educational Opportunity for Military Children	<u>20,046</u>	<u>22,832</u>	<u>24,061</u>	<u>24,061</u>	
Cash Funds	20,046	22,832	24,061	24,061	
Supplemental On-line Education Grant Program	<u>49,998</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	49,998	0	0	0	
<b>SUBTOTAL - (VI) Other Assistance</b>	239,550,921	239,756,785	289,749,061	289,749,061	0.0%
<i>FTE</i>	<u>71.3</u>	<u>84.4</u>	<u>75.0</u>	<u>76.0</u>	<u>1.3%</u>
General Fund	2,946,551	0	0	0	0.0%
Cash Funds	7,771,772	6,877,649	10,154,061	10,154,061	0.0%
Reappropriated Funds	4,475,388	4,480,000	4,595,000	4,595,000	0.0%
Federal Funds	224,357,210	228,399,136	275,000,000	275,000,000	0.0%
<b>SUBTOTAL - (C) Grant Programs, Distributions, and Other Assistance</b>	433,260,025	465,065,901	526,545,404	542,172,438	3.0%
<i>FTE</i>	<u>97.8</u>	<u>113.2</u>	<u>114.5</u>	<u>113.7</u>	<u>(0.7%)</u>
General Fund	4,299,803	780,159	789,127	782,327	(0.9%)
Cash Funds	50,225,757	69,061,237	85,511,628	101,145,462	18.3%
Reappropriated Funds	5,419,712	5,509,571	5,695,648	5,695,648	0.0%
Federal Funds	373,314,753	389,714,934	434,549,001	434,549,001	0.0%

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	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Appropriation</b>	<b>FY 2013-14 Request</b>	<b>Request vs. Appropriation</b>
<b>TOTAL - (2) Assistance to Public Schools</b>	4,236,240,157	4,228,582,048	4,320,157,360	4,530,238,465	4.9%
<i>FTE</i>	<u>194.2</u>	<u>220.9</u>	<u>205.3</u>	<u>204.5</u>	<u>(0.4%)</u>
General Fund	2,782,312,855	2,530,213,198	2,682,653,854	2,682,647,054	0.0%
General Fund Exempt	161,444,485	284,175,417	312,202,624	312,202,624	0.0%
Cash Funds	555,887,772	830,582,901	713,453,360	923,541,265	29.4%
Reappropriated Funds	6,807,400	6,918,842	7,278,307	7,278,307	0.0%
Federal Funds	729,787,645	576,691,690	604,569,215	604,569,215	0.0%

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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>818,202</u>	<u>805,623</u>	<u>999,598</u>	<u>999,598</u>
FTE	12.8	12.4	14.3	14.3
General Fund	741,018	725,568	749,598	749,598
Cash Funds	77,184	80,055	250,000	250,000
Federal Library Funding	<u>2,747,133</u>	<u>2,806,091</u>	<u>3,031,787</u>	<u>3,031,787</u>
FTE	22.0	23.1	23.8	23.8
Federal Funds	2,747,133	2,806,091	3,031,787	3,031,787
Broadband Technology Opportunities Program	<u>1,220,294</u>	<u>1,413,095</u>	<u>1,219,460</u>	<u>1,219,460</u>
FTE	2.1	4.5	4.5	4.5
Cash Funds	279,295	390,739	443,274	443,274
Federal Funds	940,999	1,022,356	776,186	776,186
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>359,489</u>	<u>359,796</u>	<u>379,796</u>	<u>379,796</u>
General Fund	359,489	359,796	359,796	359,796
Cash Funds	0	0	20,000	20,000
Colorado Talking Book Library, Building Maintenance and Utilities Expenses	<u>70,650</u>	<u>70,488</u>	<u>70,660</u>	<u>70,660</u>
General Fund	70,650	70,488	70,660	70,660



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	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Appropriation</b>	<b>FY 2013-14 Request</b>	<b>Request vs. Appropriation</b>
Reading Services for the Blind	<u>250,000</u>	<u>250,000</u>	<u>350,000</u>	<u>350,000</u>	
Reappropriated Funds	250,000	250,000	350,000	350,000	
<b>TOTAL - (3) Library Programs</b>	6,465,768	6,705,093	7,051,301	7,051,301	0.0%
<i>FTE</i>	<u>36.9</u>	<u>40.0</u>	<u>42.6</u>	<u>42.6</u>	<u>0.0%</u>
General Fund	2,171,157	2,155,852	2,180,054	2,180,054	0.0%
Cash Funds	356,479	470,794	713,274	713,274	0.0%
Reappropriated Funds	250,000	250,000	350,000	350,000	0.0%
Federal Funds	3,688,132	3,828,447	3,807,973	3,807,973	0.0%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 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>8,981,005</u>	<u>8,700,446</u>	<u>9,294,658</u>	<u>9,121,285</u>
FTE	135.4	135.8	141.3	141.3
General Fund	7,694,132	7,479,446	8,084,342	7,910,969
Reappropriated Funds	1,286,873	1,221,000	1,210,316	1,210,316
Early Intervention Services	<u>1,144,440</u>	<u>1,037,519</u>	<u>1,165,533</u>	<u>1,165,533</u>
FTE	10.0	9.2	10.0	10.0
General Fund	1,144,440	1,037,519	1,165,533	1,165,533
Shift Differential	<u>65,530</u>	<u>65,755</u>	<u>83,985</u>	<u>77,703</u>
General Fund	65,530	65,755	83,985	77,703
Operating Expenses	<u>417,256</u>	<u>417,277</u>	<u>417,277</u>	<u>417,277</u>
General Fund	417,256	417,277	417,277	417,277
Vehicle Lease Payments	<u>25,617</u>	<u>24,100</u>	<u>26,666</u>	<u>26,666</u>
General Fund	25,617	24,100	26,666	26,666
Utilities	<u>522,594</u>	<u>543,132</u>	<u>554,810</u>	<u>554,810</u>
General Fund	522,594	543,132	554,810	554,810

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	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Appropriation</b>	<b>FY 2013-14 Request</b>	<b>Request vs. Appropriation</b>
Allocation of State and Federal Categorical Program					
Funding	<u>119,842</u>	<u>183,537</u>	<u>170,000</u>	<u>170,000</u>	
FTE	0.1	0.3	0.4	0.4	
Reappropriated Funds	119,842	183,537	170,000	170,000	
Medicaid Reimbursements for Public School Health					
Services	<u>133,329</u>	<u>144,306</u>	<u>150,000</u>	<u>150,000</u>	
FTE	1.3	1.5	1.5	1.5	
Reappropriated Funds	133,329	144,306	150,000	150,000	
<b>SUBTOTAL - (A) School Operations</b>	11,409,613	11,116,072	11,862,929	11,683,274	(1.5%)
FTE	<u>146.8</u>	<u>146.8</u>	<u>153.2</u>	<u>153.2</u>	0.0%
General Fund	9,869,569	9,567,229	10,332,613	10,152,958	(1.7%)
Reappropriated Funds	1,540,044	1,548,843	1,530,316	1,530,316	0.0%

**(B) Special Purpose**

Fees and Conferences	<u>5,485</u>	<u>7,926</u>	<u>120,000</u>	<u>120,000</u>	
Cash Funds	5,485	7,926	120,000	120,000	
Outreach Services	<u>503,107</u>	<u>653,456</u>	<u>1,025,000</u>	<u>1,025,000</u>	
FTE	2.3	3.9	5.4	5.4	
Cash Funds	370,815	493,637	755,000	755,000	
Reappropriated Funds	132,292	159,819	270,000	270,000	
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	

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	<b>FY 2010-11 Actual</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Appropriation</b>	<b>FY 2013-14 Request</b>	<b>Request vs. Appropriation</b>
Grants	<u>527,111</u>	<u>444,509</u>	<u>1,200,000</u>	<u>1,200,000</u>	
FTE	4.2	2.9	9.0	9.0	
Reappropriated Funds	527,111	444,509	1,200,000	1,200,000	
<b>SUBTOTAL - (B) Special Purpose</b>	1,035,703	1,105,891	2,545,000	2,545,000	0.0%
<i>FTE</i>	<u>6.5</u>	<u>6.8</u>	<u>14.4</u>	<u>14.4</u>	<u>0.0%</u>
Cash Funds	376,300	501,563	1,075,000	1,075,000	0.0%
Reappropriated Funds	659,403	604,328	1,470,000	1,470,000	0.0%
<b>TOTAL - (4) School for the Deaf and the Blind</b>	12,445,316	12,221,963	14,407,929	14,228,274	(1.2%)
<i>FTE</i>	<u>153.3</u>	<u>153.6</u>	<u>167.6</u>	<u>167.6</u>	<u>0.0%</u>
General Fund	9,869,569	9,567,229	10,332,613	10,152,958	(1.7%)
Cash Funds	376,300	501,563	1,075,000	1,075,000	0.0%
Reappropriated Funds	2,199,447	2,153,171	3,000,316	3,000,316	0.0%
<b>TOTAL - Department of Education</b>	4,299,893,722	4,303,784,722	4,421,710,962	4,634,730,118	4.8%
<i>FTE</i>	<u>500.1</u>	<u>538.8</u>	<u>565.7</u>	<u>566.1</u>	<u>0.1%</u>
General Fund	2,801,617,604	2,548,992,789	2,703,234,463	2,704,712,732	0.1%
General Fund Exempt	161,444,485	284,175,417	312,202,624	312,202,624	0.0%
Cash Funds	574,977,773	851,074,015	753,491,302	960,890,281	27.5%
Reappropriated Funds	18,516,066	21,245,293	24,078,570	26,831,691	11.4%
Federal Funds	743,337,794	598,297,208	628,704,003	630,092,790	0.2%

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

### **2011 Session Bills**

**S.B. 11-076:** For the 2011-12 state fiscal year only, reduces the employer contribution rate for the State and Judicial divisions of the Public Employees' Retirement Association (PERA) by 2.5 percent and increases the member contribution rate for these divisions by the same amount. In effect, continues the FY 2010-11 PERA contribution adjustments authorized through S.B. 10-146 for one additional year. Reduces the Department's appropriation by a total of \$465,333, including \$311,971 General Fund, \$64,092 cash funds, \$56,458 reappropriated funds, and \$32,812 federal funds.

**S.B. 11-109:** Establishes a new voluntary donation line on state income tax forms for support of the Colorado Preschool Program. Requires contributions to be credited to the newly created Public Education Fund, and authorizes the General Assembly to appropriate moneys in the Fund to the Department of Revenue for related administrative costs and to the Department of Education for use in the Colorado Preschool Program.

**S.B. 11-111:** Creates the Educational Success Task Force to study and make recommendations concerning strategies for ensuring students' academic progress by providing intervention education services and remedial education at critical junctures in their academic careers. The Task Force will be made up of legislators, researchers, practitioners, parents of students, and members of the business community.

**S.B. 11-156:** Reduces the statutorily required General Fund reserve for FY 2010-11 from 4.0 percent of General Fund appropriations to 2.3 percent of General Fund appropriations. Requires the State Treasurer to transfer General Fund moneys that exceed the 2.3 percent reserve requirement to the State Education Fund. Through the second quarter of FY 2011-12, a total of \$221,857,054 was transferred to the State Education Fund pursuant to this bill; these transfers are effective for FY 2010-11.

**S.B. 11-164:** Transfers \$2,853,383 from the Contingency Reserve Fund to the General Fund on June 30, 2011.

**S.B. 11-184:** Establishes a temporary tax amnesty program that allows taxpayers to pay certain overdue taxes to the State without penalty and at a reduced interest rate. Transfers a portion of the moneys collected through the tax amnesty program to the State Education Fund on December 31, 2011. As of May 31, 2012, a total of \$9,595,652 has been transferred to the State Education Fund pursuant to this bill, effective for FY 2011-12.

**S.B. 11-209:** General appropriations act for FY 2011-12.

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**S.B. 11-226:** Transfers amounts from various cash funds to the General Fund in FY 2010-11 and FY 2011-12, as detailed in the following table.

<b>Senate Bill 11-226: FY 2010-11 and FY 2011-12 Transfers</b>					
<b>Bill Section</b>	<b>Name of Fund</b>	<b>Department</b>	<b>Transfer Date</b>	<b>Transfer Amount</b>	
				<b>FY 2010-11</b>	<b>FY 2011-12</b>
1	Read-to-Achieve Cash Fund*	Education	June 30, 2011	\$1,864,845	\$0
2	Tobacco Litigation Settlement Cash Fund - Health Care Supplemental Appropriations and Overexpenditures Account*	Public Health and Environment	June 30, 2012	0	669,519
3	Debt Collection Fund	Personnel	June 30, 2012	0	249,494
4	Child Welfare Action Committee Cash Fund*	Human Services	July 1, 2011	0	155,104
5	Local Government Mineral Impact Fund	Local Affairs	June 30, 2012	0	30,000,000
6	Perpetual Base Account of Severance Tax Trust Fund	Natural Resources	July 1, 2011 and June 30, 2012	0	48,100,000
7	Operational Account of the Severance Tax Trust Fund	Natural Resources	June 30, 2012	0	3,950,000
8	Local Government Severance Tax Fund	Local Affairs	June 30, 2012	0	41,000,000
9	Low Income Energy Assistance Fund	Human Services	June 30, 2011 and Jan. 5, 2012	3,250,000	3,250,000
<b>Total Transfers</b>				<b>\$5,114,845</b>	<b>\$127,374,117</b>

\*Requires the transfer of any unexpended and unencumbered moneys remaining in these funds.

Reduces an informational appropriation for the Low Income Energy Assistance Program for FY 2010-11 by \$3.25 million, consistent with the transfer of moneys from the Low Income Energy Assistance Fund to the General Fund.

**S.B. 11-230:** Amends the "Public School Finance Act of 1994" and other statutory provisions to provide funding for school districts for FY 2011-12, making the following changes:

- Increases the *statewide base per-pupil funding* amount from \$5,529.71 to \$5,634.77 (1.9 percent) to account for the annual change in the Denver-Boulder consumer price index in CY 2010.
- Renames the "state budget stabilization factor", which was created through H.B. 10-1369, the "*negative factor*" and extends application of this factor indefinitely beyond FY 2011-12. For

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FY 2011-12, reduces the specified minimum total program funding amount that results after the application of the negative factor by \$227.5 million; does not specify the total program funding amount for FY 2012-13 or any subsequent fiscal year.

- Extends for an additional two years (FY 2011-12 and FY 2012-13) the requirement that certain *revenues related to state trust lands* that would otherwise be credited to the Public School ("Permanent") Fund be transferred to the State Public School Fund (SPSF). Initial estimates indicate that this provision will make another \$36.0 million available for appropriation for FY 2011-12.
- Modifies S.B. 11-156, which requires the State Treasurer to transfer General Fund moneys that exceed the 2.3 percent statutory reserve requirement to the State Education Fund. Specifically, requires the State Treasurer to *transfer from the General Fund to the State Public School Fund* (SPSF) an amount equal to the additional estimated revenue (i.e., the amount by which the Office of State Planning and Budgeting's June 2011 estimate of General Fund revenues for FY 2010-11 exceeds the Office's March 2011 estimate); except the transfer to the SPSF shall not exceed \$67.5 million. States the General Assembly's intent that the moneys transferred to the SPSF be available for appropriation during FY 2011-12 to account for mid-year changes in pupil enrollment, the at-risk pupil population, and changes in local tax revenues available for school finance. Requires all remaining excess General Fund reserve moneys to be transferred to the State Education Fund, as required by S.B. 11-156.
- States that the assessed valuation used to determine a *school district's limit of bonded indebtedness* is the assessed valuation certified on the December 10 prior to the date on which the bonds are issued.
- Extends a requirement that the Legislative Council Staff calculate the additional interest earned on severance taxes paid monthly instead of quarterly to September 1, 2015. The added interest, up to \$1,500,000, is transferred to the *Public School Energy Efficiency Fund*.

As detailed in the following table, modifies several appropriations for FY 2011-12.

<b>Senate Bill 11-230: FY 2011-12 Appropriations</b>		
<b>Purpose</b>	<b>Amount</b>	<b>Fund Source</b>
<b><i>Section 14: Adjustments Related to Statutory Changes to School Finance Formula</i></b>		
(1) Management and Administration, State Charter School Institute Administration, Oversight, and Management	(\$481)	Reappropriated Funds - Transfer from State Share of Districts' Total Program Funding line item
(2), (3), and (4) Public School Finance, State Share of Districts' Total Program Funding	(284,810,465)	General Fund
	36,000,000	Cash Funds - State Public School Fund (available pursuant to Sections 8, 9, and 10 of the bill)
	<u>22,379,885</u>	Cash Funds - State Education Fund (SEF)

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<b>Senate Bill 11-230: FY 2011-12 Appropriations</b>		
<b>Purpose</b>	<b>Amount</b>	<b>Fund Source</b>
	(226,430,580)	Total Funds
(5) Public School Finance, Hold-harmless Full-day Kindergarten Funding	(329,897)	Cash Funds - SEF
(6) Grant Programs, Distributions, and Other Assistance, Facility School Funding	(653,000)	Cash Funds - SEF
(7) and (8) Colorado School for the Deaf and the Blind, Personal Services	57,335	General Fund
	(57,335)	Reappropriated Funds - Transfer from Facility School Funding line item
<b>Section 15: Fund Source Adjustments Unrelated to Statutory Changes</b>		
(1) and (2) Public School Finance, State Share of Districts' Total Program Funding	(175,946,870)	General Fund
	<u>175,946,870</u>	Cash Funds - SEF
	0	Total Funds
Total Appropriations	(460,700,000)	General Fund
	197,343,858	State Education Fund
	36,000,000	State Public School Fund
	(57,816)	Reappropriated Funds
	<b>(227,413,958)</b>	<b>Total Funds</b>

Also adjusts footnote #7 in the 2011-12 Long Bill (S.B. 11-209) to reduce the amount of funding that the Department of Education may use to fund students in the Accelerating Students Through Concurrent Enrollment (ASCENT) Program to \$4,443,980.

**H.B. 11-1010:** Modifies certain requirements concerning property tax exemptions and reporting requirements related to the incidental use of property owned and used by fraternal and veterans' organizations for a charitable purpose. Increases the General Fund appropriation to the Department of Education for the State Share of Districts' Total Program Funding for FY 2011-12 by \$1,664 to offset the anticipated reduction in local property tax revenues.

**H.B. 11-1093:** Modifies requirements concerning specific ownership taxes related to special mobile machinery. While the bill is anticipated to increase the amount of state moneys required for the State Share of Districts' Total Program Funding for FY 2011-12, the amount of the increase is expected to be minimal and has not been estimated.

**H.B. 11-1121:** Enacts the "Safer Schools Act of 2011", which prohibits a school district, charter school, or Institute charter school from employing a person in a nonlicensed position if that person has been convicted of certain enumerated felonies, including drug and domestic violence felonies. Allows a person to seek reconsideration of the denial of employment, and authorizes the school district or school to hire the person after assessing safety risks. Appropriates \$83,383



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cash funds from the Educator Licensure Cash Fund and 0.9 FTE to the Department of Education for FY 2011-12, and appropriates \$11,005 from reappropriated funds transferred from the Department of Education to the Department of Law.

**H.B. 11-1201:** Modifies administrative procedures related to professional educator license renewals. Continuously appropriates moneys in the Educator Licensure Cash Fund to the Department of Education for three fiscal years (FY 2011-12 through FY 2013-14). Requires the Department to annually report expenditures from the Fund and the Department's progress in meeting the goal of reducing to six weeks or less the processing time for issuing or renewing an educator license. Requires the annual Long Bill for each fiscal year to reflect estimated expenditures from the Fund for informational purposes.

**H.B. 11-1241:** Beginning with the 2011 property tax year, provides a nonprofit housing provider a property tax exemption for a maximum of five consecutive years for property that is used for charitable purposes and upon which the provider intends to construct or rehabilitate housing to be sold to low-income applicants. Increases the General Fund appropriation to the Department of Education for the State Share of Districts' Total Program Funding for FY 2011-12 by \$845 to offset the anticipated reduction in local property tax revenues.

**H.B. 11-1254:** Makes a number of changes concerning bullying prevention and education activities and policies. Establishes the School Bullying Prevention and Education Grant Program to provide funding to public schools and facility schools for activities related to bullying prevention and education. Continuously appropriates moneys in the newly created School Bullying Prevention and Education Cash Fund to the Department of Education to implement the grant program. This fund will consist of gifts, grants and donations received and any moneys (other than General Fund moneys) made available by the General Assembly. Requires the Department to make publicly available evidence-based practices and other resources for educators and other professionals engaged in bullying prevention and education.

**H.B. 11-1277:** Makes a number of statutory changes involving K-12 education. Modifies reporting requirements and oversight functions related to online schools and the Division of Online Learning. Decreases the cash funds appropriation from the State Education Fund for the Division of Online Learning for FY 2011-12 by \$35,173 and 0.2 FTE.

Allows school districts and boards of cooperative services (BOCES) that are affected by a bill that imposes any new mandate or increase in the level of service for an existing mandate to submit to the Legislative Council Staff a brief summary of the fiscal impact of the bill on the district's or BOCES' budget. Requires the Legislative Council Staff to: (1) include any brief summary received from a district or BOCES with the fiscal analysis that is prepared for the bill; and (2) request from the Department of Education information regarding the impact of proposed legislation on school districts and BOCES and to consider the information received when completing the local government fiscal impact section of the fiscal note.

## **2012 Session Bills**

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**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.

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<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.

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**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.

**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

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- 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.
- 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.

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- 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
(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><i>Section 48: Other Long Bill Adjustments and Appropriations</i></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><i>Sections 47 and 49: New Appropriations</i></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

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<b>House Bill 12-1345: FY 2012-13 Appropriations</b>		
<b>Purpose</b>	<b>Amount</b>	<b>Fund Source</b>
	<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.



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

### **Long Bill Footnotes**

- 5 **Department of Education, Management and Administration, Assessments and Data Analyses, Development of Science and Social Studies Assessments and Updating Existing Assessments** -- It is the intent of the General Assembly that the Department use \$6,357,743 of the cash funds appropriation to this line item to develop new statewide science and social studies assessments and update the alternate assessment for students with significant cognitive disabilities and the Colorado English Language Assessments to align with statewide academic standards.

Comment: This Long Bill footnote clarifies the General Assembly’s intent that the Department use this portion of the FY 2012-13 appropriation for assessments specifically for the development of new science and social studies assessments. The Department reports that it is complying with the footnote and is developing the specified assessments.

Staff notes that the footnote leader refers to an incorrect Long Bill line item because of changes made late in the Long Bill process. The leader should refer to the “Colorado Student Assessment Program” line item rather than “Development of Science and Social Studies Assessments and Updating Existing Assessments.” **Staff intends to recommend that the Committee correct the line item name through the FY 2012-13 supplemental process.**

- 6 **Department of Education, Management and Administration, Assessments and Data Analyses, Educator Effectiveness Implementation** -- It is the intent of the General Assembly that the cash funds appropriation to this line item from the State Education Fund remain available until the close of FY 2014-15.

Comment: This Long Bill footnote clarifies the General Assembly’s intent that the cash funds appropriation for implementation of S.B. 10-191 (Principal and Teacher Effectiveness) be available to the Department for expenditure over a three year period (FY 2012-13 through FY 2014-15).

- 7 **Department of Education, Management and Administration, State Charter School Institute, State Charter School Institute Emergency Response** -- It is the intent of the General Assembly that the appropriation to this line item be expended in the event of financial emergencies at either the State Charter School Institute or at State Charter School Institute charter schools.

Comment: This Long Bill footnote clarifies the General Assembly’s intent that the appropriation to the State Charter School Institute Emergency Reserve line item be used for financial emergencies at either the Institute or at Institute charter schools. The line item was



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created in FY 2012-13, so the Department has neither appropriations nor expenditures to report from prior years.

- 8 **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 2012-13. It is the intent of the General Assembly that the Department of Education be authorized to utilize up to \$1,198,549 of this appropriation to fund qualified students designated as ASCENT Program participants. This amount is calculated based on an estimated 205 participants funded at a rate of \$5,846.58 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, 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

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ASCENT Program participants for the following school year, based on available appropriations.

The Department has provided district-reported data indicating that a total of 1,811 12<sup>th</sup> graders may participate in ASCENT in FY 2013-14. However, the Department's budget request assumes that the appropriation in FY 2013-14 will support 450 students – an increase of 245 students from the current (FY 2012-13) appropriation.

- 9 **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

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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 2011-12 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 2010-11 and actual district expenditures for each program in fiscal year 2010-11. 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 2010-11 and actual district expenditures in fiscal year 2010-11.

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 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 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 2011-12. 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 30.6 percent of the statutory maximum.

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<b>TABLE A: Maximum Amount of State Funds Districts Were Statutorily Eligible to Receive for FY 2011-12</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	\$152,604,892	\$218,763,750	69.8%	\$66,158,858
English Language Proficiency Program	Driven by the number of eligible students and statewide average per pupil operating revenue	12,396,353	40,500,401	30.6%	28,104,048
<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)	52,173,732	85,140,863	61.3%	32,967,131
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	23,305,301	23,305,301	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	1,030,352	93.1%	70,973
<b>Total</b>					\$127,301,010

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

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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 \$837 million in FY 2010-11 on five categorical programs, over and above state and federal funding made available for these programs – the equivalent of 15.4 percent of districts' total program funding for FY 2010-11. Districts spent the largest portion of their total program funding to provide special education services to children with disabilities (\$465 million), followed by public school transportation services (\$152 million), and English language proficiency programs (\$141 million).

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<b>TABLE B: Categorical Program Revenues and Expenditures: FY 2010-11</b>						
Long Bill Line Item	(a) State Funds	(b) Federal Funds	(c) = (a) + (b) Total State and Federal Funds	(d) Total District Expenditures	(e) = (c)/(d) State/Federal Share of Expenditures	(f) = (d) - (c) Local Share of Expenditures
<b>District Programs Required by Statute</b>						
Special Education - Children with Disabilities a/	\$152,604,892	\$218,147,925	\$370,752,817	\$836,200,484	44.3%	465,447,667
English Language Proficiency Program	12,396,353	10,334,074	22,730,427	163,437,322	13.9%	140,706,895
<b>Other Categorical Programs</b>						
Public School Transportation	52,173,732	0	52,173,732	204,509,583	25.5%	152,335,851
Career and Technical Education	23,305,301	5,911,720	29,217,021	85,206,513	34.3%	55,989,492
Special Education - Gifted and Talented Children	8,878,431	0	8,878,431	31,685,397	28.0%	22,806,966
<b>Total</b>						<b>\$837,286,871</b>

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

- 4 **All Departments, Totals** -- Every department is requested to submit to the Joint Budget Committee, by November 1, 2012, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2011-12. The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2012-13.

Comment: The Department provided the requested information.

### 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, 2012, information concerning the Colorado Preschool Program. The information provided is requested to include the following for fiscal year 2011-12: (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/CPPOcs/2012\\_CPP\\_Legislative\\_Report.pdf](http://www.cde.state.co.us/cpp/download/CPPOcs/2012_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 170 (of 178) in FY 2011-12; 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 4,405 in FY 2011-12) and El Paso - Manitou Springs (with a funded pupil count of 1,435).



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*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. Most recently, 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 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.

For FY 2011-12, 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 66,263. Thus, on a statewide basis, **the total number of CPP preschool slots authorized for FY 2011-12 represented 30.4 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 2011-12 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 36.2 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 2011-12 as a proxy), a total of 23,987 CPP slots would have been funded. This analysis implies that an additional 3,827 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 2011-12.

Fiscal Year	(a)	(b)	(c) = a/b	(d)	(e) = (b*d)-a
	Number of Authorized CPP Half-Day Preschool Slots	Number of Children in Kindergarten Funded Through School Finance Act	Ratio	Percent of Children Considered At-risk Under School Finance Formula	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%	36.2%	3,827



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*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 4,024 CPP slots represent about 55 percent of children in kindergarten. However, approximately 69 percent of Denver's students are considered "at-risk", so the estimated gap for Denver is 1,043 students.

Larger Districts (with 1,000+ kindergarten pupils)	(a)	(b)	(c) = a/b	(d)	(e) = (b*d)-a
	Total CPP Preschool Funded Slots (FY 11-12)	Kindergarten Funded Students (FY 11-12)	Ratio	Percent of Pupils "At-risk" per School Finance Formula (FY 11-12)	Gap Between Number of At-Risk 4-year-olds and CPP Slots
Denver	4,024	7,350	54.7%	68.9%	1,043
Arapahoe - Aurora	1,368	3,497	39.1%	61.8%	792
Adams - Northglenn	542	3,300	16.4%	32.6%	532
Arapahoe - Cherry Creek	336	3,731	9.0%	22.4%	499
El Paso - Colorado Springs	826	2,668	31.0%	48.1%	457
Weld - Greeley	481	1,669	28.8%	55.8%	451
Boulder - St. Vrain	300	2,271	13.2%	30.3%	389
Jefferson	1,271	5,902	21.5%	28.0%	382
El Paso - Harrison	364	1,141	31.9%	64.0%	366
Douglas	233	4,694	5.0%	9.5%	213
Larimer - Poudre	370	2,165	17.1%	26.9%	211
Mesa - Mesa Valley	425	1,625	26.2%	39.0%	208
Larimer - Thompson	180	1,180	15.3%	31.1%	187
El Paso - Academy	78	1,542	5.1%	10.1%	78
El Paso - Falcon	125	1,227	10.2%	15.5%	65
Boulder - Boulder	334	2,113	15.8%	17.3%	31
Adams - Brighton	420	1,355	31.0%	31.4%	6
Arapahoe - Littleton	206	1,025	20.1%	19.6%	(5)
Pueblo - Pueblo City	1,139	1,446	78.8%	63.4%	(223)

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

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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 2011-12, 123 of 168 (72 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 124 districts in FY 2010-11.

**These districts used 4,700 CPP slots (23 percent of CPP preschool slots) to serve a total of 4,525 children under the age of four.**<sup>15</sup> This compares to 4,839 slots (24.0 percent) in FY 2010-11.

*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 that can be used for this purpose to five percent of the total, or 1,008 for FY 2011-12. A total of 24 school districts used 680 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 2011-12. **Statewide, \$67.1 million of districts' total program funding was earmarked for the CPP (1.3 percent), including \$37.3 million in state funding (55.5 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, 2012, 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 2010-11 and 2011-12.

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

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<sup>15</sup> This figure includes 175 slots that were used to provide full-day preschool services for 3-year-olds, and 233 slots that were used to serve children younger than age three under a pilot waiver.

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<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 Cetnral	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>

<b>Summary of FY 2010-11 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	\$29,392	\$4,680	\$1,253	\$23,459
Mountain	10,037	10,037	0	0
Centennial	18,639	18,639	0	0
Northeast	17,206	17,206	0	0
Pikes Peak	12,904	12,904	0	0
San Juan	11,470	11,470	0	0
San Luis Valley	20,073	0	20,073	0
South Cetnral	17,206	0	17,206	0
Southeastern	17,206	0	17,206	0
Northwest	10,037	0	0	10,037
Rio Blanco	2,868	0	0	2,868
Uncompaghre	7,169	0	7,169	0
Santa Fe Trail	8,603	0	0	8,603
Front Range	5,018	0	0	5,018
<b>Total</b>	<b>\$187,828</b>	<b>\$74,936</b>	<b>\$62,907</b>	<b>\$49,985</b>

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- 3 Department of Education, Management and Administration, State Charter School Institute, State Charter School Institute Emergency Reserve --** The State Charter School Institute is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

Comment: This line item was created in FY 2012-13 and thus did not receive an appropriation in FY 2011-12. As a result, the Department did not report any such expenditures in FY 2011-12.

## **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 2011-12 are the basis of the FY 2013-14 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 2013-14 until as late as April or May 2013). 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 on 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 2013-14 will be 12.8 percent.

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.

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<b>TABLE 1</b>		
<b>Department of Education Indirect Cost Pool</b>		
<b>Division</b>	<b>Cost Description</b>	<b>FY 2011-12 Actual</b>
<b>Statewide Indirect Costs</b>		<b>\$644,073</b>
Management and Administration		
	Human Resources	\$188,216
	Accounting and Purchasing	807,899
	Department Overhead	288,755
	Sick and Annual Leave Payouts	271,993
	Budget	328,785
	Information Management	1,356,499
<b>Total Departmental Indirect Cost Pool</b>		<b>\$3,242,147</b>
<b>Other Costs</b>		
	Depreciation	\$204,835
	State Auditor	125,137
	Carryforward Undercollections from FY 2011-12	138,260
<b>Total Other Costs</b>		<b>\$468,232</b>
<b>Total Recoverable Indirect Cost Pool</b>		<b>\$4,354,452</b>

The *Indirect Cost Base* is the denominator in the calculation of the federal indirect cost rate. The indirect cost base is comprised 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>	
	<b>FY 2011-12 Actual</b>
CDE salaries, fringe benefits, operating expenses	\$70,483,954
Less: Exenditures Excluded by USDE	(26,368,018)
Less: Departmental Indirect Costs	(3,242,147)
<b>Total Indirect Cost Base</b>	<b>\$40,873,789</b>

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

<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 2011-12 Actual</b>
Indirect Cost Pool	\$4,354,452
Direct Cost Base	40,873,789
<b>Total Direct Cost Base</b>	<b>10.65%</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 2013-14 Indirect Cost Assessment Request**

For FY 2013-14 the Department has requested \$2,538,888 for indirect cost assessments. This amount is less than the Indirect Cost Pool of \$4,354,452 in large part because of the exclusions required by USDE. **Table 4** shows the FY 2013-14 Department indirect cost assessment based on the November 1 request for each division. The Department’s appropriation has not previously broken out indirect cost assessments by division or fund source, and staff is unable to compare the FY 2013-14 request to the FY 2012-13 assessments at that level of detail.

<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	\$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>Total FY 2013-14 Request</b>	<b>\$2,538,388</b>	<b>\$320,819</b>	<b>\$67,445</b>	<b>\$2,150,124</b>

## Appendix E: Change Requests' Relationship to Performance 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 performance measures the Department is using to measure success of the request.

<b>Change Requests' Relationship to Performance Measures</b>			
<b>R</b>	<b>Change Request Description</b>	<b>Goals / Objectives</b>	<b>Performance Measures</b>
R-1	School Finance - Increase State Spending for Total Program	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.
R-2	Categorical Programs – Constitutionally Required Increase for Categorical Programs	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.
R-3	Implementation of Accountability and Improvement Planning	Goal 3: Build the capacity of schools and districts to meet the needs of Colorado students and their families. Objective a: Increase performance for all districts and schools.	Number of districts accredited with distinction. Number of districts accredited with priority improvement and turnaround. Number of schools assigned priority improvement and turnaround plan types.
R-4	Standardized Assessment Administration and Augmentation.	Relationship to goals and objectives not provided.	Relationship to performance measures not provided.