

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2009-10 STAFF BUDGET BRIEFING

DEPARTMENT OF EDUCATION

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

**Prepared By:
Bernie Gallagher and Carolyn Kampman, JBC Staff
December 9, 2008**

For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

**FY 2009-10 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF EDUCATION

Table of Contents

Graphic Overview. 1

Department Overview 3

Decision Items. 11

Overview of Numbers Pages 16

Issues:

School Finance Act Funding Projections.. 19

*Mesa County Board of County Commissioners, et al. v. Colorado
Department of Education*.. . . . 30

Implementing Legislation Concerning Facility Schools. 38

Unfunded Legislation.. 45

Funding the Division of On-Line Learning. 47

State Board of Education Appropriation. 51

Appendices:

A - Numbers Pages

B - Summary of Major Legislation from 2008 Legislative Session

C - Update on Long Bill Footnotes and Requests for Information (RFI):

Establishment of Minimum State Aid (footnote #6). C-1

Reading Services for the Blind (footnote #7).. C-1

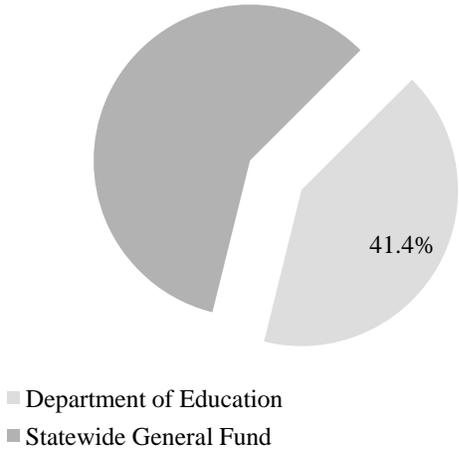
Federal and Cash Funded FTE (RFI #1)..... C-2
Categorical Programs (RFI #2)..... C-3
State Charter School Institute (RFI #13). C-8
Colorado Preschool and Kindergarten Program (RFI #14). C-8
Grant Funding for Boards of Cooperative Services (RFI #15)..... C-12

D - School Finance Act Funding Projections: Two Scenarios

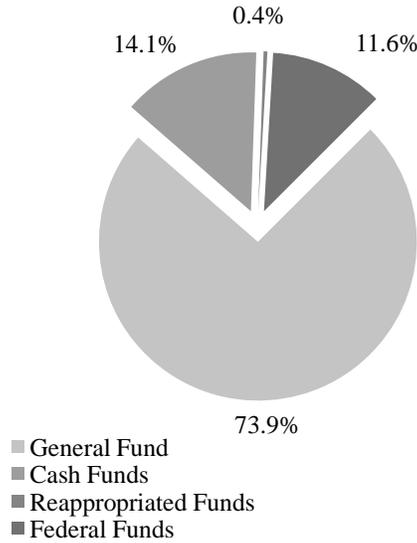
E - Comparison of State Board of Education and Governor's Budget Initiatives

**FY 2009-10 Budget Committee Staff Budget Briefing
Department of Education
GRAPHIC OVERVIEW**

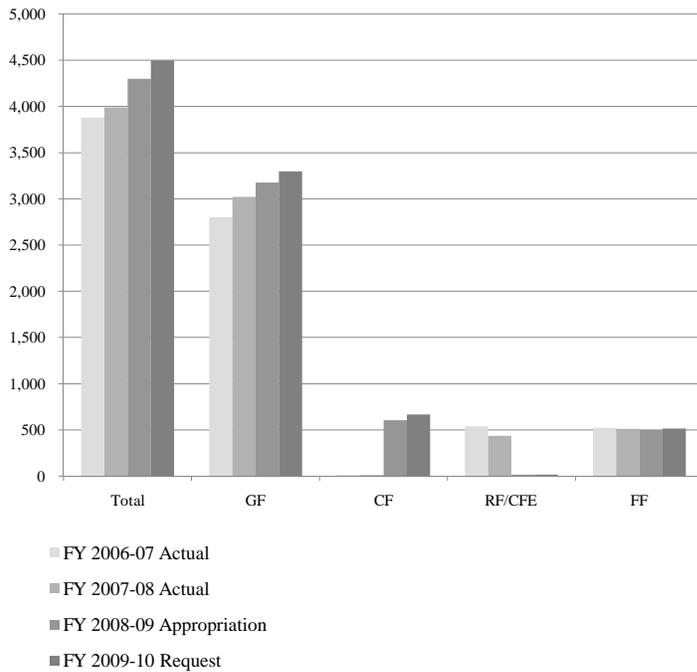
Department's Share of Statewide General Fund



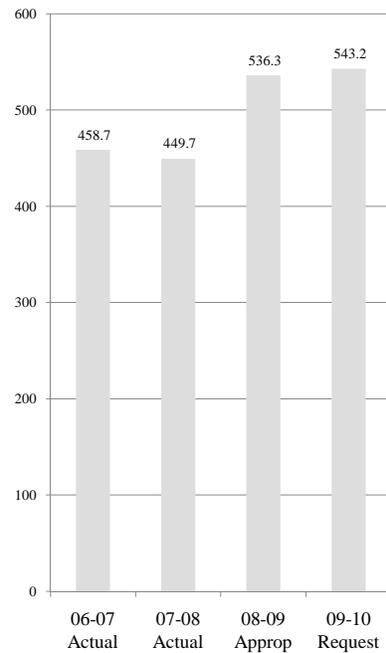
Department Funding Sources



**Budget History
(Millions of Dollars)**

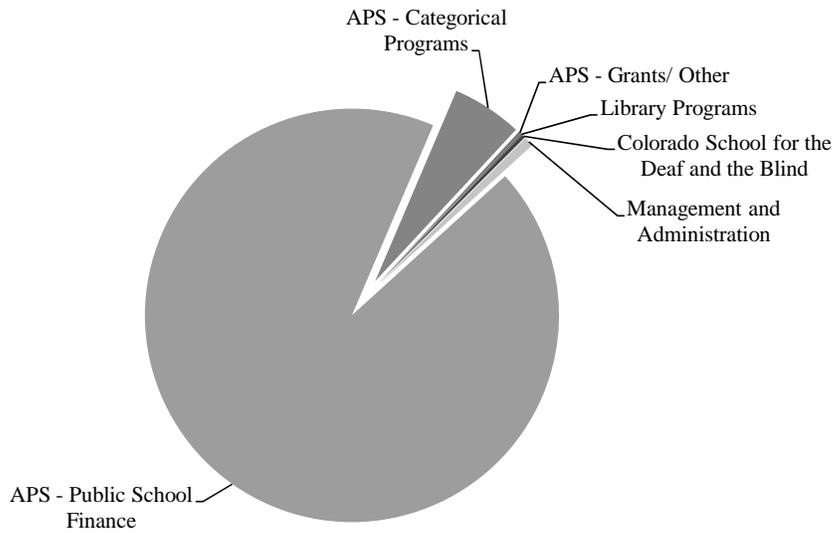


FTE History

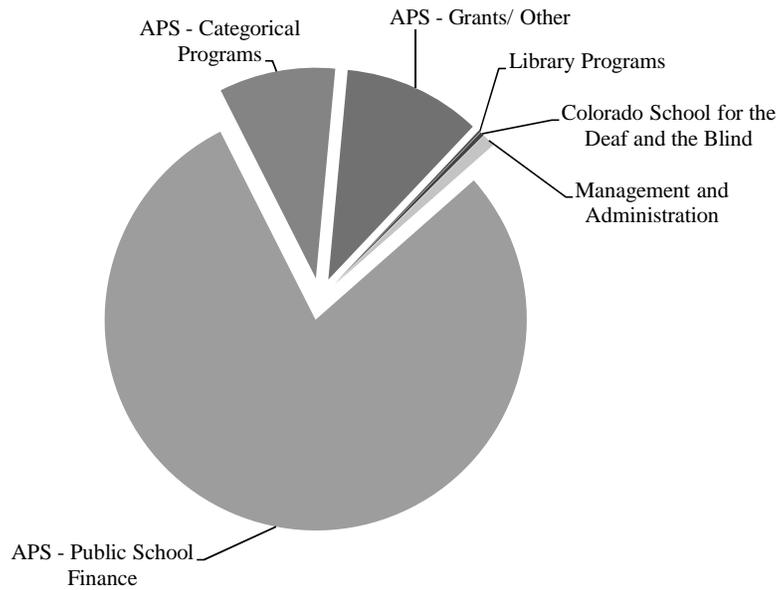


Unless otherwise noted, all charts are based on the FY 2008-09 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

DEPARTMENT OVERVIEW

Key Responsibilities

The Commissioner of Education 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, including accrediting public schools and school districts.
- ▶ Administering the public school finance and public school transportation programs.
- ▶ Administering educator licensure and professional development programs.
- ▶ Developing and maintaining state model content standards, and administering the associated Colorado student assessment program.
- ▶ Maintaining the state data reporting system, calculating the annual academic growth of each public school student, and issuing annual accountability reports for every public school.
- ▶ Administering education-related programs, including services for children with special needs, services for English language learners, the Colorado preschool and kindergarten program, adult basic education programs, and various state and federal grant programs.
- ▶ Supporting the State Board of Education 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.
- ▶ Maintaining the Colorado virtual library and the state publications library.

The Department also includes three "type 1"¹ agencies:

- ▶ 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.
- ▶ 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 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.

Factors Driving the Budget

Although local government revenues provide a significant source of funding for K-12 education in Colorado, local funds are not reflected in the State's annual appropriations to the Department of Education. Appropriations to the Department of Education for FY 2008-09 consist of 73.9 percent General Fund, 14.1 percent cash funds, 11.6 percent federal funds, and less than one percent reappropriated funds. Some of the most important factors driving the budget are reviewed below.

School Finance - State's Share of Districts' Total Program

The General Assembly has established a statutory public school finance formula under which all public school districts operate. The school finance formula takes into consideration the individual characteristics of each school district in order to equalize funding among districts and to provide thorough and uniform educational opportunities throughout the state. The school finance formula allocates state and local funds to school districts by calculating a specific 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 *base* amount of funding per pupil for every district (\$5,088 per pupil for FY 2007-08). The formula then increases base per pupil funding 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 2007-08, per pupil funding allocations ranged from \$6,135 to \$14,170, with a statewide average allocation of \$6,661 per pupil. Each district's per pupil funding allocation is multiplied by its funded pupil count to determine its "total program" funding. For FY 2007-08, a total of \$5.1 billion in state and local funds was allocated among school districts based on the public school finance formula.

¹ 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.

Constitutional Inflationary Requirement (Amendment 23)

Pursuant to Section 17 of Article IX of the Colorado Constitution, the General Assembly is required to provide annual inflationary increases in *base* per pupil funding. Specifically, for FY 2001-02 through FY 2010-11, the base per pupil funding amount must increase annually by at least the rate of inflation plus one percent; for FY 2011-12 and each fiscal year thereafter, the base per pupil funding amount must increase annually by at least the rate of inflation. For FY 2008-09, the General Assembly is required to increase base per pupil funding by at least \$162 (from \$5,088 to \$5,250, or 3.2 percent), based on the actual inflation rate of 2.2 percent in calendar year 2007. [The General Assembly chose to increase base per pupil funding by \$182, or 3.6 percent.] Given an estimated funded pupil count of 776,017 (including 4,462 FTE authorized through H.B. 08-1388, primarily for preschool and full-day kindergarten), the General Assembly is thus required to provide a minimum of \$4.1 billion in state and local funds for FY 2008-09 -- 76 percent of the \$5.4 billion in total state and local funding that has been allocated for this purpose.

Factors Considered in Public School Finance Formula

The remaining 24 percent of state and local funds that will be allocated among school districts in FY 2008-09 is driven by other factors in the school finance formula that increase the base per pupil funding for each district by varying amounts to account for individual district characteristics. The table at the top of the next page summarizes the three primary factors.

Factors Used to Differentiate Per Pupil Funding for Each District		
Factor	Description	Portion of Total Program Funding Attributable
Cost of Living Factor	Recognizes differences in the cost of living among districts. Provides greater per pupil funding for higher cost districts.	16.1%
Size Factor	Recognizes economies of scale experienced by larger school districts. Provides greater per pupil funding for districts with low enrollment.	3.7%
At-risk Factor	Provides additional funding for districts serving students who may be at risk of failing or dropping out of school (determined based on the number and concentration of students eligible for free lunch under the federal school lunch program and English language learners)	4.2%

Determining the State and Local Shares of Public School 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, and the remainder is covered by state funds. Property taxes are based on each district's mill levy and the assessed (taxable) value of property in each district. Specific ownership taxes are paid when registering motor vehicles. For FY 2008-09, local taxes are expected to contribute about \$2.0 billion toward public school finance.

Thus, the General Assembly appropriated \$3.4 billion in state funding to provide a total of \$5.4 billion for school district operations.

In recent years two constitutional provisions (the Gallagher amendment and TABOR), combined with a statutory provision in the School Finance Act of 1994, have limited property tax revenues. This caused the local share of total program funding to increase at a slower rate than overall funding, requiring the state's share of funding to rise. From FY 1994-95, when the existing School Finance Act was first adopted, to FY 2006-07, the state share of funding rose from 54.3 percent to 63.9 percent. Senate Bill 07-199 changed the method for calculating school district property taxes, thereby allowing property tax revenues to increase at a rate more commensurate with overall funding.

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

- ▶ the number of pupils enrolled in public schools (including students attending state-supported preschool and full-day kindergarten programs);
- ▶ 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;
- ▶ changes in statutory definitions, procedures, or mathematical factors that impact the calculation of per-pupil funding or state aid for each district; and
- ▶ fluctuations in local property and specific ownership tax revenues, as well as constitutional and statutory provisions that limit property tax revenues.

The table on the following page provides key data related to school finance funding for the last four fiscal years, as well as appropriations for FY 2007-08 and FY 2008-09.

School Finance Funding						
Description	FY 2003-04 Actual	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Approp.
Funded Pupil Count	722,980	729,377	741,328	753,065	760,917	776,017
<i>Annual Percent Change</i>	<i>0.8%</i>	<i>0.9%</i>	<i>1.6%</i>	<i>1.6%</i>	<i>1.0%</i>	<i>2.0%</i>
<i>Denver-Boulder Inflation Rate for Previous Calendar Year</i>	<i>1.9%</i>	<i>1.1%</i>	<i>0.1%</i>	<i>2.1%</i>	<i>3.6%</i>	<i>2.2%</i>
Statewide <u>Base</u> Per Pupil Funding	\$4,570	\$4,666	\$4,718	\$4,864	\$5,088	\$5,290
<i>Annual Percent Change</i>	<i>2.9%</i>	<i>2.1%</i>	<i>1.1%</i>	<i>3.1%</i>	<i>4.6%</i>	<i>4.0%</i>
Statewide <u>Average</u> Per Pupil Funding	\$5,943	\$6,074	\$6,168	\$6,359	\$6,661	\$6,904
<i>Annual Percent Change</i>	<i>2.5%</i>	<i>2.2%</i>	<i>1.5%</i>	<i>3.1%</i>	<i>4.7%</i>	<i>3.7%</i>
Districts' Total Program Funding	\$4,296,674,752	\$4,430,126,525	\$4,572,169,688	\$4,788,862,198	\$5,068,490,332	\$5,358,000,877
<i>Annual Percent Change</i>	<i>3.3%</i>	<i>3.1%</i>	<i>3.2%</i>	<i>4.7%</i>	<i>5.8%</i>	<i>5.7%</i>
<u>Local Share</u> of Total Program Funding	\$1,671,170,411	\$1,686,385,318	\$1,701,209,635	\$1,729,362,067	\$1,915,779,555	\$1,964,637,655
<i>Annual Percent Change</i>	<i>-0.2%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>1.7%</i>	<i>10.8%</i>	<i>2.6%</i>
<u>State Share</u> of Total Program Funding	\$2,625,504,341	\$2,743,741,207	\$2,870,960,053	\$3,059,500,131	\$3,152,710,777	\$3,393,363,222
<i>Annual Percent Change</i>	<i>5.7%</i>	<i>4.5%</i>	<i>4.6%</i>	<i>6.6%</i>	<i>3.0%</i>	<i>7.6%</i>
<i>State Share as Percent of Districts' Total Program Funding</i>	<i>61.1%</i>	<i>61.9%</i>	<i>62.8%</i>	<i>63.9%</i>	<i>62.2%</i>	<i>63.3%</i>
General Fund Portion of State Share Appropriation	\$2,247,917,791	\$2,342,618,549	\$2,480,460,455	\$2,658,568,626	\$2,790,546,868	\$2,957,050,579
<i>Annual Percent Change</i>	<i>5.2%</i>	<i>4.2%</i>	<i>5.9%</i>	<i>7.2%</i>	<i>5.0%</i>	<i>6.0%</i>

Categorical Programs

Programs designed to serve particular groups of students (*e.g.*, students with limited proficiency in English) or particular student needs (*e.g.*, transportation) have traditionally been referred to as "categorical" programs. 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 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, based on the actual inflation rate for calendar year 2007 (2.2 percent), the General Assembly is required to increase state funding for categorical programs by at least \$6.7 million (3.2 percent) for FY 2008-09. [The General Assembly chose to increase state funding for categorical programs by \$8.9 million, or 4.3 percent.]

The General Assembly determines on an annual basis how to allocate the required increase among the various categorical programs. The following table details increases in the annual appropriation of state funds since FY 2000-01, by program area.

Increases in State Funding for Categorical Programs			
Long Bill Line Item	FY 2008-09 Appropriation	Increase in Annual Appropriation of State Funds Since FY 2000-01	
Special education - children with disabilities	\$127,362,125	\$55,851,352	78.1%
English Language Proficiency Program	8,612,057	5,510,459	177.7%
Public school transportation	45,408,842	8,486,615	23.0%
Colorado Vocational Act distributions	21,672,472	3,879,622	21.8%
Special education - gifted and talented children	8,396,099	2,896,099	52.7%
Expelled and at-risk student services grant program	6,340,676	551,869	9.5%
Small attendance center aid	943,333	(4,807)	(0.5)%
Comprehensive health education	705,396	105,396	17.6%
Total	\$219,441,000	\$77,276,605	54.4%

School Capital Construction Funding

In connection with a lawsuit settlement agreement finalized in 2000, the General Assembly agreed to appropriate a total of \$190.0 million from the General Fund over an eleven-year period to assist school districts with capital improvements². The \$190.0 million was to be split between two funds,

² The State settled the *Alec Giardino, et al. v. the Colorado State Board of Education, et al.* lawsuit concerning conditions existing in public school facilities. The settlement agreement was contingent upon the General Assembly adopting legislation that would provide a mechanism for funding capital construction, repair and maintenance in public schools -- a total of \$190 million state funds over

and used to provide grants and matching funds to districts for capital projects that would address immediate safety hazards or health concerns, relieve excessive operating costs created by insufficient maintenance or construction spending; or relieve conditions that detract from an effective learning environment.

A statutory provision was included in the authorizing legislation (S.B. 00-181) prohibiting the General Assembly from making the General Fund appropriations set forth in the act in a fiscal year in which General Fund revenues do not exceed certain annual obligations by more than \$80.0 million³. Due to revenue shortfalls, the General Assembly was not statutorily obligated to appropriate General Fund moneys for school capital construction from FY 2001-02 through FY 2006-07. However, the General Assembly elected to waive this provision for certain fiscal years. The General Assembly also appropriated moneys from the State Education Fund for capital construction purposes. In addition, lottery proceeds have been available for capital construction needs in each of the last six fiscal years. The following table provides a summary of funding required by S.B. 00-181 (given sufficient revenues) and funding made available through FY 2007-08 for capital construction programs (excluding funding specifically for charter schools).

Fiscal Year	Appropriations Required Pursuant to S.B. 00-181 if General Fund Revenues are Sufficient	Funding Made Available To Date for Capital Construction			
		General Fund	State Education Fund	Lottery Proceeds	Total
00-01	\$5,000,000	\$5,000,000	\$0	\$0	\$5,000,000
01-02	10,000,000	10,000,000	6,471,052	0	16,471,052
02-03	15,000,000	0	6,500,060	8,499,940	15,000,000
03-04	20,000,000	0	10,000,000	3,690,377	13,690,377
04-05	20,000,000	0	5,000,000	2,396,438	7,396,438
05-06	20,000,000	25,000,000	5,000,000	1,691,454	31,691,454
06-07	20,000,000	15,000,000	0	12,545,316	27,545,316
07-08	<u>20,000,000</u>	<u>20,000,000</u>	<u>0</u>	<u>8,219,905</u>	<u>28,219,905</u>
Subtotal	130,000,000	75,000,000	32,971,112	37,043,430	145,014,542

eleven years to address the most serious needs. The General Assembly subsequently adopted, and the Governor signed, S.B. 00-181 to implement the agreement.

³ Through H.B. 06-1375, the General Assembly amended this language to allow (but not require) the General Assembly to make a General Fund appropriation even if the threshold is not met [see Section 24-75-201.1 (4) (c) (II), C.R.S.].

Fiscal Year	Appropriations Required Pursuant to S.B. 00-181 if General Fund Revenues are Sufficient	Funding Made Available To Date for Capital Construction			
		General Fund	State Education Fund	Lottery Proceeds	Total
08-09	20,000,000				n/a
09-10	20,000,000				n/a
10-11	<u>20,000,000</u>				n/a
Total	\$190,000,000	n/a	n/a	n/a	n/a

House Bill 08-1335 replaced these capital construction financial assistance programs with a new program which will increase the amount of state financial assistance provided and allow projects to be completed more quickly. Rather than relying on annual General Fund appropriations, this new program is supported by royalty and rental income earned on state trust lands, interest earned on the Public School Fund, and lottery proceeds. These state revenues, along with local matching funds, will be used to finance projects directly and to make lease payments on certificates of participation (COPs) used to finance capital construction projects.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
1	119,334,043	91,020,351	0	0	210,354,394	0.0
<p>Required Increase for Districts' Total Program Funding; Increase Supplemental Kindergarten Funding</p> <p>Assistance to Public Schools, Public School Finance. The Department requests an increase in funding for the state share of districts' total program sufficient to cover a 1.7 percent increases in the funded pupil count and the cost of increasing base per pupil funding by the projected rate of inflation (3.7 percent) plus one percent. The funded pupil count increase includes a 1.3 percent projected enrollment increase, plus the addition of 2,821 kindergarten FTE based on increasing the supplemental full-day kindergarten factor from 0.5800 to 0.6239. The request assumes that the FY 2008-09 appropriation will be refinanced, reducing the General Fund share by \$26.6 million, and allowing for a \$119 million (5.0 percent) increase in the General Fund appropriation for FY 2009-10; the remainder is requested from the State Education Fund. <i>Statutory authority: Article IX, Section 17 of the Colorado Constitution; Section 22-55-106, C.R.S.; and Section 22-54-101, et seq. [Please note that Section 22-54-103 (15), C.R.S. would need to be amended to increase the supplemental kindergarten enrollment factor for FY 2009-10.]</i></p>						
2	0	10,313,727	0	0	10,313,727	0.0
<p>Required Increase for Categorical Programs</p> <p>Assistance to Public Schools, Categorical Programs. Categorical programs serve particular groups of students or particular student needs. The General Assembly is constitutionally required to increase <i>total state funding</i> for all categorical programs annually by at least the rate of inflation plus one percent for FY 2009-10. The Department requests additional appropriations from the State Education Fund to increase state funding for categorical programs by 4.7 percent, based on a projected inflation rate of 3.7 percent. The request specifies the allocation of the additional funds among the eight existing categorical programs. <i>Statutory authority: Article IX, Section 17 of the Colorado; and Sections 22-55-102 and 107, C.R.S.</i></p>						
3	127,889	0	0	0	127,889	1.8
<p>Increase of 2.0 FTE for Department Budget Office</p> <p>Management and Administration. The Department is requesting an increase of 1.8 FTE for its Budget Unit to address increases in workload. The Department reports that it has witnessed high turn-over within its Budget Unit during the last two fiscal years and cites demanding workload and stress levels as key contributors to this problem. The Department is requesting the two additional budget staff with the intent that one position would primarily provide internal management budget reporting and the other position would primarily assist the existing budget staff with accounting system maintenance and budget submissions to the Joint Budget Committee and the Office of State Planning and Budgeting. <i>Statutory authority: Sections 22-2-101 through 22-2-131, C.R.S.</i></p>						

Decision Item	GF	CF	RF	FF	Total	FTE
5	106,558	0	0	0	106,558	0.0
<p>Utility Rate Increase</p> <p>Colorado School for the Deaf and Blind. The Colorado School for the Deaf and Blind (CSDB) is requesting an increase of \$106,558 General Fund due to increasing rates on natural gas, electricity, and water/sewage services in FY 2009-10. The CSDB maintains 17 buildings on its campus which range in age from 6 to 102 years of age (average: 71 years). Colorado Springs Utilities, the supplier of natural gas, electricity, water, and wastewater services for the school, announced its intention to increase rates. The utility rates are estimated to increase by 12.5 percent over the previous year. This reflects increases of 22.2 percent for water and wastewater services, 10.3 percent for electricity, and 10.2 percent for natural gas. The request includes a 5.9 percent efficiency reduction of \$35,519 from the projected actual costs of the rate increases that the School will be required to absorb through cost-avoidance measures. <i>Statutory authority: Section 22-80-102, C.R.S.</i></p>						
6	213,133	0	0	0	213,133	0.0
<p>Asset Maintenance Information Technology</p> <p>Management and Administration. The Department is requesting an increase of \$213,133 General Fund as a result of the Department's discovery of various asset maintenance costs related to two specific computer systems being unsuitably billed to federal funds. Federal requirements dictate that a clear and distinct benefit must be quantifiable in order to properly assign federal moneys to program direct and indirect costs. The Department has identified costs related to server maintenance and software license renewals for hardware and software that provide a "general" benefit to various programs as costs once assigned to federal programs that should instead be funded with General Fund. <i>Statutory authority: Office of Management and Budget, Circular A-87.</i></p>						
7	0	755,836	0	0	755,836	2.6
<p>Expand Colorado School for the Deaf and Blind Outreach Services</p> <p>Colorado School for the Deaf and Blind. The Colorado School for the Deaf and Blind (CSDB) is requesting an increase of \$755,836 cash funds spending authority and 2.6 FTE to provide outreach services to school districts and Boards of Cooperative Educational Services (BOCES). The CSDB is seeking to provide technology training, professional development training, clerical support to distribute materials, production and purchase of adaptive materials, communication assessments, counseling support, and short-term and summer enrichment courses to the state's school districts and BOCES it is statutorily charged with serving. Funding would be from cash reimbursements that the CSDB collects from school districts and BOCES. <i>Statutory authority: Section 22-80-102 (2), C.R.S.</i></p>						

Decision Item	GF	CF	RF	FF	Total	FTE
8	0	0	(99,686)	0	(99,686)	0.0
<p>Adjust 2.0 FTE from Direct Administrative to 2.0 FTE State Charter School Institute Administration</p> <p>State Charter School Institute. The State Charter School Institute (SCSI) is requesting an increase of 2.0 FTE and removal of a line item which provides \$99,686 and 2.0 FTE for the accounting, procurement, and grants management support responsibilities that the Department provides in support of the SCSI. The "Direct Administrative and Support Services Provided by the Department to the State Charter School Institute" line item provides spending authority for the Department to receive funds from the SCSI out of the "State Charter School Institute Administration, Oversight, and Management" line item. When the SCSI was created in 2004 there was an agreement that CDE would assist with various administrative duties to allow the SCSI to develop staff and expertise as the the number schools administered by the Institute increased. The request seeks to eliminate the aforementioned support from the Department as the Institute believes it has matured to the point that it can now assume these administrative responsibilities. <i>Statutory authority: Section 22-30.5-503, C.R.S.</i></p>						
9	0	0	0	0	0	0.0
<p>STEM After School Program</p> <p>Assistance to Public Schools, Categorical Programs, Other Categorical Programs, Comprehensive Health Education, Prevention Initiatives Unit. The STEM (science, technology, engineering, and mathematics) After-School Education Grant Program promotes educational activities and competitions for STEM activities after regular school hours. House Bill 08-1388 provided a one-time appropriation of \$300,000 cash funds from the State Education Fund to CDE for transfer to the Office of Economic Development and International Trade (OEDIT). The Department is requesting permission to retain the moneys that would otherwise be transferred to the OEDIT and that it is the agency's "intent to continue this funding through CDE administration of the program and that the STEM Grant Program will be absorbed into the current work of the Prevention Initiatives Unit". The Department is currently statutorily charged with developing a plan for improving Pre-K-16 mathematics, science, and technology education in the state of Colorado through the use of telecommunications networks and facilities, but also administers the science and technology education center grant program to provide development and operating moneys in the form of matching funds for existing or proposed nonprofit science and technology education centers. However, pursuant to Section 24-48.5-109 (4), C.R.S., the OEDIT is required to administer the STEM grant program.. <i>Statutory authority: Sections 22-81-101 to 206, C.R.S.</i></p>						
10	0	0	1,929,137	0	1,929,137	0.0
<p>Increase Spending Authority for Reappropriated Funds for the Charter School Institute</p> <p>State Charter School Institute. The Department requests an increase of \$1.9 million reappropriated funds spending authority provided to the "Other Transfers to Institute Charter Schools" line item to allow the State Charter School Institute (SCSI) to forward available grant moneys to its charter schools. The SCSI reports that the increase is necessitated by corresponding increases in state categorical funding based upon the increased number of students enrolled in the schools the Institute administers. The request is for an increase of \$1,929,137 however, this amount does not include the \$1,082,000 of additional spending authority provided to the Institute through the 1331 interim supplemental process that was authorized by the JBC on September 22, 2008. Thus, the actual increase requested through the November 1 budget submission is \$847,137. <i>Statutory authority: Section 22-30.5-506 (1), C.R.S.</i></p>						

Decision Item	GF	CF	RF	FF	Total	FTE
11	(27,500)	0	0	0	(27,500)	0.0
<p>Printing Reduction for School Accountability Reports</p> <p>Management and Administration. The Department is requesting a reduction of \$27,500 General Fund for the printing of School Accountability Reports (SARs) in FY 2009-10 and a reduction of \$90,000 General Fund in FY 2010-11. The Department is required to issue a SAR for each public school in the state. The Department intends to reduce the number of SARs that are printed and thus will also reduce associated mailing and other distribution costs incurred related to the printing of SARs. <i>Statutory authority: Section 22-7-605 (1) (b), C.R.S.</i></p>						
NP-1	17,170	0	0	0	17,170	0.0
<p>State Fleet Variable Cost</p> <p>Colorado School for the Deaf and Blind. The Colorado School for the Deaf and Blind is requesting an increase to its Vehicle Lease Payments line item to accommodate increases in statewide vehicle variable costs including fuel, maintenance, and insurance (DPA, DI #1). <i>Statutory authority: Section 24-30-1104 (2), C.R.S.</i></p>						
NP-2	9,690	3,515	2,242	16,680	32,127	0.0
<p>Capitol Complex Leased Space</p> <p>Management and Administration. The Department is requesting an increase to its Capitol Complex Leased Space line item to accommodate statewide increases in state building leasing costs. Funding will include \$9,690 General Fund, \$3,515 will be from the Educator Licensure Cash Fund, \$2,242 from reappropriated funds, and \$16,680 will be from various federal grant awards. <i>Statutory authority: 24-1-125, C.R.S.</i></p>						
NP-3	187	15	30	152	384	0.0
<p>Ombuds Program Increase</p> <p>Management and Administration. The Department is requesting an increase to its Workers' Compensation line item to accommodate increases in statewide expenses related to the Department of Personnel's Ombuds Program to mitigate certain state business risks related to employee concerns about issues in the workplace (DPA, DI #7). Funding will include \$187 General Fund, \$15 will be from the Educator Licensure Cash Fund, \$30 from reappropriated funds, and \$152 will be from various federal grant awards. <i>Statutory authority: Section 24-50-604, C.R.S.</i></p>						
NP-4	0	1,062	1,831	0	2,893	0.0
<p>Administrative Law Judges</p> <p>Management and Administration. The Department is requesting an increase to its Administrative Law Judges line item to accommodate increases in statewide expenses related to the Department of Personnel's request for the addition of 2.0 FTE to handle increases in case load and general services work. Funding will include \$1,062 cash funds from the Educator Licensure Cash Fund and \$1,831 reappropriated funds. <i>Statutory authority: Sections 24-30-1001 through 1003, C.R.S.</i></p>						
NP-5	1,869	9,536	12,928	0	24,333	0.0
<p>Postage Increase</p> <p>Department Operating Lines. The Department is requesting an increase to its various operating lines an increase to accommodate increases in postage rates (DPA, DI #5). Funding will include \$1,869 General Fund, \$9,536 will be from the Educator Licensure Cash Fund, and \$12,928 from reappropriated funds. <i>Statutory authority: Section 24-30-1104, C.R.S.</i></p>						

Decision Item	GF	CF	RF	FF	Total	FTE
NP-6	5,310	0	0	0	5,310	0.0
<p>State Fleet Reconciliation</p> <p>Colorado School for the Deaf and Blind. The Colorado School for the Deaf and Blind is requesting an increase to its Vehicle Lease Payment line item to accommodate the replacement of fleet vehicles within the State Fleet Management Program (DPA, DI #8). <i>Statutory authority: Section 24-30-1117, C.R.S.</i></p>						
NP-7	0	908,620	0	0	908,620	0.0
<p>Integrated School-based Substance Use Treatment</p> <p>Assistance to Public Schools, Grant Programs, Distributions, and Other Assistance. The Department requests an appropriation from the State Education Fund which would be transferred to the Department of Human Services to provide integrated, school-based substance use treatment services in 26 middle and high schools in the Denver metropolitan area. The funding would be paid via contract to a community provider, who would hire 20 credentialed substance abuse counselors to serve an estimated 1,440 students annually. [This request corresponds to decision item #27 of 27 submitted by the Department of Human Services.] <i>Statutory authority: Section 25-1-206, C.R.S. (which authorizes the Division of Alcohol and Drug Abuse to purchase prevention and treatment services). [No statutory authority exists authorizing an appropriation from the State Education Fund for this purpose, and the request does not identify which constitutionally authorized use of State Education Fund moneys would apply to this request].</i></p>						
NP-8	0	0	0	0	0	0.0
<p>Division of On-line Learning Funding</p> <p>Management and Administration. The Department is requesting a General Fund <u>transfer</u> of \$376,817 into the On-line Education Cash Fund. The November 1 budget submission includes a request for a continuation cash funds appropriation of \$376,817 and not a request for a General Fund appropriation. Thus, this request for a General Fund transfer does not appear to be within the statutory six percent limit on General Fund appropriations, pursuant to Section 24-75-201.1, C.R.S. (Arveschoug/Bird). <i>Statutory authority: Unknown.</i></p>						
Total	119,788,349	103,012,662	1,846,482	16,832	224,664,325	4.4

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2008-09 appropriation and its FY 2009-10 request.

Total Requested Change, FY 2008-09 to FY 2009-10 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2008-09 Appropriation	\$3,175.4	\$607.0	\$16.5	\$497.7	\$4,296.5	536.3
FY 2009-10 Request	3,295.8	667.4	17.2	517.1	4,497.6	545.2
Increase / (Decrease)	\$120.5	\$60.4	\$0.6	\$19.5	\$201.0	8.9
Percentage Change	3.8%	10.0%	3.9%	3.9%	4.7%	1.7%

The following table highlights the individual changes contained in the Department's FY 2009-10 budget request, as compared with the FY 2008-09 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2008-09 to FY 2009-10

Description	GF	CF	RF	FF	Total	FTE
Decision Items and Other Requested Changes						
Required increase for state share of districts' total program funding (DI #1)	\$119,334,043	\$73,568,883	\$0	\$0	\$192,902,926	0.0
Anticipated changes in federal funding	0	0	0	19,054,810	19,054,810	0.0
Required increase for categorical programs (DI #2)	0	10,313,727	0	0	10,313,727	0.0
State Charter School Institute spending authority (DI #10)	0	0	1,929,137	0	1,929,137	0.0
State employee salaries and benefits	654,221	47,356	103,640	515,012	1,320,229	0.0
Integrated school-based substance use treatment (DI #NP-7/ DHS DI #27)	0	908,620	0	0	908,620	0.0

Description	GF	CF	RF	FF	Total	FTE
Colorado School for the Deaf and the Blind - expand outreach services (DI #7)	0	755,836	0	0	755,836	2.6
IT asset maintenance (DI #6)	213,133	0	0	0	213,133	0.0
Add budget staff (DI #3)	127,889	0	0	0	127,889	1.8
Colorado School for the Deaf and the Blind utilities (DI #4)	106,558	0	0	0	106,558	0.0
Non-prioritized DPA change requests	34,226	14,128	17,031	16,832	82,217	0.0
Indirect Cost Adjustment	145,224	0	(145,224)	0	0	0.0
Common Policy Adjustments	(45,128)	(8,299)	(27,343)	(95,567)	(176,337)	0.0
State Charter School Institute administration (DI #8)	0	0	(99,686)	0	(99,686)	0.0
School Accountability Reports printing reduction (DI #11)	(27,500)	0		0	(27,500)	0.0
Other	<u>0</u>	<u>(212,513)</u>	<u>(1,132,000)</u>	<u>0</u>	<u>(1,344,513)</u>	0.0
Subtotal	120,542,666	85,387,738	645,555	19,491,087	226,067,046	4.4
2008 Legislation						
Increase supplemental full-day kindergarten funding (DI #1/ H.B. 08-1388)	0	17,451,468	0	0	17,451,468	0.0
Public school capital construction lease payments (H.B. 08-1335)	0	10,000,000	0	0	10,000,000	0.0
Regional Service Cooperatives (S.B. 08-38)	0	868,637	0	0	868,637	0.0
Facility school funding (H.B. 08-1388)	0	794,436	0	0	794,436	0.0
Division of Public Schools Capital Construction Assistance (H.B. 08-1335)	0	376,047	0	0	376,047	4.0
Reductions in local school-related tax revenues (H.B. 08-1171; H.B. 08-1225)	193,300	0	0	0	193,300	0.0

Description	GF	CF	RF	FF	Total	FTE
Stipends for Nationally Board Certified Teachers (H.B. 08-1384)	0	71,000	0	0	71,000	0.0
Other Annualizations	17,468	(370)	0	0	17,098	0.5
Full-day kindergarten facility capital construction funding (H.B. 08-1388)	0	(34,500,000)	0	0	(34,500,000)	0.0
Financial assistance priority assessment (H.B. 08-1335)	0	(12,300,000)	0	0	(12,300,000)	0.0
Charter school capital construction (H.B. 08-1388)	0	(5,000,000)	0	0	(5,000,000)	0.0
Alternative Teacher Compensation Grants (H.B. 08-1388)	0	(1,000,000)	0	0	(1,000,000)	0.0
Hold-harmless facility school student funding (H.B. 08-1388)	0	(587,504)	0	0	(587,504)	0.0
Reading Services for the Blind one-time (Long Bill)	(300,000)	(50,000)	0	0	(350,000)	0.0
STEM Grant Program (H.B. 08-1388)	0	(300,000)	0	0	(300,000)	0.0
Facility schools unit (H.B. 08-1204)	0	(262,165)	0	0	(262,165)	0.0
Declining enrollment study (H.B. 08-1388)	0	(200,000)	0	0	(200,000)	0.0
Eliminate one-time Drop-out Prevention Grant Program Spend. Auth. (Long Bill)	0	(159,131)	0	0	(159,131)	0.0
First Responder School Mapping System (H.B. 08-1267)	<u>0</u>	<u>(150,000)</u>	<u>0</u>	<u>0</u>	<u>(150,000)</u>	<u>0.0</u>
Subtotal	(89,232)	(24,947,582)	0	0	(25,036,814)	4.5
Total Requested Changes	120,453,434	60,440,156	645,555	19,491,087	201,030,232	8.9

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

BRIEFING ISSUE

ISSUE: School Finance Act Funding Projections

This issue brief provides preliminary projections of state funding that will be required for K-12 public education in FY 2009-10 and subsequent fiscal years, including the General Fund share of such funding.

SUMMARY:

- Based on Legislative Council staff's projections of the 2008 inflation rate (3.6 percent) and a projected 1.7 percent increase in the funded pupil count, total program funding for districts is estimated to increase by \$341 million (6.4 percent) for FY 2009-10.
- Based on estimates of the amount of local revenues that will be available, staff estimates that the state share of funding will increase by \$190 million (5.6 percent) in FY 2009-10.
- The Department's budget request assumes that the FY 2008-09 school finance appropriation will be refinanced, reducing the General Fund appropriation by \$27 million and increasing the State Education Fund appropriation by the same amount. This, in turn would allow for a \$119 million (5.0 percent) increase in the General Fund appropriation for school finance for FY 2009-10.

RECOMMENDATION:

The General Assembly will have an opportunity to refinance the FY 2008-09 appropriation for school finance, thereby reducing the existing General Fund appropriation by up to \$27 million and reducing the required General Fund appropriation for FY 2009-10 by \$28 million. Staff recommends that the Committee consider the long-term implications of such an adjustment. While this action is feasible and may be necessary to balance the budget, it would require slightly higher annual General Fund increases for K-12 in the longer term (*e.g.*, 5.8 percent compared to 5.0 percent as early as FY 2012-13) and/or reductions in funding for discretionary education programs (*e.g.*, expansion of full-day kindergarten).

DISCUSSION:

PROJECTIONS OF TOTAL PROGRAM FUNDING AND THE STATE SHARE OF SUCH FUNDING

Summary

Based on information available to date, staff has prepared projections of the state and local funding estimated to be required annually for school finance through FY 2013-14 (see Table 1). Staff's estimates for FY 2009-10 are based on the following assumptions:

- The funded pupil count will increase by 1.7 percent in FY 2009-10 (about 13,000 students). This projection is based on Legislative Council staff's December 2007 enrollment projections, as well as legislation passed in the 2008 Session which added funded preschool slots and provided funding to expand full-day kindergarten programs. Specifically, staff's projections assume that the General Assembly will add about \$20 million for full-day kindergarten in FY 2009-10, consistent with its stated intent in Section 22-54-131 (6) (a), C.R.S.
- Base per pupil funding will need to be increased by 4.6 percent (\$242) in FY 2009-10 based on Legislative Council staff's September 2008 projection of the 2008 inflation rate (3.6 percent).
- Local property tax and specific ownership tax revenues will increase by \$151 million (7.7 percent) based on Legislative Council staff's December 2007 property tax projections, modified by legislation passed in the 2008 Session.

Staff's projections indicate that total program funding for districts is estimated to increase by \$341 million (6.4 percent) for FY 2009-10. As local revenues are projected to cover \$151 million of this increase, staff estimates that the *state share* of funding will need to increase by \$190 million (5.6 percent) compared to existing FY 2008-09 appropriations.

Comparison of Request and Staff Projection

Table 1 also details the Department's FY 2009-10 request. There are two major differences between staff's projections and the Department's request:

- The request is based on the Office of State Planning and Budgeting's September 2008 forecast of the 2008 rate of inflation (3.7 percent compared to Legislative Council staff's projection of 3.6 percent), resulting in a slightly higher base per pupil funding amount. As a result, staff's projections are \$2.6 million lower than the request.
- The request assumes a \$132.5 million increase in local revenues, compared to the \$151.3 million increase used in staff's projection -- a difference of \$18.8 million.

Overall, staff's projection of the additional state funds that will be required for FY 2009-10 is \$21.4 million *lower* than the request.

Before the Committee takes action on the Department's FY 2009-10 request, more timely information will be available to help inform the Committee's decisions. Specifically, the Committee will have information concerning: the actual October 2008 student count (including the number of "at-risk" students), updated enrollment projections for FY 2009-10, the actual amount of local revenues available for the current fiscal year, updated local property tax projections for FY 2009-10, and the actual inflation rate for calendar year 2008 (which is applicable for FY 2009-10).

TABLE 1
FIVE-YEAR PROJECTION OF STATE FUNDING NEEDED FOR DISTRICTS' TOTAL PROGRAM FUNDING
BASED ON PROJECTED ENROLLMENT PLUS CONSTITUTIONALLY REQUIRED INFLATIONARY INCREASES
(Dollar amounts reflected in millions unless otherwise noted)

	FY 2008-09 Appropriation	FY 2009-10 Request	PROJECTIONS USING LCS STAFF FORECAST				
			FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
PROJECTED FUNDING NEED:							
Funded Pupil Count (FTE) <1> <i>Annual Percentage Change</i>	776,017.0 2.0%	789,089.1 1.7%	789,099.0 1.7%	801,414.3 1.6%	813,464.0 1.5%	825,520.6 1.5%	843,412.0 2.2%
Multiplied by: Average Per-pupil Funding (NOT in millions) <i>Denver-Boulder Inflation Rate for Previous Calendar Year</i>	\$6,904 2.2%	\$7,225 3.7%	\$7,222 3.6%	\$7,547 3.5%	\$7,811 3.5%	\$8,077 3.4%	\$8,295 2.7%
<i>Annual Percentage Change in Base <2></i>	4.0%	4.7%	4.6%	4.5%	3.5%	3.4%	2.7%
<i>Annual Percentage Change in Average <3></i>	3.7%	4.6%	4.6%	4.5%	3.5%	3.4%	2.7%
Districts' Total Program Funding <i>Annual Percentage Change</i>	\$5,358.0 5.7%	\$5,701.5 6.4%	\$5,698.9 6.4%	\$6,048.3 6.1%	\$6,354.2 5.1%	\$6,667.6 4.9%	\$6,996.0 4.9%
PROJECTED STATE AND LOCAL SHARES:							
Local Share <4> <i>Annual Percentage Change</i>	\$1,964.6 2.5%	\$2,097.1 6.7%	\$2,115.9 7.7%	\$2,209.5 4.4%	\$2,437.5 10.3%	\$2,537.1 4.1%	\$2,740.0 8.0%
Remainder: State Share <4> <i>Annual Percentage Change</i>	\$3,393.4 7.6%	\$3,604.4 6.2%	\$3,583.0 5.6%	\$3,838.9 7.1%	\$3,916.7 2.0%	\$4,130.5 5.5%	\$4,256.0 3.0%
ANNUAL INCREASE IN STATE SHARE:							
Required Increase in State Share	\$241.1	\$211.0	\$189.7	\$255.9	\$77.8	\$213.8	\$125.5

Notes:

<1> Projected funded pupil counts through FY 2012-13 are based on Legislative Council staff's December 2007 estimates, as well as on legislation adopted during the 2008 Session. Specifically, staff has included additional FTE in each fiscal year based on the General Assembly's stated intent to increase funding annually for full-day kindergarten (e.g., adding about 2,800 FTE in FY 2009-10, and a total of about 7,500 FTE by FY 2013-14). The projected funded pupil count for FY 2013-14 is based on the State Demographer's population projections for 2013, ages 5 through 17.

TABLE 1
FIVE-YEAR PROJECTION OF STATE FUNDING NEEDED FOR DISTRICTS' TOTAL PROGRAM FUNDING
BASED ON PROJECTED ENROLLMENT PLUS CONSTITUTIONALLY REQUIRED INFLATIONARY INCREASES
(Dollar amounts reflected in millions unless otherwise noted)

<2> For purposes of this projection, it is assumed that the General Assembly will provide funding sufficient to increase the base per-pupil funding amount by the Denver-Boulder inflation rate for the previous calendar year plus one percent (for FY 2009-10 and FY 2010-11), and by inflation for subsequent fiscal years. These are the minimum increases required by the State Constitution. The annual percentage change in base per pupil funding for fiscal years 2009-10 through 2013-14 is thus based on Legislative Council staff's September 2008 projections of inflation for calendar years 2008 through 2012.

<3> The annual percentage change in average per pupil funding may be higher or lower than the change in base per pupil funding depending on how much the various factors in the statutory formula affect base per pupil funding for individual school districts. For purposes of this analysis, staff assumes that for fiscal years 2009-10 through 2013-14, average per pupil funding will increase at the same rate as base per pupil funding.

<4> Projected local share data is based on Legislative Council staff's Spring 2008 estimates, reduced by amounts which will not be collected as a result of locally negotiated business incentive agreements. Thus, the State Share figures include amounts estimated to be necessary to offset the impact of such agreements.

FUND SOURCES AVAILABLE FOR THE STATE SHARE OF DISTRICTS' TOTAL PROGRAM FUNDING

There are three sources of state funding available to the General Assembly to comply with the constitutional requirements related to funding for public schools: the State Public School Fund, the State Education Fund, and the General Fund. Each of these fund sources is discussed below.

State Public School Fund

The State Public School Fund (SPSF) is the smallest source of revenue available for public school finance. The SPSF currently receives revenues from three primary sources⁴, discussed below.

1. *Federal Mineral Lease Revenues.* A portion of the federal funds received by the State for sales, bonuses, royalties, and rentals of federal lands within the state are credited to the SPSF. These revenues, called "federal mineral lease revenues", are primarily derived from coal, gas, and oil production. Due to production and price changes, federal mineral lease revenues can vary significantly from year to year. Federal mineral lease revenues are distributed through a statutory formula for the benefit of public schools, local governments, higher education, and the Colorado Water Conservation Board Construction Fund. Pursuant to S.B. 08-218, the amount of federal mineral lease revenues annually allocated to the SPSF is currently limited to \$65.0 million. Beginning in FY 2011-12, this \$65.0 million cap increases annually by 4.0 percent.
2. *Rental Income Earned on Public School Lands.* A portion of rental income earned on state school lands (including timber sales, rental payments for the use and occupation of the surface, and agricultural and mineral leases) is credited to the SPSF. Pursuant to H.B. 08-1335 [Section 36-1-116 (1) (a) (II), C.R.S.], the amount annually transferred to the SPSF is limited to \$11.0 million.
3. *District Audit Recoveries.* The balance of annual revenues to the SPSF come from amounts recovered by the Department pursuant to school district audits. Prior to FY 1997-98, these amounts were simply deposited into the General Fund.

Staff's projections are based on utilizing the maximum amount of federal mineral lease revenues and rental income available each fiscal year. Staff assumes that the Department will collect \$3.0 million in audit recoveries annually, and the full amount will be appropriated for school finance.

⁴ Please note that the Department is required to transfer to the SPSF, on a quarterly basis, amounts appropriated from the General Fund for the state share of districts' total program funding [see Section 22-54-114 (1), C.R.S.]. The SPSF thus serves as a flow-through account for much of the state funding for school finance. In addition, the Department is required to transfer half of any unexpended balance at the end of each fiscal year to the Colorado Comprehensive Health Education Fund. These portions of the SPSF are excluded from the above discussion.

State Education Fund

The State Education Fund consists of approximately 7.4 percent of annual state income tax revenues⁵, plus any interest earned on the fund balance. The General Assembly may annually appropriate moneys from the State Education Fund for the following education-related purposes:

- to comply with the requirement to annually increase base per pupil funding for public school finance, as long as it is in addition to the required increases in General Fund appropriations;
- to comply with the requirement to annually increase funding for categorical programs;
- for accountable education reform;
- for accountable programs to meet state academic standards;
- for class size reduction;
- for expanding technology education;
- for improving student safety;
- for expanding the availability of preschool and kindergarten programs;
- for performance incentives for teachers;
- for accountability reporting; or
- for public school building capital construction.

State Education Fund revenues are not subject to the TABOR limitation on fiscal year spending, and appropriations from the State Education Fund are not subject to the six percent statutory limitation on state General Fund appropriations.

As detailed in Table 2, the General Assembly appropriated a total of \$488.1 million from the State Education Fund for FY 2008-09. This compares to \$419.4 million in projected fund revenues. Of the total amount appropriated from the State Education Fund for FY 2008-09, \$385.3 million (79 percent) was appropriated for constitutionally required inflationary increases in statewide base per pupil funding and state funding for categorical programs. The remaining \$102.8 million was appropriated to expand full-day kindergarten programs (\$75 million), for charter school capital construction (\$10 million), and for various other purposes.

TABLE 2	
FY 2008-09 Appropriations from the State Education Fund	
Constitutionally-Required Inflationary Increases:	
Public School Finance, State Share of Districts' Total Program Funding	\$340,891,944
Categorical programs (various line items)	<u>44,453,540</u>
Subtotal	385,345,484

⁵ Constitutionally, revenues collected from a tax of one-third of one percent on federal taxable income are required to be deposited into the State Education Fund. Given the current state income tax rate of 4.63 percent, this equates to 7.20 percent of revenues (0.0033/0.0463). However, due to certain state tax credits which reduce federal taxable income, deposits to the State Education Fund actually represent a slightly larger percent of actual income tax revenues (7.44 percent for FY 2007-08).

TABLE 2
FY 2008-09 Appropriations from the State Education Fund

Other Programs:	
Full-day kindergarten funding and Colorado preschool program expansion (H.B. 08-1388)	40,411,372
Full-day kindergarten capital construction grant program (H.B. 08-1388)	34,582,545
Charter school capital construction	10,000,000
Facility schools funding (H.B. 08-1388)	5,728,784
School counselor corps grant program (H.B. 08-1370)	5,000,000
Stipends for nationally board certified teachers (H.B. 08-1384)	1,156,997
Alternative teacher compensation plan grants (H.B. 08-1388)	1,000,000
Summer school grant program	1,000,000
Child nutrition school lunch protection program (S.B. 08-123)	850,000
Preschool to postsecondary alignment (S.B. 08-212)	792,453
Facility schools unit and facility schools board (H.B. 08-1204)	523,568
STEM After-school education pilot grant program	300,000
Science and technology education center grant program	300,000
Declining enrollment study (H.B. 08-1388)	200,000
Civic education	200,000
Regional service cooperatives (S.B. 08-38)	198,545
First responder school mapping (H.B. 08-1267)	150,000
National credential fee assistance	125,000
School leadership academy program (H.B. 08-1386)	87,983
Teaching and learning conditions survey (H.B. 08-1384)	85,000
Financial literacy	40,000
Interstate compact on educational opportunities for military children (H.B. 08-1317)	32,185
Colorado history day	<u>10,000</u>
Subtotal	102,774,432
GRAND TOTAL	\$488,119,916

General Fund

Although moneys available in the State Public School Fund and the State Education Fund may be used to provide a portion of the funding required for districts' total program and for categorical programs, the state General Fund has always been and will continue to be the primary source of funding for this purpose. Currently, the General Fund provides 87 percent of the *state* funding for both districts' total program funding and categorical programs. Based on projections of moneys that will be available in the State Public School Fund and the State Education Fund in future years, staff estimates that the General Fund will need to support about 86 percent of the state share of districts' total program and categorical programs over the long term.

For purposes of providing a historical perspective, Table 3 summarizes annual appropriations for the *state share* of school districts' total program funding since FY 1994-95 (when the current School Finance Act was adopted). From FY 1994-95 to FY 2000-01, the compound annual growth rate in General Fund appropriations for districts' total program funding was 6.13 percent. This compares to a compound annual growth rate of 5.18 percent for the eight years following the passage of Amendment 23 (FY 2001-02 through FY 2008-09).

TABLE 3 Recent History of Appropriations for the State Share of Districts' Total Program Funding						
Fiscal Year	General Fund	Annual % Change	State Public School Fund/ State Education Fund	Annual % Change	Total Funds	Annual % Change
1994-95	\$1,393,562,842		\$34,016,762	-36.87%	\$1,427,579,604	
1995-96	1,469,655,920	5.46%	56,613,541	66.43%	1,526,269,461	6.91%
1996-97	1,594,123,930	8.47%	53,580,360	-5.36%	1,647,704,290	7.96%
1997-98	1,689,946,178	6.01%	35,647,023	-33.47%	1,725,593,201	4.73%
1998-99	1,776,015,806	5.09%	74,830,202	109.92%	1,850,846,008	7.26%
1999-00	1,887,449,285	6.27%	42,685,306	-42.96%	1,930,134,591	4.28%
2000-01	1,974,673,211	4.62%	73,400,663	71.96%	2,048,073,874	6.11%
Passage of Amendment 23						
2001-02	2,073,406,872	5.00%	156,629,363	113.39%	2,230,036,235	8.88%
2002-03	2,137,582,405	3.10%	346,960,158	121.52%	2,484,542,563	11.41%
2003-04	2,247,917,791	5.16%	379,156,261	9.28%	2,627,074,052	5.74%
2004-05	2,342,782,148	4.22%	401,122,658	5.79%	2,743,904,806	4.45%
2005-06	2,480,460,455	5.88%	390,768,821	-2.58%	2,871,229,276	4.64%
2006-07	2,657,663,684	7.14%	403,505,151	3.26%	3,061,168,835	6.62%
2007-08	2,790,546,868	5.00%	362,163,909	-10.25%	3,152,710,777	2.99%
2008-09	2,957,050,579	5.97%	436,312,643	20.47%	3,393,363,222	7.63%

Maintenance of Effort Requirement. Section 17 of Article IX of the Colorado Constitution requires the General Assembly to annually increase the General Fund appropriation for the state share of districts' total program by at least five percent annually through FY 2010-11. This "maintenance of effort" requirement, however, does not apply in any fiscal year in which Colorado personal income

grows less than 4.5 percent between the two previous calendar years⁶. While the maintenance of effort requirement did not apply for FY 2002-03 through FY 2004-05, current estimates indicate that it will apply for FY 2008-09 through FY 2010-11.

In addition to the General Fund maintenance of effort requirement, two other provisions place legal limits on the General Assembly's authority to set the level of General Fund appropriations for total program and categorical programs. First, Article IX, Section 17 (5) of the Colorado Constitution states that moneys appropriated from the State Education Fund may not be used to supplant the level of General Fund appropriations that existed on December 28, 2000 (the effective date of Amendment 23) for categorical programs and total program. The FY 2008-09 General Fund appropriation for categorical programs exceeds this "floor" amount (\$141,765,474) by \$32.7 million. Thus, this General Fund appropriation could be reduced. However, in order to continue to comply with other provisions of Amendment 23, another source of state funding would need to be appropriated to offset such a reduction (e.g., State Education Fund). With regard to total program, the FY 2008-09 General Fund appropriation is \$2,957.0 million, compared to an appropriation of \$1,982.6 million that existed on December 28, 2000.

Second, the General Assembly is required to increase base per pupil funding and state funding for categorical programs by at least inflation plus one percent each year through FY 2010-11, and by inflation each year thereafter. Thus, the General Assembly needs to appropriate an amount of General Fund for total program each year sufficient to ensure that the General Assembly is capable of providing the required annual inflationary increases in the future.

General Fund Appropriation Increases Required to Maintain State Education Fund Solvency. Staff has utilized the model originally developed by Pacey Economics Group to estimate the impact of various levels of General Fund appropriations on the solvency of the State Education Fund. The model was updated by Legislative Council staff last January in order to submit a statutorily-required report to the General Assembly. Subsequently, staff has further updated the model to reflect more recent estimates of inflation, actual and projected revenues, productivity data, and population projections. The model has also been updated to reflect appropriations and estimates of future spending from the State Education Fund based on legislation passed in the 2008 Session. [Please note that updated projections of the funded pupil count and the local share of funding will be available later this month. Thus, staff will prepare updated projections for the Committee early next year.]

Staff has prepared two funding scenarios, described below and depicted through charts in Appendix D.

Scenario 1: The first scenario assumes that the General Fund appropriation for categorical programs does not increase in FY 2009-10 or in future fiscal years. Instead, the State Education Fund is used to cover the full required increase in state funding for categorical programs each year. With respect to school finance, this scenario assumes that the General Assembly will increase the appropriation

⁶ The determination of whether the General Fund maintenance of effort provision applies to a particular fiscal year is based on the Colorado personal income data that is released in December of that same fiscal year.

of state funds for full-day kindergarten by a total of \$60 million over a five year period, from FY 2009-10 through FY 2013-14 (consistent with its stated intent per Section 22-54-131 (6) (a), C.R.S.). In addition, this scenario assumes that the General Fund appropriation for school finance will be increased by 5.0 percent for FY 2009-10 and annually thereafter. Finally, this scenario assumes no mid-year changes to FY 2008-09 appropriations for school finance and categorical programs.

Under Scenario 1, the State Education Fund balance continues to decrease for the next two fiscal years to about \$150 million. The fund balance remains relatively flat through FY 2012-13, and then increases beginning in FY 2013-14. Appendix D-1 provides a graphic illustration of this scenario.

Scenario 2: Under scenario 2, all of the assumptions of scenario 1 are continued except one. This scenario assumes that the General Assembly will approve the Department's proposal to make mid-year changes to FY 2008-09 appropriations for school finance. Specifically, this scenario assumes that the General Fund appropriation for school finance for FY 2008-09 will be reduced by \$26.9 million (so that the General Fund appropriation represents only a 5.0 percent annual increase compared to FY 2007-08 appropriations - the minimum allowable), and the State Education Fund appropriation will be increased by the same amount.

Under Scenario 2, the State Education Fund balance continues to decrease and is depleted by FY 2012-13. The General Assembly would then be required to increase the General Fund appropriation for school finance by about 5.8 percent in FY 2012-13, rather than 5.0 percent, in order to provide the constitutionally required funding increases. Appendix D-2 provides a graphic illustration of this scenario.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

BRIEFING ISSUE

INFORMATIONAL ISSUE: *Mesa County Board of County Commissioners, et al. v. Colorado Department of Education*

A December 2007 lawsuit alleged that an amendment in S.B. 07-199 concerning mill levies is unconstitutional, asking the Court to award property tax refunds to affected taxpayers. The District Court agreed that this amendment was unconstitutional, but declined to enter an order concerning the remedy. The Colorado Supreme Court ruling, which is expected to be issued soon, could have a direct and significant impact on the amount of state funding available for state programs and services.

SUMMARY:

- ❑ In the 2007 Session, the General Assembly modified the School Finance Act (via S.B. 07-199) to change the method for calculating school district property taxes. This change caused some districts' mill levies to be higher than they otherwise would have been, caused some districts' mill levies to be lower than they otherwise would have been, and left some districts' mill levies unchanged. Overall, the change increased the amount of property tax revenue available for school finance, thereby decreasing the need for state funding.
- ❑ In December 2007, a class action complaint was filed in Denver District Court alleging that the provision in S.B. 07-199 concerning mill levies violated the Taxpayer's Bill of Rights, and was therefore unconstitutional. The plaintiffs asked the Court to enjoin the Department of Education from certifying any mill levy based on S.B. 07-199, and to award property tax refunds.
- ❑ In May 2008, the District Court granted the plaintiff's request for a declaratory judgement that S.B. 07-199 is unconstitutional. However, the Court declined to enter an order concerning the remedy (property tax refunds) requested by the plaintiff.
- ❑ The State appealed the ruling, and the Colorado Supreme Court agreed to hear the case to consider several issues. The Supreme Court heard oral arguments on September 11. Local boards of education are statutorily required to certify the education-related mill levies required to defray expenditures for the current fiscal year by December 15. Given that current law is inconsistent with the District Court decision, the parties requested that the Supreme Court issue an opinion by December 1 to provide clear direction to school districts. As of December 5, 2008, the Supreme Court had not yet issued an opinion.
- ❑ Given the magnitude of the impact of S.B. 07-199 on property tax revenues available for school finance, the Supreme Court decision could have a direct and significant impact on the amount of state funding available for state programs and services.

DISCUSSION:

BACKGROUND INFORMATION: RECENT LEGISLATION, LAWSUITS, AND INITIATIVES

The current system of financing public schools is the result of several laws, court decisions, and voter-approved measures. Since 1970, the General Assembly has adopted three different School Finance Acts. The **1973 Act** was generally intended to address issues of funding equity among school districts, providing greater funding increases for lower spending districts and capping increases in per pupil funding without approval. In 1977, 16 school districts sought a ruling that the 1973 Act was unconstitutional (*Lujan v. Colorado State Board of Education*). The Denver District Court found that the Act violated the equal protection provisions of the U.S. and Colorado Constitutions and it violated the "thorough and uniform" provision of the Colorado Constitution. However, in 1982 the Colorado Supreme Court reversed the trial court decision and found the 1973 Act constitutional⁷.

Also in 1982, the General Assembly referred a property tax reform measure that was approved by the voters. Among other things, this measure fixed the assessment rate for most *nonresidential* property at 29 percent, and lowered the residential assessment rate from 30 percent to 21 percent. In addition, a provision within the measure referred to as the "**Gallagher amendment**" required that the *residential* assessment rate be adjusted periodically to ensure that the proportion of assessed valuation attributable to residential versus nonresidential property remains the same [see Article X, Section 3 (1) (b) of the Colorado Constitution]. This provision has caused the statewide residential assessment rate to decline, thereby shifting the property tax burden from homeowners to businesses.

In 1987, another lawsuit was filed in Denver District Court (*Hafer v. Colorado State Board of Education*) on behalf of several children and taxpayers. The *Hafer* suit again challenged the constitutionality of the 1973 Act. Defendants filed a motion to dismiss, and the Court dismissed one of three claims. Prior to trial on the remaining two claims, the General Assembly enacted the **1988 Act** and the Plaintiffs voluntarily dismissed the *Hafer* suit⁸. The 1988 Act categorized similar districts for purposes of funding, and it reduced the local share of funding to approximately 50 percent. In addition, it introduced a uniform mill levy, phasing in both increases and decreases in districts' mill levies. By 1991, this phase-in was complete, with most districts levying 40.080 mills.

In 1992 voters approved the Taxpayer's Bill of Rights (**TABOR**), which included provisions affecting property taxes. Prior to TABOR, local governments could generally collect and spend the same amount of property tax revenue each year by periodically adjusting mill levies. TABOR affected property taxes by:

- imposing a limit on property tax revenues equal to inflation in the prior calendar year plus a measure of growth (with respect to schools, growth is measured as the percentage change in student enrollment);

⁷ Christy Chase, Office of Legislative Legal Services. Presentation to the 2005 Interim Committee on School Finance (July 21, 2005).

⁸ Ibid.

- prohibiting local governments from increasing a mill levy above the prior year's level without voter approval⁹; and
- requiring voter approval for any increase in the assessment rate for a class of property.

With regard to school district property taxes, TABOR reduced the General Assembly's role in determining school finance property tax revenues and resulted in a large variation in districts' mill levies.

In 1994 the General Assembly moved away from categorizing districts for purposes of funding, and instead established the same base funding for every pupil. The **1994 Act** continued to recognize differences in costs and economies of scale, and it included a broader recognition of the costs associated with educating at-risk pupils¹⁰.

In 1998 a class action complaint was filed in Denver District Court (*Giardino v. State Board of Education*) alleging that the State had not fulfilled its constitutional responsibility to provide for the establishment and maintenance of a thorough and uniform system of free public schools because of conditions existing in public school facilities. Defendants filed a motion to dismiss, and the Court denied the motion on all claims save one. In April 2000, a few days after the *Giardino* trial began, the parties agreed to settle the action. The Settlement Agreement was contingent upon the General Assembly adopting legislation (**S.B. 00-181**) that would provide a mechanism for funding capital construction, repair and maintenance in public schools, and provide a total of \$190 million state funds over eleven years to address the most serious needs¹¹.

Also in 2000, voters approved **Amendment 23**, requiring the General Assembly to increase base per pupil funding and state funding for categorical programs by inflation plus one percent for ten years, and by inflation annually thereafter. The stated intent of this initiative was to restore and then maintain inflation-adjusted base per pupil funding to 1988 levels.

In 2002, a complaint was filed in Denver District Court on behalf of students with disabilities in four districts and their parents (*Haley v. Colorado Department of Education*). Plaintiffs alleged that

⁹ Courts have ruled that the TABOR limits do not apply to all mill levies. For example, local governments may increase or “float” mill levies to cover the repayment costs for bonded debt and to cover property tax abatements and refunds. In addition, local governments other than school districts are specifically authorized under state law to enact temporary property tax credits and temporary mill levy rate reductions as a means for refunding excess revenues [see Section 39-1-111.5, C.R.S.].

¹⁰ Deb Godshall, Legislative Council Staff. Presentation to the 2005 Interim Committee on School Finance (July 21, 2005).

¹¹ Most recently, H.B. 08-1335 replaced the capital construction financial assistance programs created through S.B. 00-181 with a new program which will increase the amount of state financial assistance provided and allow projects to be completed more quickly. For more information about this act, see Appendix B-2.

special needs students were not receiving an "adequate" education, and the system of funding special education services violates the Colorado Constitution. Defendants filed a motion to dismiss, and the Court granted the motion based on two of the six arguments raised by Defendants.

Finally, in June 2005, a complaint was filed in Denver District Court on behalf of taxpayers, parents, and students in eight school districts (*Lobato, et al., v. the State of Colorado, et al.*). The complaint alleged that: (a) the Colorado Constitution guarantees the fundamental right to an adequate, quality education, and the current system of funding public schools does not provide the financial resources necessary to meet this qualitative mandate; (b) the TABOR and Gallagher provisions of the Constitution are in conflict with and must yield to the "thorough and uniform" provision; and (c) the current system does not fairly allocate the property tax burden among Colorado citizens. The Plaintiffs asked the Court to declare the entire existing system of public school finance in Colorado unconstitutional, and to force the General Assembly to enact and fund a new system of public school finance.

In March 2006, the District Court granted the State's motion to dismiss all claims in *Lobato*. The Court determined that Amendment 23 sets a minimum level of state funding and that funding levels dictated by Amendment 23 were consistent with the "thorough and uniform" provisions of the Colorado Constitution. The Court further held that the Colorado Constitution commits the power of appropriations and determination of educational adequacy to the General Assembly, and the plaintiff's claims were therefor not justiciable. In January 2008, the Colorado Court of Appeals affirmed the District Court decision. In September 2008, the Colorado Supreme Court agreed to hear the case to consider two issues:

- Do claims regarding educational quality and adequacy of school funding present nonjusticiable questions?
- Do school districts have standing to bring suit challenging the constitutionality of Colorado's systems of public school finance?

The parties are scheduled to submit written briefs in this case from November 2008 through February 2009, and may subsequently request that the Court hear oral arguments. Thus, a Supreme Court decision is not likely to be issued until next Summer, at the earliest.

MESA COUNTY BOARD OF COUNTY COMMISSIONERS, ET AL., v. COLORADO DEPARTMENT OF EDUCATION

Senate Bill 07-199

In the 2007 Session, the General Assembly modified the School Finance Act to change the method for calculating school district property taxes. Pursuant to Sections 22-54-106 (2) and 22-54-107 (1), C.R.S., a school district must levy the *smallest* mill¹² of the following options:

1. The mill that it levied in the prior year;
2. The mill necessary to pay for its total program funding plus its categorical programs, less any specific ownership tax revenues and minimum state aid for total program;
3. *For a district that has not obtained voter approval to retain and spend revenues in excess of the maximum mill allowed by TABOR, the number of mills allowed by TABOR¹³; or*
4. *Twenty-seven mills.*

The italicized language, above, was added through S.B. 07-199. This new language changed the method of calculating school district property taxes that support school finance in two ways. First, it imposed a cap of 27 mills on school finance levies. Second, for districts that have received voter approval to exceed the TABOR property tax revenue limit, it set the levy for FY 2007-08 and future budget years at the levy for FY 2006-07. This change caused some districts' mill levies to be higher than they otherwise would have been (115 districts in FY 2007-08), caused other districts' mill levies to be lower than they otherwise would have been (30 districts in FY 2007-08), and left some districts'

¹² Local property tax revenues are calculated as follows: [Total property valuation X Assessment rate X Mill levy]. One "mill" equals one-tenth of one percent (.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 effective for property tax years 2003 through 2008), each mill of tax raises \$7.96.

¹³ Please note that a school district may seek approval from its voters to raise and expend additional ("override") property tax revenues in excess of the district's total program via an additional mill levy. An override is different than approval to collect revenues in excess of the district's TABOR limit. A district's override revenues cannot exceed 20 percent of its total program funding or \$200,000, whichever is greater. A district's authorization to raise and expend "override" revenues does not affect the amount of State Share funding which the district is eligible to receive. As of FY 2007-08, 78 of the 178 districts had voter-approved override mill levies providing \$491.5 million in additional local revenues. [See Section 22-54-108, C.R.S.]

In addition, certain school districts were authorized to request voter approval for a mill levy to raise property taxes for a "supplemental cost-of-living adjustment." The property taxes collected in any given year cannot exceed the amount of the supplemental cost-of-living adjustment. Because cost-of-living amounts are recalculated every other year, the amount of the supplemental cost-of-living adjustment is likely to change. The Department indicates that six districts received voter approval in November 2001 for a supplemental cost-of-living adjustment. [See Section 22-54-107.5, C.R.S.]

mill levies unchanged (33 districts in FY 2007-08). Overall, the change increased the amount of property tax revenue available for school finance. Since the State provides the difference between funding allocated to districts through the School Finance Act and local property taxes, the increase in local tax revenue reduced the amount of state money required to fund school finance.

Complaint Filed

On December 13, 2007, five plaintiffs, as representatives of Colorado taxpayers and registered voters, filed a class action complaint in Denver District Court against the Colorado Department of Education. The Plaintiffs alleged that the provision in S.B. 07-199 concerning mill levies violated TABOR, and is therefore unconstitutional. Specifically, plaintiffs alleged that:

- the amendment in S.B. 07-199 concerning mill levies required statewide voter approval;
- individual school districts' ballot measures seeking relief from TABOR's revenue limit were not in compliance with TABOR; and
- the amendment in S.B. 07-199 violates the "other limits" provision of TABOR.

The Plaintiffs asked the Court to enjoin the Department from certifying any mill levy based on the changes in S.B. 07-199, and to award a refund to taxpayers who paid more property taxes than they should (plus 10 percent). The Plaintiffs also ask the Court to award the Plaintiffs their reasonable attorneys fees and costs.

District Court Decision

Prior to the Governor signing S.B. 07-199 into law, the Solicitor General prepared a memorandum opining that the bill was an unconstitutional violation of TABOR. The Attorney General expressly concurred with the Solicitor General's opinion. Thus, on December 20, 2007, the Governor issued an executive order authorizing the Department of Education and the Office of the Governor to each employ outside counsel to provide legal services related to the *Mesa County* lawsuit.

On January 25, 2008, the Department of Education filed a motion to dismiss, which was subsequently denied by the District Court. On February 1 the Governor filed a motion to intervene, which was granted by the Court. In late April the Court conditionally certified a class, and the case proceeded to trial in early May. On May 30, the Denver District Court granted the plaintiff's request for a declaratory judgement that S.B. 07-199 is unconstitutional. Specifically, the Court concluded the following:

- The fiscal impact of S.B. 07-199 was to cause a net tax revenue gain as defined by TABOR. The increase in revenue through the mechanism of S.B. 07-199 resulted in a "tax policy change". However, as S.B. 07-199 does not apply to all school districts, S.B. 07-199 does not reflect a change in *state* tax policy. Thus, a *statewide* vote is not required as alleged by the plaintiffs.
- If the State and the Department wish to utilize individual school districts' ballot measures seeking relief from TABOR's revenue limit as advance voter approval of the fiscal impact of

S.B. 07-199, TABOR's specific voter approval language requirements apply. The purpose of the TABOR voter approval requirements advising voters of potential changes in property tax revenue amounts were not met by those ballot measures.

The District Court declined, however, to enter an order concerning the remedy requested by the plaintiffs (i.e., property tax refunds). The Court expressed concerns about whether it has the authority to impose such a remedy.

Status

In June, the State Board of Education appealed the District Court ruling. The Colorado Supreme Court agreed to hear the case to consider the following issues:

- Did the District Court err in granting declaratory relief where all affected parties were not in the case, the declaration did not afford plaintiffs present relief, and the declaration did not terminate the uncertainty or controversy?
- Did the District Court err in not requiring plaintiffs to prove the challenged statute unconstitutional beyond a reasonable doubt and misapplying TABOR's "reasonably restrain most the growth of government" provision?
- Did the District Court err in admitting into evidence certain emails, memos, and other informal statements by Department staff, essentially treating them as if they were the Department's official policy?
- Did the District Court err in admitting into evidence and considering exhibits and testimony concerning the purported intent of voters and proponents of certain school district "de-Brucing" measures that contradicted or differed from ballot questions?
- In light of the fact that voters in 174 of 178 school districts approved "de-Brucing" ballot questions that authorized those districts to collect, retain, and spend "all" or "full" district revenues notwithstanding the limitations of TABOR, did the District Court err in concluding that this voter approval was not sufficient to authorize the property tax mill levy stabilization implemented in S.B. 07-199?
- Does the separation of powers doctrine prohibit the Judicial Branch from ordering the Department to request or obtain an appropriation of state funds, or to expend any state funds, for the purpose of making a refund or providing any other monetary relief or payment to plaintiffs?

The Supreme Court heard oral arguments on this case on September 11. Pursuant to Section 22-40-102 (3), C.R.S., local boards of education are required to certify the education-related mill levies required to defray expenditures for the current fiscal year by December 15. Given that current law is inconsistent with the District Court decision, the parties requested that the Supreme Court issue an opinion by December 1 to provide clear direction to school districts. As of December 4, 2008, the Supreme Court had not yet issued an opinion. If the Supreme Court does not issue a timely decision,

one or more parties may request that the Court stay the District Court decision until a Supreme Court decision is issued.

Potential Fiscal Impact

As indicated above, in addition to their attorneys fees and costs, the plaintiffs asked the Court to award taxpayer refunds, plus 10 percent. While the District Court granted the plaintiff's request for a declaratory judgement that S.B. 07-199 is unconstitutional, it declined to enter an order concerning the requested remedy. It is possible that the final resolution of this case will require the State to pay the costs of refunding local property tax revenues. The following table details the impact of the mill levy-related provision of S.B. 07-199 on local school finance property tax revenues. Department staff recently provided both actual figures for FY 2007-08, and estimated figures for FY 2008-09 based on the October 2008 pupil count and assessed valuation data submitted by county assessors through December 4, 2008.

Statewide Impact of S.B. 07-199 on School Finance Property Taxes (\$ millions)			
	Districts with Mill Levies That Would Have Been <u>Lower</u> Absent S.B. 07-199	Districts with Mill Levies That Would Have Been <u>Higher</u> Absent S.B. 07-199	Net Impact
FY 2007-08 actual	\$123,219,207	(\$5,388,228)	\$117,830,979
FY 2008-09 estimate	134,517,209	(4,500,517)	130,016,692

As indicated above, S.B. 07-199 reduced the amount of state funding required for districts' total program funding by \$117.8 million in FY 2007-08, and is estimated to reduce the amount required for FY 2008-09 by \$130.0 million. If the Supreme Court decision requires those districts with mill levies that would have been lower absent S.B. 07-199 to refund local property tax revenues, and the State is required (or chooses) to reimburse local districts for the costs of such refunds for both FY 2007-08 and FY 2008-09, an estimated \$257.7 million, plus 10 percent (a total of \$283.5 million), would be required. Clearly, a payment of such magnitude would have a direct and significant impact on state funding for other programs and services.

In addition, if S.B. 07-199 is determined to be unconstitutional, the General Assembly would need to provide additional state funding in future fiscal years for school finance to offset the reduction in local property tax revenue. Staff assumes such additional funding would be appropriated from the General Fund, the State Education Fund, or some combination of the two. Regardless, such an adjustment would require significant reductions in state funding for discretionary education programs and services and/or slower growth in other state programs and services.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

BRIEFING ISSUE

ISSUE: Implementing Legislation Concerning Facility Schools

The Department has implemented statutory changes to the method of funding educational services provided by community-based facilities. The Department discovered, however, that current law is silent regarding the method of funding educational services provided by state-operated facilities. The General Assembly will need to clarify its intent with respect to funding state-operated facilities' education programs.

SUMMARY:

- ❑ While most children in Colorado receive public education services through school districts or schools that are authorized by the State Charter School Institute, some children receive their education through schools operated by community-based facilities or state-operated programs. Prior to FY 2008-09, educational services provided by community-based facilities were funded differently than those provided by state-operated programs.
- ❑ The General Assembly passed two bills last Session concerning educational services provided by community-based facilities. House Bill 08-1388 established a new funding mechanism for these facility schools, simplifying the process and providing additional reimbursement for those facilities that provide educational services through the Summer.
- ❑ Throughout discussions concerning H.B. 08-1204 and H.B. 08-1388, Department staff assumed that the new funding mechanism would apply to both community-based facility schools and state-operated programs. However, in the process of preparing draft rules for the State Board of Education's consideration, staff discovered that the Department lacks the statutory authority to use the new funding mechanism for state-operated programs. The Department chose to draft rules which fund state-operated programs using the same mechanism established for facility schools, and the State Board adopted these rules.

RECOMMENDATION:

Staff recommends that the Committee work with the Education Committees to amend current law to use the same funding mechanism for both community-based facility schools and state-operated programs, including the ability to receive reimbursement for Summer programs. This approach would simplify counting and funding procedures and ensure that state agencies and community-based facilities receive reimbursement proportional to the educational services provided.

DISCUSSION:

BACKGROUND INFORMATION: ELIGIBLE FACILITIES AND STATE-OPERATED PROGRAMS

Most children and youth in Colorado receive public education services through school districts or schools that are authorized by the State Charter School Institute. Some children and youth, however, receive public educational services through community-based facilities or state-operated programs. The State Board of Education has the duty to "exercise general supervision over the public schools of the state and the educational programs maintained and operated *by all state governmental agencies* for persons who have not completed the twelfth-grade level of instruction"¹⁴ (emphasis provided). With respect to the education of children with disabilities, the State Board is required to adopt rules to establish "minimum standards for administrative units, *state-operated programs, eligible facilities, and personnel*"¹⁵ (emphasis provided). Further, each administrative unit, state-operated program, and eligible facility is required to make available special education services as specified in the individualized education program (IEP) for any child with a disability for whom it is responsible¹⁶. The Department of Education's role in overseeing and funding these programs is described below.

Eligible Facility Programs

Some children and youth are placed by public agencies in residential child care facilities, day treatment programs, and hospitals. Educational services are provided to these children and youth either through the administrative unit (the local school district or group of school districts) or through an on-grounds school which is operated by the facility. These on-grounds schools are called "eligible facilities"¹⁷. While these facilities are licensed by the Department of Human Services and/or the Department of Public Health and Environment, they must apply to the Department of Education for approval to provide educational services and receive public funds to do so. Prior to FY 2008-09, licensed and approved eligible facilities were entitled to at least two funding sources:

- The district of residence (i.e., the district in which a student's parents live) included the student in its October pupil count, and thus received the *district per pupil revenue* (PPR) for the student. The facility billed the Department of Education monthly for the number of children served. The Department paid each facility the *statewide average per pupil operating revenue* (PPOR) - regardless of whether the facility provided educational services through the Summer. To do so, the Department withheld the PPOR for each home district that was associated with students in facilities as of October 1.
- With respect to students with disabilities, a student's district of residence was required to pay any extra costs associated with providing special education services. The Department

¹⁴ See Section 22-2-106 (1) (a), C.R.S.

¹⁵ See Section 22-20-104 (1), C.R.S.

¹⁶ See Section 22-20-106 (3), C.R.S.

¹⁷ "Eligible facility" is defined in Section 22-20-103 (9), C.R.S.

established an “excess cost” rate for each approved eligible facility based on the actual costs of providing special education services that were not covered by PPOR.

Eligible facilities that operated year-round education programs could also apply for state funds through the Facility Summer School Grant Program, and may qualify for various sources of federal funds (e.g., Title ID for neglected and delinquent children, nutrition funding).

State-Operated Programs

There are four state-operated programs that provide educational services. For purposes of providing special education services to children with disabilities, each state-operated program is considered a local education agency, and thus receives federal special education funding. The Department of Education is required to monitor the provision of special education services in all state-operated facilities¹⁸. The process of supervising the general education program provided by each state-operated program, and the other sources of revenue available to each program, are described briefly below:

- *Colorado School for the Deaf and the Blind (CSDB)*. The CSDB, which is accredited by the Department, provides educational services to children who are blind and/or deaf and under the age of twenty-one. While the CSDB provides services to infants and preschool children year-round, on-grounds educational services are only provided during the school year. Prior to FY 2008-09, the CSDB received the statewide average PPOR for eligible¹⁹ enrolled students. The CSDB also receives other sources of state and federal funding (e.g., Medicaid and nutrition funding), tuition from other states that place children at CSDB, as well as payments from school districts that place students at CSDB on a short-term basis for diagnostic purposes. The General Assembly appropriates state General Fund moneys to cover operating costs that are not covered by other revenue sources.
- *Mental Health Institutes (at Ft. Logan and Pueblo)*. Educational services for adolescents in the inpatient psychiatric hospital are provided by Institute staff year-round. The Institutes' general education programs for inpatient psychiatric clients are not accredited or monitored by the Department of Education. Prior to FY 2008-09, the Institutes received the statewide average PPOR for eligible enrolled students, as well as federal nutrition funding. Any costs that exceed these revenue sources are covered by direct General Fund appropriations to the Institutes.

In addition, educational services at Ft. Logan are also provided through the therapeutic residential child care facility that is operated at the facility (called Mountain Star). Mountain Star employs state staff to serve children and youth placed by county departments of social services and the Division of Youth Corrections (DYC). The rates paid by counties and DYC do not cover any of the costs of the educational program. Prior to FY 2008-09, Mountain Star

¹⁸ "State-operated program" is defined in Section 22-20-103 (28), C.R.S.

¹⁹ The CSDB provides services to some students who are not eligible for per pupil funding under the School Finance Act, including infants, preschool children, and older students in the transition program.

received funding in the same manner as other eligible facilities. Any Mountain Star general education costs that exceed these two revenue sources are covered by direct General Fund appropriations to the Institutes.

- *Department of Human Services' Division of Youth Corrections (DYC)*. Educational services for youth in the custody of DYC are provided in three ways. In all cases, services are provided year-round. First, educational services for youth in detention facilities are provided by the school district in which the facility is located. These districts then bill the other districts within the associated judicial catchment area for their proportionate share²⁰ of the actual costs of the educational program (including both general educational services and special education services for children with disabilities)²¹. School districts may provide educational services to detained youth using school district staff or through contract staff. Districts are accredited by the Department of Education, and the Department monitors detention education programs.

Second, educational services for youth who are committed to state-operated DYC facilities (approximately 35 percent of committed youth) are provided by DYC staff or contract staff. While DYC receives certain sources of federal funding for education, including Title 1 funds and Perkins Grants for vocational training, it does not receive any funding through the School Finance Act and the costs of its general educational program are supported through direct General Fund appropriations to DYC. The DYC's educational programs are not accredited by the Department of Education.

Third, educational services for youth who are committed to DYC and placed in community-based residential facilities (approximately 65 percent of committed youth) are provided by such facilities. Similar to children placed through the child welfare system, the rates paid by DYC to these facilities do not cover any of the costs of the educational program. Facilities with on-grounds schools receive funding in the manner described above for eligible facilities.²²

- *Department of Corrections (DOC)*. Section 17-32-105, C.R.S., sets forth the goals and objectives of the DOC's education program. This provision indicates that an individual who wishes to receive a standard high school diploma is required to meet the graduation requirements established by the school district where he/she was last enrolled or to pass an equivalency examination. Educational services are provided year-round, and may be provided

²⁰ The Public School Finance unit is responsible for calculating each district's proportionate share based on the overall funded pupil count for each school district.

²¹ The district in which the facility is located is not allowed, however, to bill for the costs of educating students who are included in its funded pupil count.

²² Please note that while the Ridge View Youth Services Center is a state facility, DYC contracts with a private provider (Rights of Passage) to operate the facility. The educational program is provided through a school that has been chartered by Denver Public Schools (DPS). Thus, the Ridge View education program is paid for and accredited by DPS.

by DOC staff or through contract staff. While the Department of Education provides oversight for the DOC's special education services to those eligible individuals under the age of 22 who have not yet graduated high school, the DOC's general educational programs are not accredited by the Department of Education. The costs of DOC's educational programs are covered entirely by direct appropriations of state funds to the DOC.

2008 LEGISLATION CONCERNING FACILITY SCHOOLS

A year ago, staff briefed the Committee about funding for educational services provided by eligible facilities. Staff identified several problems with the existing funding mechanism, and indicated that it was likely that legislation would be introduced in the 2008 Session to address such issues.

The General Assembly passed two bills concerning facility schools. First, H.B. 08-1204 (Peniston/Williams) created the Facility Schools Board to adopt curriculum standards and accountability measures, and set graduation requirements for facility schools. It also created the Facility Schools Unit within the Department of Education to:

- develop and maintain a list of approved facility schools;
- make recommendations concerning curriculum standards and graduation standards;
- maintain information and records for students who receive educational services from approved facility schools; and
- communicate and collaborate with the Department of Human Services, county departments of social services, and other agencies regarding the placement and transfer of students in facilities.

House Bill 08-1204 appropriated \$523,568 from the State Education Fund and 3.0 FTE to the Department of Education for FY 2008-09 for the Board and Unit, including \$300,000 in one-time funding for the development of a student records system.

Second, H.B. 08-1388 (Pommer/Windels) repealed the Summer School Grant Program for Facility Schools, and established a new funding mechanism for educational services provided by facility schools. This new mechanism, effective July 1, 2008:

- Removes pupils educated by facility schools from districts' pupil enrollment counts for purposes of funding²³.
- Requires facility schools to report information directly to the Department's Facility School Unit concerning individual students, including the student's district of residence and the actual

²³ Districts continue to include students who reside in a facility or group home and attend a district school in their October count for purposes of funding. Further, students in "out-of-district" placements who attend public school are included in the pupil count of the district of attendance.

number of days of attendance each month. Also requires facility schools to notify resident districts of the pupils receiving services from the facility.

- Allows facility schools to bill the Department using the statewide average PPR, rather than the PPOR (which excludes funding earmarked for capital outlay and risk management). Also allows facility schools to bill for an additional one-third of PPR for Summer school programs

House Bill 08-1388 included associated adjustments to FY 2008-09 appropriations, resulting in a net increase of \$341,280 from the State Education Fund. Specifically, state funding for districts' total program funding was reduced by \$13.3 million, a \$4.8 million appropriation for the Summer School Grant Program was eliminated, and a new appropriation of \$18.5 million was included for payments to facility schools.

As described above, H.B. 08-1204 authorized and appropriated State Education Fund moneys to the Department to support the Facility Schools Board and Unit for FY 2008-09. Beginning in FY 2009-10, H.B. 08-1388 allows the Department to withhold 2.0 percent of the amount payable to each approved facility school to offset the costs incurred by the Board and Unit. Finally, for FY 2008-09 only, the act provided \$587,504 in "hold harmless" funding for school districts impacted by the new funding mechanism (i.e., districts will no longer be able to retain capital outlay and risk management funding associated with students attending facility schools).

IMPLEMENTING H.B. 08-1204 AND H.B. 08-1388

The State Board of Education adopted emergency rules in September 2008 to implement the new method of funding educational services provided by eligible facilities, and subsequently adopted permanent rules in October 2008. With respect to eligible facilities, these rules allow each facility to bill for an additional one-third of PPR for Summer school programs (a total of \$9,183.45 for FY 2008-09 for a year-round program). Department rules establish a process of paying a daily rate (\$39.08); this rate is based on 176 instructional days during the regular school year, and up to 59 days for Summer school programs.

Throughout discussions concerning H.B. 08-1204 and H.B. 08-1388, Department staff assumed that the new funding mechanism would apply to both facility schools and state-operated education programs. The Department's estimates of the number of students affected by the new funding mechanism, which provided the basis for the appropriations in H.B. 08-1388, included students served through state-operated programs. However, in the process of preparing draft rules for the State Board's consideration, staff discovered that the Department lacks the statutory authority to use the new funding mechanism for state-operated programs. Further, current law is essentially silent regarding how state-operated programs should be funded.

Given the limited time available to implement these two acts, and based on the objectives of providing funding continuity and simplifying procedures for both districts and Department staff, the Department chose to draft rules which fund state-operated programs using the same mechanism established for facility schools. Based on student count data submitted to date, the Department indicates that facility schools and state-operated programs eligible to receive PPR (including the

CSDB and the two mental health institutes) are providing educational services to 1,982 FTE. The Department projects that it will require \$18,199,596 for FY 2008-09 payments, assuming the student count remains constant and all facility schools and state-operated programs serve students year-round. This compares to the appropriation of \$18,475,256. Thus, it appears likely that the Department will revert at least \$275,000 of this appropriation.

Later this month, staff from the Office of Legislative Legal Services will inform the joint Committee on Legal Services about rules that have been adopted by state agencies that lack statutory authority or conflict with current law. The annual "rule review bill" next Session will indicate that such rules will no longer be in effect May 15, 2009. Thus, the rules adopted by the Department of Education related to facility schools which lack statutory authority will expire May 15, 2009. Prior to May 15, 2009, the General Assembly will need to clarify its intent with respect to funding state-operated education programs, and the State Board will need to ensure that its rules are consistent with the legislative intent.

Staff recommends that the Committee work with the Education Committees to amend current law to use the same funding mechanism for both facility schools and state-operated programs, including the ability to receive reimbursement for Summer programs. This approach would simplify counting and funding procedures, and it would ensure that state agencies and community-based facilities receive reimbursement proportional to the educational services provided.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

BRIEFING ISSUE

INFORMATIONAL ISSUE: Unfunded Legislation

House Bill 08-1344 requires the Department to provide criminal history information for education employees however, the bill did not include an appropriations clause enabling the implementation of the provisions of the bill.

SUMMARY:

- ❑ House Bill 08-1344 requires the Colorado Department of Education (CDE) provide criminal history information for education employees within 10 business days after receiving an inquiry from a school district or charter school.
- ❑ The bill does not include an appropriation clause for FY 2008-09. However, the August 5, 2008 Legislative Council Staff Final Fiscal Note for the bill has identified FY 2008-09 expenditures to implement the legislation to be \$211,643 cash funds, including 3.0 FTE.
- ❑ For FY 2009-10, the State Board of Education requests cash funds spending authority to fund the implementation of the bill however, neither the State Board or the Department have requested supplemental funding for FY 2008-09.

DISCUSSION:

BACKGROUND INFORMATION

House Bill 08-1344 requires the Colorado Department of Education (CDE) provide criminal history information for education employees within 10 business days after receiving an inquiry from a school district or charter school. A school district shall notify the CDE within 10 business days if an employee is dismissed or resigns as a result of allegations of unlawful behavior involving a child, including unlawful sexual behavior.

Procedural Error. House Bill 08-1344 emerged from the Senate Appropriations Committee on April 29, 2008 in a form that had no fiscal impact, and thus the bill did not include an appropriation clause. On the Senate Floor, the Senate rejected the amendments adopted in Senate Appropriations (declared lost on April 29, 2008), and instead adopted an amendment offered by the bill sponsor (amendment L.026). By rejecting the amendments adopted in Senate Appropriations, the full Senate *restored* the fiscal impact of the bill. However, this bill was not then referred back to the Senate Appropriations Committee, and the Legislative Council Staff fiscal note was not revised to reflect the amended bill until after the conclusion of the legislative session. Thus, no appropriations clause was added to correspond to the changes adopted by the Senate. The House accepted the bill, as amended by the Senate, and it eventually became law.

Intent to Fund the Bill. The bill includes a safety clause, which indicates the General Assembly's intent that the bill be implemented immediately. In addition, there is evidence which indicates that it was the intent of the sponsors that the costs of implementing the legislation would be paid for by increases in educator licensing fees. The sponsor amendment (L.026) adopted by the Senate on Second Reading included the following language:

"If provisions of this subsection increase the costs for the department and the department increases educator licensing fees to address the increased costs, the increase shall be no greater than necessary and shall be included in the department's annual budget request to the joint budget committee."
[Section 22-2-119 (3) (b), C.R.S.]

Further, JBC staff, Legislative Council staff, and Legislative Legal Services staff who were involved in drafting and analyzing this legislation have all indicated that at no point did anyone (legislator or others) indicate an intention to withhold spending authority from the Department. Rather, **this appears to be a technical error** in the appropriation (i.e., the fact that there wasn't one). Had the bill been referred back to the Senate Appropriations Committee, it is likely that the fiscal impact of the amended bill would have been realized and corrected. This oversight could be attributed to the expeditious nature of the legislative process in the final days of the session and that the bill was not sent through all of the proper channels as a result.

Estimated Fiscal Impact of the Bill. The estimated fiscal impact of the bill as delineated in the Legislative Council Staff Final Fiscal Note dated August 5, 2008, identifies \$211,643 cash funds and 3.5 FTE to implement the provisions of the legislation in FY 2008-09 and \$182,178 in FY 2009-10. The bill also identifies \$64,827 reappropriated funds and 0.5 FTE to the Department of Law, for legal services, for both fiscal years to implement the bill. State revenue is from increased fees charged for educator licensing and is attributable to the Educator Licensing Cash Fund. The bill, if implemented, will likely raise fees by \$11.80 to \$71.80, or 19.7 percent.

FUNDING THE LEGISLATION

State Board of Education FY 2009-10 Request. In the comparison of budget initiatives submitted as part of the Governor's official November 1 budget request and those approved by the State Board of Education (i.e., the "side-by-side"), for FY 2009-10, the State Board has requested an increase of \$204,254 cash funds from the Educator Licensing Cash Fund and 3.0 FTE. The details of this request have not been provided to staff, but the Department indicates that it parallels the costs identified in Legislative Council Staff Final Fiscal Note dated August 5, 2008. To date, no supplemental funding has been requested by the Department. If the Department does not request supplemental funding for FY 2008-09 and did not include a request for funding in its annual budget request, the Department will be in the position of either not implementing the legislation, or implementing it and exceeding their FTE and spending authority.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

BRIEFING ISSUE

ISSUE: Funding the Division of On-line Learning

Legislation in 2007 provided two years of funding for the Division of On-line Learning, but did not provide an ongoing source of revenue to support the division's required activities after FY 2008-09.

SUMMARY:

- ❑ Senate Bill 07-215 changed the oversight, structure, and funding of public school on-line education.
- ❑ The act created the On-line Education Cash Fund and requires the General Assembly to annually appropriate moneys from this fund to support the Division of On-line Learning.
- ❑ The On-line Education Fund received two years of funding for the Division of On-line Learning, but did not provide an ongoing source of revenue to support the division's required activities after FY 2008-09.

RECOMMENDATION:

JBC staff recommends that in FY 2009-10, the On-line Division be funded with fund balance in the On-line Education Cash Fund and with State Education Fund. Further, staff recommends that the JBC introduce a bill which would: (1) repeal the On-line Education Cash Fund; (2) repeal the On-line Learning Advisory Board; and (3) formally authorize the On-line Division as a recipient of State Education Fund moneys.

DISCUSSION:

BACKGROUND INFORMATION

On-line Education. An on-line program is one that offers a full-time on-line education program or a school authorized to deliver a sequential program of synchronous or asynchronous instruction from a teacher to a student primarily through the use of technology via the Internet in a virtual or remote setting. On-line programs do not include *supplemental programs*, which are those that offer one or more on-line courses to students to augment an educational program provided by a school district, charter school, or board of cooperative services.

On-line Education Performance Audit. The November 2006 On-line Education Performance Audit identified several areas of weakness related to state on-line education oversight, quality, accreditation processes, assessments, licensing of qualified teachers, safety of students, student documentation, complaint process, and funding. The audit recommended that the Department strengthen its oversight

and awareness of the aforementioned aspects of on-line education and to work with the General Assembly to provide guidance in doing so.

Senate Bill 07-215. This bill was the culmination of the recommended changes highlighted by the audit and from the in-put from the Department and the on-line education community. The act changed the oversight, structure, and funding of public school on-line education. Specifically, the bill did the following:

- ▶ Created the *Division of On-line Learning* in the Department to support on-line programs, certify multi-district programs, and document and track complaints about on-line programs;
- ▶ Requires the State Board of Education to establish quality standards for on-line programs and created a nine-member *On-line Learning Advisory Board* to report to the State Board on the operations of on-line programs and to provide policy recommendations;
- ▶ Requires that multi-district programs be certified by the On-line Division however, single-district programs do not require certification. All entities that authorizes an on-line program must submit an annual report and must satisfy the quality standards established by the State Board of Education;
- ▶ Created the *On-line Education Cash Fund*, and it transferred to this cash fund \$830,000 of audit recoveries credited to the State Public School Fund and requires the General Assembly to annually appropriate moneys from this fund to support the Division of On-line Learning; and
- ▶ Appropriated \$418,861 from this fund and 3.5 FTE to the Department for FY 2007-08 and \$411,139 for FY 2008-09.

Thus, the bill provided for two years of funding for the new division, but it did not provide an ongoing source of revenue to support the required activities after FY 2008-09.

Appropriation to the On-line Education Division Required. Statute requires the General Assembly to appropriate moneys from the On-line Education Cash fund to support the On-line Education Division, pursuant to Section 22-30.7-107 (4) (c), C.R.S. The initial funding for this program was from audit recoveries that are otherwise credited to the State Public School Fund. School finance audit recoveries are not a sustainable or necessarily applicable funding source for a program that is required to be funded annually by the General Assembly. Given this, the two most suitable funding sources for this program are the General Fund or the State Education Fund.

General Fund or State Education Fund. Pursuant to Section 17 (4) (b) of Article IX of the Colorado Constitution, the State Education Fund (SEF) may be used for a various criteria, including accountable education reform, accountable programs to meet state academic standards, for class size reduction, for expanding technology education, improving student safety, and for accountability reporting. Given the On-line Education Division's statutory charges to evaluate on-line program quality standards, certify multi-district on-line programs, and establish reporting requirements, the On-line Division would qualify as a recipient of State Education Fund based on more than one of these criteria.

Existing Fund Balance. Senate Bill 07-215 transferred \$830,000 to the On-line Education Cash Fund in FY 2007-08 to support the Division of On-line Education for two years. The bill appropriated \$418,861 for FY 2007-08 and \$411,139 for FY 2008-09. As can be seen in the following table, due to a phased-in start-up of the program, the division only utilized 55 percent of its funding allocation in the first year and will expend 92 percent of its allocation in the current year, leaving a two-year fund balance of \$224,279. This fund balance can offset how much General Fund or State Education Fund will be needed to fund the On-line Division in FY 2009-10. This backfill is estimated to be \$152,538.

On-line Education Cash Fund Balance			
	FY 2007-08	FY 2008-09 Est.	FY 2009-10 Est.
Beginning Fund Balance	n/a	\$189,957	\$224,279
Program Funding Allocation per S.B. 07-215	418,861	411,139	0
Program Expenditures	(228,904)	(376,817)	(376,817)
Fund Balance/(General Fund or SEF Backfill)	\$189,957	\$224,279	(\$152,538)

Duplicative Appropriation. Pursuant to Section 22-30.7-107 (4) (a), C.R.S., moneys in the On-line Education Cash Fund shall be subject to annual appropriation by the general assembly to fund the Division of On-line Education. As a result of this provision, **two appropriations must be made.** One appropriation (or transfer) must be made to the cash fund from an available source with statutory authority, and then a second appropriation must be made providing spending authority to the On-line Education Cash Fund. If this cash fund were eliminated and the On-line Division were simply directly fund from either the General Fund or the State Education Fund, this duplicative appropriation would be avoided.

Sunset the On-line Learning Advisory Board. The Office of Policy, Research and Regulatory Reform (OPRRR) is statutorily charged with conducting reviews of advisory committees and evaluating whether the committee has fulfilled its statutory mandate(s) and whether there is a need for its continued existence. As mentioned above, the On-line Learning Advisory Board (OLAB) was created by S.B. 07-215 to report to the State Board on the operations of on-line programs and to provide policy recommendations. In a report issued on October 15, 2008, the OPRRR recommends that the OLAB be sunsetted as the entity has fulfilled its statutory mandates by defining the term "complete educational program" and by recommending standards to the State Board, which were adopted. The OPRRR report indicates that *since the OLAB has fulfilled its statutory mandates,*

nothing remains for it to do. Further, the OPRRR report considers, in light of its recommendation to sunset the OLAB, that due to the fact that on-line education is a rapidly evolving field, both in terms of applicable technology and the way in which student achievement is measured and monitored, the On-line Division or the State Board can convene ad hoc committees to address issues if necessary.

Decision Item. The Department has submitted, as Non-Prioritized Decision Item #8, a request to transfer \$376,817 General Fund to the On-line Education Cash Fund to remedy the necessary ongoing funding of the On-line Division. The November 1 budget submission includes a request for a continuation cash funds appropriation of \$376,817, but not a request for a like appropriation of General Fund. Thus, this transfer does not appear to be within the statutory six percent limit on General Fund appropriations, pursuant to Section 24-75-201.1, C.R.S. (Arveschoug/Bird).

RECOMMENDATION

JBC staff recommends that in FY 2009-10, the On-line Division be funded with fund balance in the On-line Education Cash Fund and with State Education Fund. Further, staff recommends that the JBC introduce a bill which would enact the following:

- ▶ Repeal the On-line Education Cash Fund, created in Section 22-30.7-107 (4) (a) C.R.S., at the end of FY 2009-10;
- ▶ Repeal the On-line Learning Advisory Board, created in Section 22-30.7-104 (1), C.R.S, at the end of FY 2008-09 (current year); and
- ▶ Add language, or convey the intent, that the On-line Education Division is an important element of accountable programs to meet state academic standards and is thus an authorized recipient of State Education Fund moneys.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

BRIEFING ISSUE

INFORMATIONAL ISSUE: State Board of Education Appropriation

An overview of the State Board of Education's FY 2008-09 appropriation and expenditure drivers.

SUMMARY:

- ❑ Prior to FY 2008-09, the State Board of Education has historically been funded out of a very large consolidated general administration line item, offering the Department latitude with which to fund the State Board of Education's operational costs.
- ❑ In FY 2008-09, in an effort to reorganize the Long Bill, a new line item was created for expenses related to the State Board of Education. The amount appropriated was approximately 25 percent less than the State Board's expenditures in prior years.
- ❑ The State Board of Education has eliminated reimbursement for out-of-state travel, limited in-state activities, discontinued national organization memberships, and has taken other administrative cost-avoidance measures in order to stay within its annual appropriation.
- ❑ The State Board of Education is requesting supplemental funding for the current year to cover remaining State Board commitments and unanticipated expenses and is requesting an increase in funding for FY 2009-10.

DISCUSSION:

BACKGROUND INFORMATION

Current Funding. In FY 2008-09, in an effort to reorganize the Long Bill to group like line items, a new program line was created named, "State Board of Education" and was appropriated \$227,909 and 2.0 FTE, including \$140,283 for personal services, \$57,626 for operating expenses, and \$30,000 for travel expenses. Of this appropriation, \$220,283 is General Fund and \$7,626 is from the State Education Fund. Moneys from the State Education Fund were appropriated to the SBE to meet four times to adopt the standards and definitions related to the development of school and workforce readiness guidelines for assessments of children progressing through the public education system, pursuant to S.B. 08-212 (Alignment of Preschool to Post-secondary Education).

Historical Funding. Prior to the creation of this new line item in FY 2008-09, funding was provided for the State Board of Education (SBE) in the Long Bill within the much larger consolidated and still extant program line named "General Department and Program Administration". In FY 2007-08, this consolidated program line item was appropriated \$7.0 million (including \$5.2 General Fund), supporting 82.0 FTE performing a myriad of functions related to the following: (1) supporting the

State Board of Education; (2) the administration of a variety of education- and library-related programs; and (3) general department administration, including human resources, budgeting, accounting, information management, and facilities maintenance.

Significant Latitude. Because prior to FY 2008-09 funding for the State Board was within a much larger general administration line item, the Department was given significant latitude with which it had authority to fund all of the functions within the large "General Department and Program Administration" appropriation. As a consequence of this flexibility, and due to a lack of accounting consistency of the SBE's expenses over time, it has been difficult for current Department staff to accurately determine how much the SBE has historically expended, but staff indicates that the SBE has likely expended on average \$300,000 per annum. This estimate indicates that the current appropriation is approximately one-fourth less than was historically expended by the SBE.

STATE BOARD EXPENDITURE DRIVERS

Requirement to Meet. Pursuant to Section 22-2-105 (4), C.R.S., the State Board of Education shall meet at least quarterly and at such other times as may be necessary, upon call of the chairman or the commissioner or by a majority vote of its members. Although not required, the State Board has generally met monthly to accommodate the need for rulemaking and decision-making as a result of significant volume and complexity of legislation.

Necessary Expenses. Pursuant to Section 22-2-105 (3), C.R.S., members of the State Board of Education shall serve without compensation but shall be reimbursed for any *necessary expenses* incurred by them in the performance of their duties as members. The expenses for which the state board members seek reimbursement on a monthly basis fall into three general categories: (1) travel (in state and out of state, mileage, meals and lodging); (2) attendance at official functions; and (3) reimbursement for office related expenses.

Distance from Elected Official's Domicile to Denver SBE Office. As is provided on the SBE website (<http://www.cde.state.co.us/cdeboard/download/SBEDutiesandCosts.pdf>). The costs from board member to board member vary primarily based on the location of the board member's domicile. For example, the board members representing the 3rd and 5th Congressional Districts are higher than those of the 1st and 2nd because of the proximity to Denver where most meetings are held. The table below, which is a reproduction of what is provided on the SBE website, shows the approximate mileage and travel details from the board member's domicile to the SBE office located in central Denver. Mileage is reimbursed at a standard percentage designated by the State of Colorado (\$0.53 per mile for a two-wheel-drive vehicle and \$0.56 for a four-wheel-drive vehicle).

SBE Member (Congressional District)	Description of Travel Requirements
Pamela Jo Suckla, Chairman (3rd)	Cortez to Denver -- 391 miles round-trip Driving time approx. 9 hours; approx. cost of airfare is \$400.00.
Bob Schaffer, Vice Chairman (4th)	Fort Collins to Denver -- 117 miles round-trip
Evie Hudak (2nd)	Westminster to Denver -- 26 miles round-trip

SBE Member (Congressional District)	Description of Travel Requirements
Randy DeHoff (6th)	Littleton to Denver -- 29 miles round-trip
Peggy Littleton (5th)	Colorado Springs to Denver -- 130 miles round-trip
Elaine Gantz Berman (1st)	Within Denver -- 5 miles round-trip
Jane Goff (7th)	Arvada to Denver -- 30 miles round-trip

Member Discretion. Upon reviewing expenses incurred by each SBE member, while some costs are clearly the result of distance of the members' domicile to Denver, another key component is the level of engagement in activities related to serving on the Board varies among the members. While some members have substantial involvement with SBE-related activities, some other members do not. Thus, those members whom participate in greater SBE-related events have in turn greater expenses than those whom choose to participate less. In addition, some members do not submit reimbursable expenses, while others do. Due to the discretionary nature of expenditures, the amount reimbursed depends on individual members, which makes estimating future Board expenses difficult as new member may opt to participate heavily and thus have a commensurate level of reimbursable expenditures.

SBE Role in Education Policy. In the case of *The Board of Education, Dist. No. 1 v. Booth*, (Colorado 1999), the Supreme Court held that the framers of the Colorado Constitution intended the State Board serve as both a conduit of and a source for educational information and policy. Thus, it has been argued that the State Board of Education must have the ability to inform itself on a local and national level by involvement in various educational organizations to receive necessary information and training to assist the State Board in serving as a conduit and source of educational information and policy.

National Organizations. The SBE's primary duty is to exercise general supervision over the public schools of the state and the educational programs maintained and operated by all state governmental agencies for persons who have not completed the twelfth-grade level of instruction, pursuant to Section 22-2-106 (1) (a), C.R.S. As a result of this authority, the SBE has historically participated in several professional affiliations to better inform itself on a local and national level by being involved with the leading organizations that drive education policy. The two primary organizations the SBE participated with include the National Association of State Boards of Education (NASBE) and the National Organization of State School Trust Lands.

- ▶ **National Association of State Boards of Education (NASBE)**, is a leading non-profit organization which provides assistance to state leadership in educational policymaking, promotes the quality of education to all students, and facilitates dialogue with Congress, federal executive agencies, business and industry, national associations, and other state decision makers (chief state school officers, state legislators, and governors), and provides the SBE access to influencing the education policymaking process on state and national levels. One of the key benefits of membership includes the New Board Member Institute which is a three-day workshop that provides Board Membership with necessary board-related training. The annual membership fee is \$26,582.

- ▶ **The National Organization of State School Trust Lands**, which is also known as The Children's Land Alliance Supporting Schools (CLASS), is a non-profit organization to promote awareness on a national level of state school trust lands. The Colorado CLASS chapter includes representatives of the State Board of Education, the Board of Land Commissioner, the Office of the Treasurer, the Colorado Children's Campaign, the Colorado Association of School Boards, the Colorado Education Association, Parent Teachers Association, and Colorado Association of School Executives, and others. Colorado CLASS believes it has had a direct impact on a increasing public awareness of the state school trust lands, and provided an important involvement in the protection and growth of the State Public School Fund (permanent fund). The State Board cites that its involvement with Colorado CLASS familiarized it with the permanent fund and state trust lands in Colorado which caused it to play a central role in the drafting of H.B. 08-1335 (Building Excellent Schools Today Act). The act requires the State Board to approve projects and funding recommended by the Public School Capital Construction Assistance Board to provide state financial assistance for public school capital construction projects. The annual membership fee for Colorado CLASS is \$350.

STATE BOARD OF EDUCATION COST-AVOIDANCE MEASURES

The State Board of Education has taken several steps to operate within its appropriation. Some of the cost-avoidance measures taken by the State Board include:

- ▶ Ending reimbursement for out-of-state travel and have limited in-state activities;
- ▶ Resigned leadership in national organizations to avoid costs that are incurred as a result of associated responsibilities;
- ▶ Cancelled a board meeting and also have used teleconferencing for a board meeting;
- ▶ Notified NASBE and CLASS that it will not renew its membership in 2009;
- ▶ Withholding salary increases for the office director;
- ▶ Declined to host the CSAP press conference;
- ▶ Declined to contribute to the recognition event for perfect scores on the ACT exam; and
- ▶ Deferred replacement of computer equipment.

SBE REQUEST FOR SUPPLEMENTAL FY 2008-09 APPROPRIATION

In the comparison of budget initiatives submitted as part of the Governor's official November 1 budget request and those approved by the State Board of Education (i.e., the "side-by-side"), the State Board has requested a supplemental increase of \$27,278 General Fund for FY 2008-09. The Department has identified that of this amount, \$17,318 reflects projected costs related to remaining State Board commitments (i.e., meetings, new board member costs, other expenses), and \$9,960 is as a result of unanticipated costs related to temporary services and equipment failure.

SBE REQUEST FOR FY 2009-10 INCREASE

In the comparison of budget initiatives submitted as part of the Governor's official November 1 budget request and those approved by the State Board of Education (i.e., the "side-by-side"), the State Board has requested an increase of \$95,693 General Fund for FY 2009-10. The details of this request have not been provided to staff.

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
 Department of Education
 APPENDIX A: NUMBERS PAGES**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]

DEPARTMENT OF EDUCATION
Commissioner: Dwight D. Jones

(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, the Facility accountability programs, as well as funding associated with the State Charter School Institute. The primary source of cash funds is the Educator Licensure Cash Fund and the primary source of reappropriated funds consist primarily of indirect cost recoveries and transfers of funds from various cash- and federally-funded line items. Federal funds are from a variety of sources.

NOTE: The line items in this section are reflected in the order of the FY 2008-09 Long Bill (H.B. 08-1375).

(A) Administration and Centrally-Appropriated Line Items

State Board of Education	Included in General Department and Program Administration line item, below	227,909	225,494	
FTE		<u>2.0</u>	<u>2.0</u>	
General Fund		220,283	225,494	
FTE		2.0	2.0	
Cash Funds (State Education Fund)		7,626	0	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
General Department and Program Administration a/	6,704,514	6,765,685	3,619,883	3,808,883	
FTE	<u>74.6</u>	<u>74.2</u>	<u>40.9</u>	<u>41.8</u>	
General Fund	5,173,884	5,206,496	2,253,857	2,536,307	DI #3,DI #NP-5
FTE	57.7	57.1	26.9	27.8	DI #3
Cash Funds	121,654	94,582	98,109	101,625	
FTE	1.5	1.0	1.5	1.1	
Cash Funds Exempt/ Reappropriated Funds	1,408,976	1,464,607	1,267,917	1,170,951	DI #NP-5
FTE	15.4	16.1	12.5	12.9	
Cash Funds Exempt (State Public School Fund)	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Office of Professional Services - CF b/	1,690,668	1,502,563	1,681,343	1,731,264	DI #NP-5
FTE	18.2	17.7	20.0	20.0	
Teaching and Learning Conditions Survey - CF (SEF)	n/a	n/a	85,000	0	
Division of On-line Learning c/	n/a	228,904	376,817	376,817	
FTE		<u>1.9</u>	<u>3.5</u>	<u>3.5</u>	
General Fund		0	0	0	
FTE		0.0	0.0	0.0	
Cash Funds		0	376,817	376,817	DI #NP-8
FTE		0.0	3.5	3.5	
Cash Funds Exempt		228,904	0	0	
FTE		1.9	0.0	0.0	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests[#]
Facility Schools Unit and Facility Schools Board FTE	n/a	n/a	523,568 <u>3.0</u>	See Assistance to Public Schools section	
Cash Funds (State Education Fund) FTE			523,568 3.0		
Reappropriated Funds FTE			0 0.0		
Health, Life, and Dental	<u>901,195</u>	<u>1,154,353</u>	<u>2,493,798</u>	<u>2,661,462</u>	
General Fund	853,003	1,041,804	1,353,923	1,444,951	
Cash Funds	48,192	64,203	78,978	84,288	
Cash Funds Exempt/ Reappropriated Funds	0	48,346	181,181	193,362	
Federal Funds	0	0	879,716	938,861	
Short-term Disability		<u>17,882</u>	<u>38,953</u>	<u>39,440</u>	
General Fund	Included in GD&PA	15,428	18,917	19,152	
Cash Funds	line item, above	1,344	1,259	1,274	
Cash Funds Exempt/ Reappropriated Funds		1,110	3,711	3,759	
Federal Funds		0	15,066	15,255	
S.B. 04-257 Amortization Equalization Disbursement	<u>110,460</u>	<u>162,567</u>	<u>481,492</u>	<u>606,762</u>	
General Fund	93,689	138,453	234,882	295,978	
Cash Funds	8,298	12,402	15,501	19,538	
Cash Funds Exempt/ Reappropriated Funds	8,473	11,712	45,677	57,582	
Federal Funds	0	0	185,432	233,664	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement c/	n/a	<u>29,736</u>	<u>221,066</u>	<u>379,226</u>	
General Fund		24,724	105,468	180,890	
Cash Funds		2,584	7,266	12,477	
Cash Funds Exempt/ Reappropriated Funds		2,428	21,411	36,747	
Federal Funds		0	86,921	149,112	
Salary Survey and Senior Executive Serv	<u>434,839</u>	<u>560,078</u>	<u>1,044,492</u>	<u>810,176</u>	
General Fund	379,405	487,114	521,835	404,768	
Cash Funds	33,632	39,407	35,413	27,469	
Cash Funds Exempt/ Reappropriated Funds	21,802	33,557	100,530	77,978	
Federal Funds	0	0	386,714	299,961	
Performance-based Pay Awards	<u>0</u>	<u>166,238</u>	<u>403,242</u>	<u>0</u>	
General Fund	0	134,965	165,482	0	
Cash Funds	0	16,467	14,928	0	
Cash Funds Exempt/ Reappropriated Funds	0	14,806	44,261	0	
Federal Funds	0	0	178,571	0	
Workers' Compensation	<u>43,321</u>	<u>47,443</u>	<u>252,848</u>	<u>253,232</u>	
General Fund	32,238	27,160	123,120	123,307	DI #NP-3
Cash Funds	10,063	7,871	10,013	10,028	DI #NP-3
Cash Funds Exempt/ Reappropriated Funds	1,020	12,412	19,588	19,618	DI #NP-3
Federal Funds	0	0	100,127	100,279	DI #NP-3
Legal Services		<u>329,748</u>	<u>380,878</u>	<u>347,083</u>	
General Fund	Included in GD&PA	168,562	179,489	179,489	
Cash Funds	line item, above	130,689	201,389	167,594	
Cash Funds Exempt/ Reappropriated Funds c/		30,497	0	0	
Hours c/		4,865.7	5,287.8	4,621.6	
Administrative Law Judge Services	<u>73,878</u>	<u>44,357</u>	<u>46,498</u>	<u>49,391</u>	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
 Department of Education
 APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSPB Request	Change Requests [#]
Cash Funds	15,514	9,314	17,076	18,138	DI #NP-4
Cash Funds Exempt/ Reappropriated Funds	58,364	35,043	29,422	31,253	DI #NP-4
Payment to Risk Management and Property Funds	<u>80,947</u>	<u>79,193</u>	<u>131,213</u>	<u>131,213</u>	
General Fund	64,692	70,412	114,999	114,999	
Cash Funds	7,387	3,613	5,987	5,987	
Cash Funds Exempt/ Reappropriated Funds	8,868	5,168	10,227	10,227	
Federal Funds	0	0	0	0	
Leased Space	<u>0</u>	<u>0</u>	<u>11,500</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds (State Education Fund)	0	0	11,500	0	
Cash Funds Exempt/ Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Capitol Complex Leased Space	<u>190,009</u>	<u>230,947</u>	<u>557,256</u>	<u>589,383</u>	
General Fund	114,139	161,857	168,066	177,756	DI #NP-2
Cash Funds	38,699	43,720	60,986	64,501	DI #NP-2
Cash Funds Exempt/ Reappropriated Funds	37,171	25,370	38,870	41,112	DI #NP-2
Federal Funds	0	0	289,334	306,014	DI #NP-2
Reprinting and Distributing Laws Concerning Education - CF (State Public School Fund)	32,173	35,019	35,480	35,480	
Emeritus Retirement - GF	21,607	12,273	12,793	12,793	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
(B) Information Technology					
Information Technology Services	Included in various line items		1,435,888	1,489,697	
FTE			<u>17.0</u>	<u>17.0</u>	
General Fund			923,302	962,551	
FTE			11.3	11.3	
Cash Funds Exempt/ Reappropriated Funds			512,586	527,146	
FTE			5.7	5.7	
School Accountability Reports and State Data Reporting System	1,284,243	1,366,441	1,318,735	1,304,138	
FTE	<u>2.5</u>	<u>2.8</u>	<u>3.0</u>	<u>3.0</u>	
General Fund	1,284,243	1,274,795	1,318,735	1,304,138	DI #11
FTE	2.5	2.8	3.0	3.0	
Cash Funds Exempt (State Public School Fund)	0	91,646	0	0	
Purchase of Services from Computer Center - GF	0	648	47,628	47,628	
Multiuse Network Payments - GF	0	34,639	35,952	35,952	
Information Technology Asset Maintenance	<u>90,606</u>	<u>306,813</u>	<u>90,697</u>	<u>303,830</u>	
General Fund	90,606	140,697	90,697	303,830	DI #6
Cash Funds (State Public School Fund)	0	0	0	0	
Cash Funds Exempt (State Public School Fund)	0	166,116	0	0	
Disaster Recovery - GF	18,701	15,667	19,722	19,722	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSPB Request	Change Requests [#]
(C) Assessments and Data Analyses					
Colorado Student Assessment Program	21,353,655	20,765,557	20,312,396	20,332,451	
FTE	<u>4.2</u>	<u>7.6</u>	<u>7.0</u>	<u>7.0</u>	
General Fund	15,709,849	14,909,506	15,719,422	15,727,544	
FTE	0.0	5.5	5.0	5.0	
Federal Funds	5,643,806	5,856,051	4,592,974	4,604,907	
FTE	4.2	2.1	2.0	2.0	
Federal Grant for State Assessments and Related Activities - FF	593,798	164,148	2,140,496	2,161,644	
FTE	5.6	1.6	5.7	5.7	
Longitudinal Analyses of Student Assessment Results GF	187,090	271,659	286,732	292,820	
FTE	1.7	2.0	3.0	3.0	
Preschool to Postsecondary Education Alignment - CF (SEF)	n/a	n/a	534,827	577,883	
FTE			5.0	5.0	
Postsecondary and Workforce Readiness Assessments Pilot Program - CF (SEF)	n/a	n/a	250,000	0	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
 Department of Education
 APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSPB Request	Change Requests [#]
(D) State Charter School Institute					
State Charter School Institute Administration, Oversight, and Management - CFE/RF (via SCSI Fund)	456,531	829,433	1,738,844	1,764,044	
FTE	2.6	4.6	13.0	15.0	DI #8
Direct Administrative and Support Services Provided by the Department to the State Charter School Institute - CFE/RF (from above line item)	54,784	0	99,686	0	DI #8
FTE	0.6	0.0	2.0	0.0	DI #8
Other Transfers to Institute Charter Schools - CFE/RF (via SCSI Fund)	601,906	936,015	2,304,000 d/	3,151,137	DI #10
Department Implementation of Section 22-30.5-501 et seq., C.R.S. - CFE/RF (transfer from State Share line item)	313,793	351,480	734,458	743,436	
FTE	3.0	2.9	5.0	5.0	
Other					
Civic Education - CFE (SEF)	190,926	199,881			
Financial Literacy - CFE (SEF)	40,000	22,645	See Assistance to Public Schools Section		

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
					<i>Request v. Appropriation</i>
SUBTOTAL - MANAGEMENT AND ADMINISTRATION	35,238,718	36,409,486	43,976,090	44,282,481	0.7%
FTE	<u>113.0</u>	<u>115.3</u>	<u>130.1</u>	<u>128.0</u>	<u>-1.6%</u>
General Fund	24,023,146	24,136,859	23,915,304	24,410,069	2.1%
FTE	61.9	67.4	51.2	52.1	1.8%
Cash Funds	2,006,280	1,963,778	4,053,066	3,234,363	-20.2%
FTE	19.7	18.7	33.0	29.6	-10.3%
CF - State Education Fund (included above)	0	0	1,412,521	577,883	-59.1%
CF - State Public School Fund (included above)	32,173	35,019	35,480	35,480	0.0%
Cash Funds Exempt/ Reappropriated Funds	2,971,688	4,288,650	7,152,369	7,828,352	9.5%
FTE	21.6	25.5	38.2	38.6	1.0%
CFE - State Education Fund (included above)	0	0	n/a	n/a	
CFE - State Public School Fund (incl. above)	0	257,762	n/a	n/a	
Federal Funds	6,237,604	6,020,199	8,855,351	8,809,697	-0.5%
FTE	9.8	3.7	7.7	7.7	0.0%

a/ This consolidated line item provides funding for the majority of state-funded staff, who are responsible for supporting the State Board of Education, administering a variety of library and education-related programs, as well as general department administration.

b/ This consolidated line item provides funding for staff who are responsible for administering educator licensure programs and for related expenditures, including the purchase of legal services.

c/ For both FY 2007-08 and FY 2008-09, the Department's budget request reflects \$30,497 cash funds exempt for the Division of On-line Learning to purchase 450 hours of legal services in the Division's line item. Staff has instead reflected this amount in the Purchase of Legal Services line item. The Department does not object to this approach.

d/ FY 2008-09 appropriation includes \$1,082,000 approved by Joint Budget Committee September 2008.

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSP Request	Change Requests [#]
(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			1,564,555	1,591,763	
FTE		Included in General Department	<u>19.0</u>	<u>19.0</u>	
General Fund		and Program Administration line item, above	1,145,439	1,184,877	
FTE			13.0	13.0	
Cash Funds (State Education Fund)			419,116	406,886	
FTE			6.0	6.0	
Declining Enrollment Study - CF (SEF)	n/a	n/a	200,000	0	
Funded Pupil Count (FTE)	753,065.2	760,884.2	776,017.0 a/	789,089.1	
Percent Change	1.6%	2.6%	2.0%	1.7%	
Denver-Boulder Inflation Rate (prior CY)	2.1%	3.6%	2.2%	3.7%	
Statewide BASE Per Pupil Funding	\$ 4,863.87	\$ 5,087.61	\$ 5,270.13	\$ 5,517.83	
Percent Change	3.1%	7.8%	3.6%	4.7%	
MINIMUM Per Pupil Funding	\$ 5,865.00	\$ 6,279.02	\$ 6,528.08	\$ 6,855.04	
Percent Change	3.1%	10.4%	4.0%	5.0%	
Statewide AVERAGE Per Pupil Funding	\$ 6,359.16	\$ 6,661.05	\$ 6,904.49	\$ 7,225.38	
Percent Change	3.1%	8.0%	3.7%	4.6%	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests[#]
Total Program	4,788,862,198	5,068,284,706	5,358,000,877	5,701,469,362	
<i>Percent Change</i>	4.7%	10.9%	5.7%	6.4%	
Local Share of Total Program Funding b/ <i>Percent Change</i>	1,730,267,009 1.6%	1,915,971,895 12.5%	1,965,055,671 2.6%	2,097,104,106 6.7%	
State Share of Districts' Total Program Funding c/	<u>3,058,595,189</u>	<u>3,152,312,811</u> d/	<u>3,392,945,206</u>	<u>3,604,365,256</u>	DI #1
General Fund	2,575,695,304	2,790,148,902	2,956,632,563	3,076,577,922	
<i>General Fund Exempt Account (included above)</i>	425,068,380	327,600,000	369,000,000	369,000,000	
Cash Funds (State Education Fund)			360,264,860	451,739,551	
Cash Funds (State Public School Fund)	9,491,876	9,491,876	76,047,783	76,047,783	
Cash Funds Exempt (State Education Fund)	299,779,516	259,063,033			
Cash Funds Exempt (State Public School Fund)	173,628,493	93,609,000			
Additional State Aid Related to Locally Negotiated Business Incentive Agreements (BIAs) - GF e/	904,942	0	418,016	0	
Military Dependent Supplemental Pupil Enrollment Aid - GF	n/a		See Grant Pgms., Distributions, and Other Assistance subsection	1,818,517	
Hold-harmless Full-day Kindergarten Funding - CF (SEF)	n/a	n/a	See Grant Pgms., Distributions, and Other Assistance subsection	6,902,069	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSPB Request	Change Requests [#]
					<i>Request v. Appropriation</i>
Subtotal - Public School Finance	3,059,500,131	3,152,312,811	3,395,127,777	3,614,677,605	6.5%
FTE	0.0	0.0	19.0	19.0	0.0%
General Fund	2,576,600,246	2,790,148,902	2,958,196,018	3,079,581,316	4.1%
<i>General Fund Exempt Account (included above)</i>	425,068,380	327,600,000	369,000,000	369,000,000	0.0%
FTE	0.0	0.0	13.0	13.0	0.0%
Cash Funds	9,491,876	9,491,876	436,931,759	535,096,289	22.5%
FTE	0.0	0.0	6.0	6.0	0.0%
<i>CF - State Education Fund (included above)</i>	0	0	360,883,976	459,048,506	27.2%
<i>CF - State Public School Fund (included above)</i>	9,491,876	9,491,876	76,047,783	76,047,783	0.0%
Cash Funds Exempt/ Reappropriated Funds	473,408,009	352,672,033	0	0	0.0%
<i>CFE - State Education Fund (included above)</i>	299,779,516	259,063,033			
<i>CFE - State Public School Fund (incl. above)</i>	173,628,493	93,609,000			
<i>Change in State Share</i>	6.6%	3.0%	7.6%	6.2%	
<i>Change in General Fund Portion of State Share Appropriation</i>	3.9%	8.3%	6.0%	4.0%	
<i>State Aid as Percent of Districts' Total Program Funding</i>	63.9%	62.2%	63.3%	63.2%	

a/ Pursuant to Section 22-28-104, C.R.S., the funded pupil count includes 10,080.0 FTE for the 20,160 ½-day slots authorized for the Colorado Preschool Program for FY 08-09 and FY 09-10.

b/ These amounts have not been reduced by the amount of revenues that are not collected by districts pursuant to BIAs.

c/ Actual expenditures for FY 2007-08 include \$250,000 that the Department was statutorily authorized to use "off-the-top" to make payments to Legislative Council staff to conduct the biennial cost-of-living study.

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSP Request	Change Requests [#]
<p>d/ Actual state share payments totaled \$3,152,408,981 for FY 2007-08. Pursuant to Section 22-54-114 (3) and (4), C.R.S., the difference between actual payments and the amount appropriated (\$301,796) does not revert to the General Fund. Instead, 50 percent (\$150,898) is transferred to the Comprehensive Health Education Fund and 50 percent remains available in the State Public School Fund.</p>					
<p>e/ Actual expenditures reflect the actual amounts paid to school districts related to these agreements. In both FY 2006-07 and FY 2007-08, appropriations fell short of the full amount districts were eligible to receive (by \$845,430 in FY 2006-07 and by \$450,112 in FY 2007-08). The Department estimates that districts will be eligible to receive \$418,016 and \$332,847 for FY 2008-09 and FY 2009-10, respectively, if the General Assembly appropriates funding for such purpose.</p>					
(B) Categorical Programs					
(I) District Programs Required by Statute					
Special Education - Children with Disabilities	271,411,950	282,426,975	280,169,837	286,696,132	
FTE	<u>62.7</u>	<u>56.7</u>	<u>64.5</u>	<u>64.5</u>	
General Fund a/	99,572,375	99,011,021	99,572,376	99,572,376	
Cash Funds (State Education Fund)			27,789,749	30,457,189	DI #2
Cash Funds (local funds) a/		561,355	not appropriated	not appropriated	
Cash Funds Exempt (State Education Fund)	16,380,950	22,408,062			
Cash Funds Exempt/ Reappropriated Funds	105,416	153,010	98,768	101,812	
FTE	0.5	0.5	0.5	0.5	
Federal Funds	155,353,209	160,293,527	152,708,944	156,564,755	
FTE	62.2	56.2	64.0	64.0	
<i>State Funding Portion of Appropriation</i>	<i>115,953,325</i>	<i>121,419,083</i>	<i>127,362,125</i>	<i>130,029,565</i>	
<i>Annual Change in State Funding</i>	<i>5.2%</i>	<i>4.7%</i>	<i>4.9%</i>	<i>2.1%</i>	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
English Language Proficiency Program	16,769,779	20,462,733	19,901,227	21,640,331	
FTE	<u>4.2</u>	<u>4.6</u>	<u>4.6</u>	<u>4.6</u>	
General Fund a/	4,657,644	4,643,799	4,657,644	4,657,644	
FTE	0.0	0.0	0.0	0.0	
Cash Funds (State Education Fund)			3,954,413	5,682,290	DI #2
Cash Funds (local funds) a/		13,845	not appropriated	not appropriated	
Cash Funds Exempt (State Education Fund)	1,475,253	2,561,953			
Federal Funds	10,636,882	13,243,136	11,289,170	11,300,397	
FTE	4.2	4.6	4.6	4.6	
<i>State Funding Portion of Appropriation</i>	<i>6,132,897</i>	<i>7,205,752</i>	<i>8,612,057</i>	<i>10,339,934</i>	
<i>Annual Change in State Funding</i>	<i>51.7%</i>	<i>17.5%</i>	<i>19.5%</i>	<i>20.1%</i>	
 (II) Other Categorical Programs					
Federal Special Education Grant for Infants, Toddlers, and Their Families - FF	664,643		Appropriated to the Department of Human Services		
FTE	1.1				
Public School Transportation	42,932,056	45,329,830	45,858,842	49,937,267	
FTE	<u>0.0</u>	<u>0.0</u>	<u>2.0</u>	<u>2.0</u>	
General Fund	38,142,072	38,744,438	38,079,601	38,085,331	
FTE	0.0	0.0	2.0	2.0	
Cash Funds (State Education Fund)			7,329,241	11,401,936	DI #2
Cash Funds (Public School Transportation Fund)			450,000	450,000	
Cash Funds Exempt (Public School Transportation Fund)	0	450,000			
Cash Funds Exempt (State Education Fund)	4,789,984	6,135,392			
<i>State Funding Portion of Appropriation</i>	<i>42,932,056</i>	<i>44,879,830</i>	<i>45,408,842</i>	<i>49,487,267</i>	
<i>Annual Change in State Funding</i>	<i>3.2%</i>	<i>4.5%</i>	<i>1.2%</i>	<i>9.0%</i>	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
Transfer to the Department of Higher Education for Distribution of State Assistance for Vocational Education	<u>20,635,922</u>	<u>21,208,319</u>	<u>21,672,472</u>	<u>22,419,294</u>	
General Fund	18,349,048	18,349,048	18,349,048	18,349,048	
Cash Funds (State Education Fund)			3,323,424	4,070,246	DI #2
Cash Funds Exempt (State Education Fund)	2,286,874	2,859,271			
<i>Annual Change in State Funding</i>	<i>3.2%</i>	<i>2.8%</i>	<i>2.2%</i>	<i>3.4%</i>	
Special Education - Gifted and Talented Children	<u>7,808,035</u>	<u>7,997,177</u>	<u>8,396,099</u>	<u>8,694,992</u>	
General Fund a/	7,049,291	7,027,087	7,050,000	7,050,000	
Cash Funds (State Education Fund)			1,346,099	1,644,992	DI #2
Cash Funds (local funds) a/		22,913	not appropriated	not appropriated	
Cash Funds Exempt (State Education Fund)	758,744	947,177			
<i>Annual Change in State Funding</i>	<i>0.0%</i>	<i>2.4%</i>	<i>5.0%</i>	<i>3.6%</i>	
Expelled and At-risk Student Services Grant Program	6,254,571	6,329,236	6,340,676	6,843,560	
FTE	<u>0.0</u>	<u>0.8</u>	<u>1.0</u>	<u>1.0</u>	
General Fund	5,787,158	5,832,872	5,844,312	5,847,196	
FTE	0.0	0.8	1.0	1.0	
Cash Funds (State Education Fund)			496,364	996,364	DI #2
Cash Funds Exempt (State Education Fund)	467,413	496,364			
<i>Annual Change in State Funding</i>	<i>-0.5%</i>	<i>1.2%</i>	<i>0.2%</i>	<i>7.9%</i>	
Small Attendance Center Aid	<u>961,817</u>	<u>943,333</u>	<u>943,333</u>	<u>943,333</u>	
General Fund a/	834,479	767,755	834,479	834,479	
Cash Funds (State Education Fund)			108,854	108,854	
Cash Funds (local funds) a/		66,724	not appropriated	not appropriated	
Cash Funds Exempt (State Education Fund)	127,338	108,854			
<i>Annual Change in State Funding</i>	<i>8.1%</i>	<i>-8.9%</i>	<i>0.0%</i>	<i>0.0%</i>	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
Comprehensive Health Education	599,688	599,347	705,396	1,005,396	DI #2
FTE	<u>0.1</u>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>	
General Fund	300,000	300,000	100,000	100,000	
Cash Funds (State Education Fund)			105,396	605,396	
Cash Funds Exempt (State Education Fund)					
FTE					
Cash Funds (Comprehensive Health Education)			500,000	300,000	
FTE			1.0	1.0	
Cash Funds Exempt (Comprehensive Health Education Fund)	299,688	299,347			
FTE	0.1	0.0			
<i>Annual Change in State Funding</i>	<i>-0.1%</i>	<i>-0.1%</i>	<i>17.7%</i>	<i>42.5%</i>	
<i>Minimum Inflationary Increase for Categorical Programs Required by Section 17 of Article IX of the State Constitution</i>				<i>\$10,313,727 included in above line items</i>	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSP Request	Change Requests [#]
					<i>Request v. Appropriation</i>
Subtotal - Categorical Programs	368,038,461	385,296,950	383,987,882	398,180,305	3.7%
FTE	<u>68.1</u>	<u>62.1</u>	<u>73.1</u>	<u>73.1</u>	<u>0.0%</u>
General Fund	174,692,067	174,676,020	174,487,460	174,496,074	0.0%
FTE	0.0	0.8	3.0	3.0	0.0%
Cash Funds	0	664,837	45,403,540	55,717,267	22.7%
FTE	0.0	0.0	1.0	1.0	0.0%
<i>CF - State Education Fund (included above)</i>			<i>44,453,540</i>	<i>54,967,267</i>	<i>23.7%</i>
Cash Funds Exempt/ Reappropriated Funds	26,691,660	36,419,430	98,768	101,812	3.1%
FTE	0.6	0.5	0.5	0.5	0.0%
<i>CFE - State Education Fund (included above)</i>	<i>26,286,556</i>	<i>35,517,073</i>			
Federal Funds	166,654,734	173,536,663	163,998,114	167,865,152	2.4%
FTE	67.5	60.8	68.6	68.6	0.0%
<i>State Funding for Categorical Programs</i>	<i>201,278,311</i>	<i>210,582,077</i>	<i>219,441,000</i>	<i>229,763,341</i>	
<i>Annual Change in State Funding</i>	<i>5.1%</i>	<i>4.6%</i>	<i>4.2%</i>	<i>4.7%</i>	

a/ In some districts, local tax revenues more than offset the amount needed for total program funding pursuant to the school finance formula. In these cases, pursuant to Section 22-54-107 (2), C.R.S., the excess tax revenues are used to offset state programs (referred to as "categorical buyout"). For FY 2007-08, affected districts spent a total of \$664,837 in local tax categorical programs; the General Fund appropriation for each of these programs was reduced by the same amount, and these were instead distributed to districts to offset public school transportation expenses.

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSP Request	Change Requests [#]
(C) Grant Programs, Distributions, and Other Assistance					
<i>NOTE: The line items in this subsection are reflected in the order of the FY 2008-09 Long Bill (H.B. 08-1375).</i>					
(I) Health and Nutrition					
Federal Nutrition Programs		State-funded staff included in GDP&A line item;	96,122,947	108,638,251	
FTE		Federal funds included in Appropriated	<u>8.0</u>	<u>8.0</u>	
General Fund		Sponsored Programs line item	79,936	82,896	
FTE			0.9	0.9	
Federal Funds			96,043,011	108,555,355	
FTE			7.1	7.1	
State Match for School Lunch Program - CF (State Public School Fund)	2,472,644	2,472,644	2,472,644	2,472,644	
Child Nutrition School Lunch Protection Program - CF (SEF)	n/a	n/a	850,000	850,000	
School Breakfast Program - GF	498,500	442,142	500,000	500,000	
Start Smart Nutrition Program Fund - GF	n/a	700,000	700,000	700,000	
Start Smart Nutrition Program - CFE/RF	n/a	536,272	670,000	670,000	
S.B. 97-101 Public School Health Services a/ - CFE/RF	105,186	136,490	207,747	210,984	
FTE	1.3	1.4	1.4	1.4	
NEW LINE ITEM: Integrated School-based Substance Use Treatment - CF (SEF)	n/a	n/a	n/a	908,620	DI #NP-7 (DHS DI #27)

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
(II) Capital Construction					
Public School Capital Construction Assistance Board - Lease Payments - CF (Public School Capital Construction Assistance Fund)	n/a	n/a	10,000,000	20,000,000	
Division of Public School Capital Construction Assistance - CF (Public School Capital Construction Assistance Fund)	n/a	n/a	537,545	913,592	
FTE			5.0	9.0	
Full-day Kindergarten Facility Capital Construction Fund - CF (SEF)	n/a	n/a	34,500,000	0	
Financial Assistance Priority Assessment - CF (Public School Capital Construction Assistance Fund)	n/a	n/a	12,300,000	0	
School Capital Construction Expenditures Reserve Fund	15,979,479	19,500,815	0	n/a	
FTE	<u>1.9</u>	<u>2.0</u>	<u>0.0</u>		
General Fund	7,500,000	10,000,000	0		
FTE	0.0	0.0	0.0		
Cash Funds Exempt/ Reappropriated Funds b/	8,479,479	9,500,815	0		
FTE	1.9	2.0	0.0		

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests[#]
School Construction and Renovation Fund	<u>15,114,255</u>	<u>23,862,723</u>	<u>0</u>	n/a	
General Fund	7,500,000	10,000,000	0		
Cash Funds Exempt/ Reappropriated Funds	7,614,255	13,862,723	0		
Charter School Capital Construction	<u>7,800,000</u>	<u>5,000,000</u>	<u>10,000,000</u>	<u>5,000,000</u>	
Cash Funds (State Education Fund)		0	10,000,000	5,000,000	
Cash Funds Exempt (State Education Fund)	7,800,000	5,000,000	0	0	
(III) Reading and Literacy					
Federal Title I Reading First Grant - FF	12,436,369	10,574,499	10,918,897	10,962,813	
FTE	15.3	12.9	15.4	15.4	
Read-to-Achieve Grant Program	4,358,408	4,479,589	6,675,177	6,675,177	
FTE	<u>0.0</u>	<u>0.2</u>	<u>1.0</u>	<u>1.0</u>	
Cash Funds	0	0	6,675,177	6,675,177	
FTE	0.0	0.0	1.0	1.0	
Cash Funds Exempt/ Reappropriated Funds	4,358,408	4,479,589	0	0	
FTE	0.0	0.2	0.0	0.0	
Family Literacy Education Fund	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	
General Fund	0	0	200,000	200,000	
Cash Funds (State Education Fund)	0	0	0	0	
Cash Funds Exempt (State Education Fund)	200,000	200,000	0	0	
Family Literacy Education Grant Program - CFE/RF	220,000	200,000	200,000	200,000	
Reading Assistance Grant Program Fund - CFE/RF	100,000	0	0	0	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
(IV) Professional Development and Instructional Support					
Closing the Achievement Gap - GF	n/a	n/a	1,800,000	1,800,000	
Content Specialists - GF	n/a	n/a	433,480	448,250	
FTE			4.6	5.0	
School Leadership Academy Program	n/a	n/a	137,983	152,650	
FTE			<u>1.5</u>	<u>1.5</u>	
Cash Funds (State Education Fund)			87,983	152,650	
FTE			1.5	1.5	
Cash Funds (gifts, grants, and donations)			50,000	0	
Stipends for Nationally Board Certified Teachers - CF (SEF)	n/a	n/a	1,156,997	1,312,997	
National Credential Fee Assistance	<u>0</u>	<u>70,000</u>	<u>125,000</u>	<u>125,000</u>	
Cash Funds (State Education Fund)	0	0	125,000	125,000	
Cash Funds Exempt (State Education Fund)	0	70,000	0	0	
Science and Technology Education Fund - CF (SEF)	0	0	300,000	300,000	
Science and Technology Center Grant Program - CFE/RF	0	0	300,000	300,000	
Boards of Cooperative Services - GF	210,000	210,000	210,000	210,000	
Civic Education - CF (SEF)	Included in Mgmt. and Admin. section		200,000	200,000	
Financial Literacy - CF (SEF)	Included in Mgmt. and Admin. section		40,000	40,000	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSPB Request	Change Requests [#]
Colorado History Day	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	
Cash Funds (State Education Fund)	0	0	10,000	10,000	
Cash Funds Exempt (State Education Fund)	10,000	10,000	0	0	
(V) Summer and After-school Programs					
Facility Summer School Grant Program	<u>357,500</u>	<u>434,500</u>	<u>0</u>	<u>0</u>	
Cash Funds (State Education Fund)	0	0	0	0	
Cash Funds Exempt (State Education Fund)	357,500	434,500	0	0	
Summer School Grant Program	959,122	998,715	1,000,000	1,000,000	
FTE	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	
Cash Funds (State Education Fund)	0	0	1,000,000	1,000,000	
FTE	0.0	0.0	0.3	0.3	
Cash Funds Exempt (State Education Fund)	959,122	998,715	0	0	
FTE	0.2	0.3	0.0	0.0	
STEM After-school Education Pilot Grant Program - CF (SEF)	n/a	n/a	300,000	0	DI #9
Dropout Prevention Activity Grant Program	<u>0</u>	<u>0</u>	<u>159,131</u>	<u>0</u>	
Cash Funds	0	0	159,131	0	
Cash Funds Exempt	0	0	0	0	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
 Department of Education
 APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSP Request	Change Requests [#]
Facility Schools [NEW SUBSECTION HEADER]					
Facility Schools Unit and Facility Schools Board FTE	n/a	n/a	See Management and Administration section	261,403 <u>3.0</u>	
Cash Funds (State Education Fund) FTE				261,403 3.0	
Reappropriated Funds FTE				0 0.0	
Facility School Funding - CF (SEF)	n/a	n/a	18,475,256	19,269,692	
Hold-harmless Facility School Student Funding - CF (SEF)	n/a	n/a	587,504	0	
(VI) Other Assistance					
Appropriated Sponsored Programs FTE		See subsection (D), below	220,537,698 <u>73.3</u>	223,611,615 <u>73.3</u>	
Cash Funds FTE			1,237,000 0.0	1,237,000 0.0	
Reappropriated Funds FTE			4,471,580 6.0	4,484,871 6.0	
Federal Funds FTE			214,829,118 67.3	217,889,744 67.3	
Hold-harmless Full-day Kindergarten Funding - CF (SEF)	n/a	n/a	7,356,409	See Public School Finance subsection	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
School Counselor Corps Grant Program - CF (SEF)	n/a	n/a	5,000,000	5,000,000	
FTE			1.0	1.0	
Contingency Reserve Fund	<u>0</u>	<u>156,248</u>	<u>4,770,988</u>	<u>4,770,988</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	4,770,988	4,770,988	
Cash Funds Exempt/ Reappropriated Funds	0	156,248	0	0	
Alternative Teacher Compensation Plan Grants - CF (SEF)	n/a	n/a	1,000,000	0	
Military Dependent Supplemental Pupil Enrollment Aid - GF	n/a	1,818,517	1,818,517	See Public School Finance subsection	
Regional Service Cooperatives - CF (SEF)	n/a	n/a	198,545	1,067,182	
FTE			1.0	1.0	
Innovative Schools Act of 2008 - GF			Included in General Management and Administration above	77,990	
FTE				1.0	
First Responder School Mapping System - CF (SEF)	n/a	n/a	150,000	0	
Supplemental On-line Education Services	<u>127,811</u>	<u>480,000</u>	<u>480,000</u>	<u>480,000</u>	
Cash Funds (State Public School Fund)	0	0	480,000	480,000	
Cash Funds Exempt (State Public School Fund)	127,811	480,000	0	0	
Supplemental On-line Education Grant Program	n/a	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
Cash Funds (State Public School Fund)		0	50,000	50,000	
Cash Funds Exempt (State Public School Fund)		50,000	0	0	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
Aid for Declining Enrollment Districts with New Charter Schools	1,283,377	0	0	0	
General Fund	283,377	0	0	0	
Cash Funds (State Education Fund)	0	0	0	0	
Cash Funds Exempt (State Education Fund)	1,000,000	0	0	0	
Interstate Compact on Educational Opportunity for Military Children - CF (SEF)	n/a	n/a	32,185	30,185	<i>Request v. Appropriation</i>
Subtotal - Grant Programs, Distributions, and Other Assistance	62,232,651	72,333,154	453,484,650	419,420,033	-7.5%
FTE	<u>18.7</u>	<u>16.8</u>	<u>112.5</u>	<u>120.9</u>	<u>7.5%</u>
General Fund	15,991,877	23,170,659	5,741,933	4,019,136	-30.0%
FTE	0.0	0.0	5.5	6.9	25.5%
Cash Funds	2,472,644	2,472,644	120,102,364	72,127,130	-39.9%
FTE	0.0	0.0	9.8	16.8	71.4%
<i>CF - State Education Fund (included above)</i>			81,369,879	35,527,729	-56.3%
<i>CF - State Public School Fund (included above)</i>	2,472,644	2,472,644	3,002,644	3,002,644	0.0%
Cash Funds Exempt/ Reappropriated Funds	31,331,761	36,115,352	5,849,327	5,865,855	0.3%
FTE	3.4	3.9	7.4	7.4	0.0%
<i>CFE - State Education Fund (included above)</i>	10,326,622	6,713,215			
<i>CFE - State Public School Fund (incl. above)</i>	127,811	530,000			
Federal Funds	12,436,369	10,574,499	321,791,026	337,407,912	4.9%
FTE	15.3	12.9	89.8	89.8	0.0%

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSPB Request	Change Requests [#]
--	----------------------	----------------------	-----------------------------	----------------------------	---------------------------------

a/ Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. Generally, these moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. However, pursuant to Section 26-4-531, C.R.S., school districts may elect to contract with the Department of Health Care Policy and Financing to receive federal Medicaid funds for amounts the districts spend in providing health care services through the public schools to students who are eligible for Medicaid benefits. Thus, in lieu of state General Fund, school districts' funds are used to match federal Medicaid funds; neither the federal Medicaid funds nor the local match are reflected in the appropriation to this department.

b/ The Department reports administrative expenses of \$162,310 and \$171,653 for FY 2006-07 and FY 2007-08, respectively.

(D) Appropriated Sponsored Programs	341,137,461	327,869,032	See subsection C, above		
FTE	97.6	94.7			
Cash Funds	574,988	459,425			
FTE	0.0	0.0			
Cash Funds Exempt/ Reappropriated Funds	2,912,662	5,089,933			
FTE	5.9	5.7			
Federal Funds	337,649,811	322,319,674			
FTE	91.7	89.0			

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
					<i>Request v. Appropriation</i>
SUBTOTAL - ASSISTANCE TO PUBLIC					
SCHOOLS	3,830,908,704	3,937,811,947	4,232,600,309	4,432,277,943	4.7%
FTE	<u>184.4</u>	<u>173.6</u>	<u>204.6</u>	<u>213.0</u>	<u>4.1%</u>
General Fund	2,767,284,190	2,987,995,581	3,138,425,411	3,258,096,526	3.8%
<i>General Fund Exempt Account (included above)</i>	425,068,380	327,600,000	369,000,000	369,000,000	0.0%
FTE	0.0	0.8	21.5	22.9	6.5%
Cash Funds	12,539,508	13,088,782	602,437,663	662,940,686	10.0%
FTE	0.0	0.0	16.8	23.8	41.7%
<i>CF - State Education Fund (included above)</i>			486,707,395	549,543,502	12.9%
<i>CF - State Public School Fund (included above)</i>	11,964,520	11,964,520	79,050,427	79,050,427	0.0%
Cash Funds Exempt/ Reappropriated Funds	534,344,092	430,296,748	5,948,095	5,967,667	0.3%
FTE	9.9	10.1	7.9	7.9	0.0%
<i>CFE - State Education Fund (included above)</i>	336,392,694	301,293,321			
<i>CFE - State Public School Fund (incl. above)</i>	173,756,304	94,139,000			
Federal Funds	516,740,914	506,430,836	485,789,140	505,273,064	4.0%
FTE	174.5	162.7	158.4	158.4	0.0%

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSPB Request	Change Requests [#]
(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 are reflected as reappropriated funds.					
Administration FTE	Included in General Department and Program Administration line item, above		871,430 <u>12.8</u>	895,669 <u>12.8</u>	
General Fund FTE			743,128 11.8	767,367 11.8	
Cash Funds FTE			128,302 1.0	128,302 1.0	
Federal Library Funding - FF FTE		Included in Appropriated Sponsored Programs, above	3,008,688 23.8	3,061,505 23.8	
Colorado Library Consortium - GF	1,000,000	1,000,000	1,000,000	1,000,000	
Colorado Virtual Library General Fund	<u>359,796</u> 359,796	<u>359,728</u> 359,728	<u>1,379,796</u> 1,359,796	<u>1,379,796</u> 1,359,796	
Cash Funds	0	0	20,000	20,000	
Cash Funds Exempt/ Reappropriated Funds	0	0	0	0	
Colorado Talking Book Library, Building Maintenance and Utilities Expenses - GF	61,023	61,023	70,660	70,660	
Reading Services for the Blind General Fund	<u>200,000</u> 0	<u>200,000</u> 0	<u>550,000</u> 300,000	<u>200,000</u> 0	
Cash Funds Exempt/ Reappropriated Funds	200,000	200,000	250,000	200,000	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSP Request	Change Requests [#]
					<i>Request v. Appropriation</i>
SUBTOTAL - LIBRARY PROGRAMS	1,620,819	1,620,751	6,880,574	6,607,630	-4.0%
FTE	<u>0.0</u>	<u>0.0</u>	<u>36.6</u>	<u>36.6</u>	0.0%
General Fund	1,420,819	1,420,751	3,473,584	3,197,823	-7.9%
FTE	0.0	0.0	11.8	11.8	0.0%
Cash Funds	0	0	148,302	148,302	0.0%
FTE	0.0	0.0	1.0	1.0	0.0%
Cash Funds Exempt/ Reappropriated Funds	200,000	200,000	250,000	200,000	-20.0%
Federal Funds	0	0	3,008,688	3,061,505	1.8%
FTE	0.0	0.0	23.8	23.8	0.0%

(4) SCHOOL FOR THE DEAF AND THE BLIND

This section provides operational funding for the Colorado School for the Deaf and the Blind, which provides educational services for hearing impaired/deaf and visually impaired/blind children. The primary source of funding is 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 reflects program funding that would otherwise be paid to the home school district (from the Public School Finance, Categorical Programs, and Appropriated Sponsored Programs sections 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	8,192,764	8,379,932	8,713,574	9,105,745
FTE	<u>141.2</u>	<u>139.8</u>	<u>141.3</u>	<u>141.3</u>
General Fund	6,918,481	7,140,622	7,423,103	7,815,274
FTE	119.2	119.1	120.4	121.3
Cash Funds Exempt/ Reappropriated Funds	1,274,283	1,239,310	1,290,471	1,290,471
FTE	22.0	20.7	20.9	20.0
Early Intervention Services	992,645	1,109,146	1,146,468	1,178,934

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
FTE	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	
General Fund	992,645	1,109,146	1,146,468	1,178,934	
FTE	10.0	10.0	10.0	10.0	
Cash Funds Exempt/ Reappropriated Funds	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Shift Differential - GF	75,627	82,047	84,932	94,572	
Operating Expenses - GF	415,567	388,967	417,277	434,447	DI #NP-1
Vehicle Lease Payments - GF	23,292	22,744	19,151	24,461	DI #NP-6
Communication Services Payments - GF	3,473	0	0	0	
Utilities - GF	490,396	489,223	460,913	567,471	DI #5
Allocation of State and Federal Categorical Program Funding - CFE/RF	159,949	147,797	150,000	150,000	
FTE	0.3	0.2	0.4	0.4	
Medicaid Reimbursements for Public School Health Services - CFE/RF	51,244	81,580	85,000	85,000	
FTE	1.1	1.1	1.5	1.5	

**Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES**

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSP Request	Change Requests [#]
					<i>Request v. Appropriation</i>
Subtotal - School Operations	10,404,957	10,701,436	11,077,315	11,640,630	5.1%
FTE	<u>152.6</u>	<u>151.1</u>	<u>153.2</u>	<u>153.2</u>	<u>0.0%</u>
General Fund	8,919,481	9,232,749	9,551,844	10,115,159	5.9%
FTE	129.2	129.1	130.4	131.3	0.7%
Cash Funds Exempt/ Reappropriated Funds	1,485,476	1,468,687	1,525,471	1,525,471	0.0%
FTE	23.4	22.0	22.8	21.9	-3.9%
(B) Special Purpose					
Fees and Conferences - CF	75,000	71,137	120,000	120,000	
Federal Funds Transferred from School Districts	330,387	489,223	269,000	1,024,836	
FTE	<u>2.8</u>	<u>2.8</u>	<u>2.8</u>	<u>5.4</u>	
Cash Funds	0	0	0	755,836	DI #7
FTE	0.0	0.0	0.0	2.6	DI #7
Cash Funds Exempt/ Reappropriated Funds	330,387	489,223	269,000	269,000	
FTE	2.8	2.8	2.8	2.8	
Tuition from Out-of-state Students	<u>97,338</u>	<u>56,836</u>	<u>200,000</u>	<u>200,000</u>	
Cash Funds	97,338	56,836	200,000	200,000	
Cash Funds Exempt/ Reappropriated Funds	0	0	0	0	
Summer Olympics Housing - CF	10,000	800	10,000	10,000	
Grants - CFE/RF	864,639	844,746	1,403,608	1,403,608	
FTE	5.9	6.9	9.0	9.0	

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 OSP Request	Change Requests [#]
					<i>Request v. Appropriation</i>
Subtotal - Special Purpose	1,377,364	1,462,742	2,002,608	2,758,444	37.7%
FTE	<u>8.7</u>	<u>9.7</u>	<u>11.8</u>	<u>14.4</u>	<u>22.0%</u>
Cash Funds	182,338	128,773	330,000	1,085,836	229.0%
FTE	0.0	0.0	0.0	2.6	0.0%
Cash Funds Exempt/ Reappropriated Funds	1,195,026	1,333,969	1,672,608	1,672,608	0.0%
FTE	8.7	9.7	11.8	11.8	0.0%
 SUBTOTAL - SCHOOL FOR THE DEAF AND THE BLIND					
	11,782,321	12,164,178	13,079,923	14,399,074	10.1%
FTE	<u>161.3</u>	<u>160.8</u>	<u>165.0</u>	<u>167.6</u>	<u>1.6%</u>
General Fund	8,919,481	9,232,749	9,551,844	10,115,159	5.9%
FTE	129.2	129.1	130.4	131.3	0.7%
Cash Funds	182,338	128,773	330,000	1,085,836	229.0%
FTE	0.0	0.0	0.0	2.6	0.0%
Cash Funds Exempt/ Reappropriated Funds	2,680,502	2,802,656	3,198,079	3,198,079	0.0%
FTE	32.1	31.7	34.6	33.7	-2.6%

Fiscal Year 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education
APPENDIX A: NUMBERS PAGES

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	OSPB Request	Requests [#]
					<i>Request v. Appropriation</i>
TOTAL - DEPARTMENT	3,879,550,562	3,988,006,362	4,296,536,896	4,497,567,128	4.7%
FTE	<u>458.7</u>	<u>449.7</u>	<u>536.3</u>	<u>545.2</u>	<u>1.7%</u>
General Fund	2,801,647,636	3,022,785,940	3,175,366,143	3,295,819,577	3.8%
FTE	191.1	197.3	214.9	218.1	1.5%
<i>General Fund Exempt Account (included above)</i>	425,068,380	327,600,000	369,000,000	369,000,000	0.0%
Cash Funds	14,728,126	15,181,333	606,969,031	667,409,187	10.0%
FTE	19.7	18.7	50.8	57.0	12.2%
<i>CF - State Education Fund (included above)</i>	0	0	488,119,916	550,121,385	12.7%
<i>CF - State Public School Fund (included above)</i>	11,996,693	11,999,539	79,085,907	79,085,907	0.0%
Cash Funds Exempt/ Reappropriated Funds	540,196,282	437,588,054	16,548,543 a/	17,194,098	3.9%
FTE	63.6	67.3	80.7	80.2	-0.6%
<i>CFE - State Education Fund (included above)</i>	336,392,694	301,293,321			
<i>CFE - State Public School Fund (incl. above)</i>	173,756,304	94,396,762			
Federal Funds	522,978,518	512,451,035	497,653,179	517,144,266	3.9%
FTE	184.3	166.4	189.9	189.9	0.0%

In the Change Requests column: the "DI" refers to the priority of a decision item request; "NP" refers to non-prioritized decision items.

a/ FY 2008-09 appropriation includes \$1,082,000 approved by Joint Budget Committee September 2008.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 08-38 (Schwartz/Massey): Educational Regional Services Cooperatives.** Requires the State Board of Education to divide the state into 12 regional service areas. Encourages educational agencies within these service areas to convene regional service cooperatives and to develop and submit a comprehensive service plan to the State Board. Requires the State Board to award a one-time grant of \$10,000 to each service area upon approval of its comprehensive service plan. Beginning in FY 2009-10, requires the State Board to annually allocate funding to each service area, subject to available appropriations. Appropriates \$198,545 cash funds from the State Education Fund and 1.0 FTE to the Department for FY 2008-09.

- ❑ **S.B. 08-123 (Sandoval/Madden): Child Nutrition School Lunch Protection Program.** Creates the Child Nutrition School Lunch Protection Program to eliminate the amount paid by students participating in the federal school lunch program who are eligible for reduced price lunch. Requires the General Assembly to annually appropriate at least \$850,000, but not more than \$1,500,000, for the Program. Authorizes the Department to spend up to 2.0 percent of moneys annually appropriated for the Program to cover associated administrative costs. Appropriates \$850,000 cash funds from the State Education Fund to the Department for FY 2008-09.

- ❑ **S.B. 08-212 (Romer and Penry/Witwer and Scanlan): Alignment of Preschool to Post-secondary Education.** Directs the State Board of Education to adopt a description of school readiness by December 15, 2008, and to adopt assessments that are aligned with the school readiness description by December 15, 2010. Requires the State Board to adopt standards for preschool through elementary and secondary education by December 15, 2009, and to adopt a system of assessments that are aligned with such standards by December 15, 2010. Requires the Department of Education to implement, beginning in FY 2008-09, a pilot program for the purpose of evaluating standards and collecting data regarding student performance on postsecondary and workforce planning, preparation, and readiness assessments. Requires the General Assembly to appropriate moneys to the Department for distribution to local education providers who participate in the pilot program to help defray assessment costs. Requires the State Board and the Colorado Commission on Higher Education (CCHE) to negotiate a consensus and adopt a description of postsecondary and workforce readiness by December 15, 2009, and to adopt one or more postsecondary and workforce planning, preparation, and readiness assessments by December 15, 2010. Requires the Department of Education to submit to the federal Department of Education amendments to the state plan that incorporate the new standards and assessments. Requires each local education provider, by December 15, 2011, to revise its standards and curricula as necessary in response to the new standards adopted by the State Board.

Requires the State Board to adopt criteria that local school boards, boards of cooperative services, and Institute high schools may apply to endorse high school diplomas to indicate that a student has achieved postsecondary and workforce readiness. Allows the State Board to adopt additional endorsements.

Requires the Department of Education, by September 15, 2009, to contract for a study of the costs of implementing this act. Authorizes the Department of Education and CCHE to receive and expend gifts, grants, or donations to implement the act. Appropriates a total of \$792,453 cash funds from the State Education Fund and 5.0 FTE to the Department of Education for FY 2008-09, including: \$437,273 for the Department's administrative costs of implementing the act; \$250,000 for the postsecondary and workforce readiness assessments pilot program, and \$105,180 to be transferred to the Department of Higher Education to cover its administrative costs of implementing the act. Appropriates \$105,180 reappropriated funds and 1.0 FTE to the Department of Higher Education for FY 2008-09.

- ❑ **S.B. 08-218 (Schwartz/Buescher): Allocation of Federal Mineral Lease Revenues.** Modifies the allocation of federal mineral lease (FML) revenues. For fiscal years 2008-09 through 2010-11, requires the lesser of 48.3 percent of FML revenues (excluding bonus payments) or \$65,000,000 to be transferred to the State Public School Fund; for subsequent fiscal years, increases the \$65.0 million cap by 4.0 percent annually.
- ❑ **H.B. 08-1204 (Peniston/Williams): Educational Services for Students in Facility Schools** Creates the Facility Schools Board to adopt curriculum standards, accountability measures, and set graduation requirements for facility schools. Creates the Facility Schools Unit within the Department of Education, and requires the Unit to: develop and maintain a list of approved facility schools; make recommendations concerning curriculum standards and graduation standards; maintain information and records for students who receive educational services from approved facility schools; and communicate and collaborate with the Department of Human Services, county departments of social services, and other agencies regarding the placement and transfer of students in facilities.
- ❑ **H.B. 08-1225 (Rice/Williams): Business Personal Property Tax Exemption.** Incrementally increases the property tax exemption for personal property to \$7,000 over a seven year period, beginning with the 2009 property tax year. Specifies that the property tax exemption shall be adjusted biennially thereafter to account for inflation.
- ❑ **H.B. 08-1335 (Romanoff/Groff): Building Excellent Schools Today ("BEST").** In order to increase the amount and timeliness of state financial assistance for public school facility capital construction projects, replaces existing capital construction assistance programs with a new financial assistance program. Creates the Public School Capital Construction Assistance (PSCCA) Fund, and requires the following moneys to be credited to the PSCCA Fund beginning in FY 2008-09:

- 35 percent of the gross amount of income received during the fiscal year from income, mineral royalties, and interest derived from state public school lands (or more if required to make lease payments under the terms of lease-purchase agreements);
- all net proceeds from the sale of certificates of participation (COPs) payable to the State under the terms of such lease-purchase agreements;
- all local matching moneys; and
- lottery proceeds that would otherwise be transferred to the General Fund.

Requires an emergency reserve of at least \$1.0 million dollars to be maintained within the PSCCA Fund to address public school facility emergencies. Effective July 1, 2008, abolishes the School Construction and Renovation Fund, the School Capital Construction Expenditures Reserve Fund, and the Lottery Proceeds Contingency Reserve Fund, and transfers their balances to the PSCCA Fund.

Creates the PSCCA Board and the Division of PSCCA within the Department of Education. Requires the PSCCA Board to: (a) establish public school facility construction guidelines for use in assessing and prioritizing public school capital construction needs; (b) conduct or contract for a financial assistance priority assessment of public school facilities throughout the state; (c) prioritize financial assistance applications for eligible public school facility capital construction projects based on specified criteria; and (d) annually submit a prioritized list of projects recommended for financial assistance to the State Board. Subject to State Board authorization, the PSCCA Board may provide financial assistance to applicants as matching grants or by instructing the State Treasurer to enter into lease-purchase agreements on behalf of the State to finance public school facility capital construction. Limits the total amount of annual lease payments payable by the State in any fiscal year, and requires payments above lower specified limits to be made only from applicant matching moneys. Requires continued payment of specified capital construction assistance awarded to school districts or charter schools prior to the end of FY 2007-08.

Reduces the amount of school lands-related moneys that are annually credited to the State Public School Fund by \$20.0 million, including \$19.0 million in interest earned on moneys in the Public School Fund and \$1.0 million from rental income earned on public school lands.

- ❑ **H.B. 08-1370 (Middleton/Bacon): School Counselor Corps Grant Program.** Creates the School Counselor Corps Grant Program to increase the availability of school-based counseling within secondary schools. Authorizes the Department to spend up to 2.0 percent of moneys annually appropriated for the Program to cover associated administrative costs. Appropriates \$5,000,000 cash funds from the State Education Fund and 1.0 FTE to the Department for the Program for FY 2008-09.

□ **H.B. 08-1388 (Pommer/Windels): School Finance Act.** Amends the "Public School Finance Act of 1994" and other statutory provisions to provide funding for school districts for FY 2008-09, making the following changes:

- Increases the statewide *base per pupil funding* from \$5,087.61 to \$5,270.13 (3.6 percent) -- \$19.72 more per pupil than constitutionally required.
- Adds 300 funded slots for the "Colorado Preschool and Kindergarten Program" (renamed the "*Colorado Preschool Program*") for FY 2008-09, for a total of 20,160. Eliminates the option for districts to provide a full day of kindergarten to children through the Program, but provides hold harmless funding for districts to continue existing full-day kindergarten programs.
- Provides *supplemental kindergarten enrollment funding* to school districts by allowing districts to count kindergarten students as 0.58 FTE rather than 0.50 FTE. Specifies additional funding amounts that the General Assembly intends to appropriate for supplemental kindergarten enrollment for FY 2009-10 through FY 2013-14. Requires the Department, upon a district's request, to provide related technical assistance.

Establishes a grant program for districts' *capital construction costs associated with expanding full-day kindergarten programs*.

Allows a district experiencing *declining enrollment* to average up to five (rather than four) years of enrollment for funding purposes. Directs the Department to contract for a study to evaluate the impact of declining pupil enrollment in districts statewide and to recommend possible remedies.

Establishes a new mechanism for the Department to distribute funding to approved *facility schools*. Repeals the Summer School Grant Program for Facility Schools. For FY 2008-09, provides hold harmless funding for districts impacted by the new funding mechanism (districts will no longer be able to retain a portion of per pupil funding associated with students attending facility schools). Beginning in FY 2009-10, allows the Department to withhold 2.0 percent of the amount payable to each approved facility school to offset the costs incurred by the Facility Schools Unit (which is established by H.B. 08-1204).

For FY 2008-09, appropriates an additional \$5,000,000 SEF for *charter school capital construction*. Requires that \$135,000 of this amount be distributed to a qualifying charter school for the deaf or blind.

Increases the portion of the appropriation for *Special Education - Children with Disabilities* that is used to fund "high cost" grants, and appropriates \$2,000,000 SEF for such purpose.

Creates the *Alternative Teacher Compensation Plan Grant Program* to provide funding to districts to support the design and development of an alternative teacher compensation plan.

- ❑ **S.B. 07-199 (Windels/Pommer): Property Tax Mill Levies; Minimum Per Pupil Funding.** Changes the method for calculating school district property taxes that support the School Finance Act in two ways. First, imposes a cap of 27 mills on school finance levies. Second, requires districts that have received voter approval to retain and spend revenues in excess of their TABOR property tax revenue limit to impose the mill levy for FY 2006-07 in FY 2007-08 and future fiscal years (unless the levy exceeds 27 mills). Also modifies the method used to calculate the minimum per pupil funding for school districts so that by FY 2008-09 districts will receive at least 95.0 percent of the state average per pupil funding.

- ❑ **S.B. 07-215 (Windels/T. Carroll): On-line Learning.** Requires the State Board of Education to establish quality standards for on-line programs, and creates the Division of On-line Learning in the Department to support on-line programs, certify multi-district programs (those that serve students across district boundaries), and document and track complaints about on-line programs. Creates an On-line Learning Advisory Board to report to the State Board on the operations of on-line programs and provide policy recommendations. Beginning in FY 2008-09, removes limits on the students who may receive funding in an on-line program and funded students in a single-district on-line program at the district's per-pupil funding amount.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

**APPENDIX C: UPDATE OF FY 2008-09
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

- 6 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding** -- The minimum state aid for fiscal year 2008-09 is established at \$119.01 per student.

Comment: The Public School Finance Act of 1994 indicates that “no district shall receive less in state aid than an amount established by the general assembly in the annual general appropriation act based upon the amount of school lands and mineral lease moneys received pursuant to the provisions of article 41 of [Title 22] and section 34-63-102 (2), C.R.S., multiplied by the district's funded pupil count” [see Section 22-54-106 (1) (b), C.R.S.]. No school districts are affected by the “*minimum state aid*” factor in FY 2006-07, and none are anticipated to be affected by it in FY 2007-08. [Please note that this is different than the *minimum per pupil funding* referenced in Section 22-54-104 (2) (a), C.R.S.]

The minimum per pupil state aid amount identified in this footnote is used by both the Department of Education and Legislative Council staff in calculating the amount of state aid for which each district is eligible based upon annual public school finance legislation. Staff calculated the *minimum per pupil state aid* for FY 2008-09 as follows:

Interest/ investment earnings on the Public School Fund	\$19,420,598
Rental income earned on state public school lands	12,000,000
Mineral lease moneys allocated to State Public School Fund	<u>60,398,179</u>
Total estimated revenues	\$98,818,777
Divided by: Projected statewide funded pupil count (Long Bill)	<u>771,555.2</u>
Minimum per pupil state aid	\$119.01

Please note that staff has included rental income that is earned on state public school lands in the above calculation for a number of years. Staff notes that the statutory provision concerning minimum per pupil state aid does not reference the statutory section that allocates (up to \$12 million in) rental income earned on state public school lands to the State Public Income Fund [Section 36-1-116, C.R.S.]. However, given that the above statutory provision references “school lands and mineral lease moneys”, staff assumes that it is appropriate to continue to include the rental income earned on state public school lands that is available for appropriation.

- 7 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 \$500,000 of this appropriation be used to provide access to radio and television broadcasts of locally published and produced materials, including \$300,000 in one-time funding for the purchase of digital receivers, and \$50,000 of this appropriation be used to provide telephone access to digital transmissions of nationally published and produced materials.

Comment: The Department of Education contracts with Audio Information Network of Colorado (formerly known as Radio Reading Service of the Rockies) to provide an on-the-air volunteer reading service for the blind, visually impaired, and print handicapped citizens of Colorado. The broadcast services are currently embedded in *analog* television signals of Rocky Mountain PBS and are decoded with an analog radio tuned to the broadcast channel. The services are also made available through the internet, telephone, and podcasts. Due to the Congressional mandate that all television stations in the U.S. broadcast in digital only on February 18, 2009 moving forward, the services broadcast via television signals would need to be decoded with a digital receiver. The Department reports that the \$300,000 in one-time funding was used for the purchase of 1,500 digital receivers, which will be delivered between December 15, 2008 and January 31, 2009. The Department indicates that all listeners with an analog radio will be contacted in January and made aware of this transition. Between 50 to 60 percent of listeners will be personally delivered a new radio with the focus being on seniors.

The Department reports that \$50,000 was used to purchase additional 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 touchtone telephone. Newline services now includes 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

- 1 All Departments, Totals** - Every department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that are applied for or received during FY 2008-09. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Comment: Prior to FY 2008-09, this request for information has historically been submitted in the annual appropriations bill as a footnote and was repeatedly lined through by the Governor. However, the May 15, 2008 letter from the Governor to the Joint Budget Committee included the following response to this request for information, "I am directing the Departments to comply

to the extent to which this information can be provided without adversely impacting the operation of the executive branch or the delivery of government services, by November 1, 2008." To date the Joint Budget Committee has not received a report pursuant to this request for information. For informational purposes, in FY 2008-09, it is estimated by staff that the Department will receive \$497.6 million, approximately 11.6 percent of the Department's budget funding 189.9 FTE (35.4 percent of all authorized FTE in the Department).

- 2 **Department of Education, Assistance to Public Schools, Categorical Programs; and Department of Higher Education, Division of Occupational Education, Colorado Vocational Act Distributions pursuant to Section 23-8-102, C.R.S.** -- The Department of Education is requested to work with the Department of Higher Education and to provide to the Joint Budget Committee information concerning the distribution of state funds available for each categorical program, excluding grant programs. The information for special education - children with disabilities, English language proficiency programs, public school transportation, Colorado Vocational Act distributions, 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 2007-08 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 2006-07 and actual district expenditures for each program. The information for special education services - 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 2006-07 and actual district expenditures.

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 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, the Joint Budget Committee is required to consider a joint recommendation from the Education Committees regarding the allocation of the required state funding increase for all categorical programs when developing the Long Bill. Last Session, the Education Committees did not submit a recommendation.

Statutory Reimbursement Formula. State funding is provided through a statutory formula for five categorical programs. The following table (Table I) provides a comparison of the state funding available for each of these programs for FY 2007-08, and the maximum statutory

reimbursement. Based on this comparison, state funding for English Language Proficiency Programs is the least adequate, covering about eleven percent of the statutory maximum.

TABLE I: Maximum Amount of State Funds Districts Were Statutorily Eligible to Receive for FY 2007-08				
Long Bill Line Item	Description of What Determines Maximum State Funding	Estimated Portion of Maximum Covered by Existing Funds	Estimated Increase Required to Fund Statutory Maximum	
			Amount	Percent
District Programs Required by Statute:				
Special Education - Children With Disabilities*	Driven by the number of children requiring special education services, characteristics of the children eligible for such services, and the cost of such services	64.6%	\$77,147,696	54.9%
English Language Proficiency Program	Driven by the number of eligible students and statewide average per pupil operating revenue	11.2%	56,897,727	790.1%
Other Categorical Programs (with specified statutory reimbursement levels):				
Public School Transportation	Driven by total miles traveled and total transportation-related costs (excluding capital outlay expenses)	60.2%	29,697,054	66.2%
Colorado Vocational Act Distributions (data is from FY 06-07 as FY 07-08 data is not yet available)	Driven by the number of students participating in vocational education programs and the costs of such services per FTE in relation to each district's per pupil operating revenues	87.5%	29,697,054	148.5%
Small Attendance Center Aid	Driven by the number of eligible schools, such schools' enrollment, and eligible districts' per pupil funding	100.0%	0	0.0%
Total			\$193,439,531	96.1%

* The estimated increase required to fund the statutory maximum for special education for children with disabilities includes: \$104,032,500 (\$1,250 for each student with disabilities); \$111,120,000 (assuming districts received \$6,000 per student for 100 percent of the 18,520 students with specified disabilities, rather than for 11.8 percent of these students); \$2,000,000 for high cost grants; and \$500,000 for "educational orphans". Staff has not attempted to estimate the costs of "fully funding" the high cost grant program.

Percent of Actual Expenditures Covered by State and Federal Funds. The previous table (Table I) compared 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. Staff believes that it is also important to compare actual district expenditures on categorical programs to the amount of state and federal funding available for categorical programs. The following table (Table II) provides a comparison of actual district expenditures for categorical programs to available state and federal funding. Based on the availability and relevance of expenditure data, staff has included data for five categorical programs (excluding data for three programs: Expelled and At-risk Student Services Grant Program, Small Attendance Center Aid, and Comprehensive Health Education).

This analysis indicates that districts spent over \$749 million in FY 2006-07 (the equivalent of 15.6 percent of districts' total program funding for FY 2006-07) on five categorical programs. Districts spent the largest dollar amount of local funds to provide special education services to children with disabilities (\$402 million), followed by public school transportation services (\$140 million), and English language proficiency programs (\$129 million).

TABLE II: Categorical Program Revenues and Expenditures: FY 2006-07

Long Bill Line Item	State Funding	Federal Funding	Total State and Federal Funding	Percent of Districts' Expenditures Covered by State and Federal Funds	Total Categorical Expenditures Covered by Local Districts' General Fund	Percent of Districts' General Fund Used to Cover Unreimbursed Expenditures
District Programs Required by Statute:						
Special Education - Children With Disabilities a/	\$136,740,155	\$147,221,708	\$283,961,863	41.4%	\$401,506,069	8.4%
English Language Proficiency Program	6,537,238	9,106,136	15,643,374	10.8%	129,256,133	2.7%
Other Categorical Programs:						
Public School Transportation	42,745,475	0	42,745,475	23.4%	139,998,890	2.9%
Colorado Vocational Act Distributions	21,754,885	6,123,857	27,878,742	33.3%	55,867,000	1.2%
Special Education - Gifted and Talented Children	7,730,655	0	7,730,655	25.7%	22,359,070	0.5%
Total					\$749,204,337	15.6%

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

- 13 Department of Education, Management and Administration, State Charter School Institute, Department Implementation of Section 22-30.5-501 et seq., C.R.S.** - The Department is requested to submit a report to the Joint Budget Committee by July 1, 2008, concerning the method used to calculate the costs and additional Department staff required to implement Section 22-30.5-501 et seq., C.R.S. The Department is also requested to make a recommendation as to whether the 2009 Long Bill should continue to include a separate line item appropriation for this purpose, or whether the costs and associated FTE should be reflected in the other relevant line items.

Comment: Section 22-30.5-501 et seq., C.R.S. provides the Department spending authority to spend up to 2.0 percent of the amount withheld from the State Share for performing Department-level duties associated with the implementation of H.B. 04-1362, the act which created the State Charter School Institute. The Department submitted a request on July 21, 2008, to the Joint Budget Committee Chairman requesting additional time to prepare the report described in the request for information, seeking an extension to provide the report on November 1, 2008. This request was granted by the JBC Chairman on August 19, 2008. In discussions with the Department about the submission of the report, staff has learned that the Department is very close to finalizing a plan that would offer a working, sustainable solution to costs incurred by the Department in the administration of the State Charter School Institute. Given the Department's advance notice of needing more time in addition to unforeseen budgetary staff turnover, staff has determined that the Department's need for additional time is warranted. However, staff has indicated that the delivery of the report should be provided well in advance of staff's figure setting presentation for the Department to permit enough time to analyze the report and discuss the report's recommendations with the Department.

- 14 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, 2008, information concerning the Colorado Preschool and Kindergarten Program. The information provided is requested to include the following for fiscal year 2007-08: (a) data reflecting the ratio of the total funded pupil count for the Program to the total funded pupil 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; (d) data indicating the number of Program FTE used to provide a full-day kindergarten component; and (e) 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.

District Participation. The purpose of the Colorado Preschool and Kindergarten Program (this program was renamed the Colorado Preschool Program or CPP through H.B. 08-1388) 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 CPP has increased from 32 in FY 1988-89 to 170 (of 178) in FY 2007-08. 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 4,569 in FY 2007-08) and El Paso - Manitou Springs (with a funded pupil count of 1,311).

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 16,360 for FY 2007-08. Most recently, **the General Assembly increased the number of funded 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, beginning in FY 2008-09, none of the CPP slots may be used to provide a full-day kindergarten program (full-day kindergarten is not funded through another mechanism), thereby freeing up 2,454 slots to serve additional preschool children.

For FY 2007-08, participating districts received funding to serve a total of 16,360 pupils. However, the Department was required to allow districts to apply for authorization to serve up to 2,454 (15 percent of the total slots) through a full-day kindergarten program. The Department allocates these slots separately from those designated for preschool. Thus, for FY 2007-08, the Department allocated 13,906 slots designated for preschool. For comparison purposes, the number of pupils in public kindergarten programs statewide was 61,426. Thus, on a statewide basis, **the total number of CPP preschool slots authorized for FY 2007-08 represented 22.6 percent of the total number of public school kindergarten students.**

For purposes of putting this ratio in perspective, please note that the proportion of the funded pupil count considered "at-risk" in FY 2007-08 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 31.6 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 the current year as a proxy), a total of 19,411 CPP preschool slots would have been funded. This analysis implies that an additional 5,505 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 2005-06 through 2008-09.

(A)	(B)	(C)	(D)	(E)	
Fiscal Year	Number of Authorized CPP Half-Day Preschool Slots	Number of Children in Kindergarten Funded Through School Finance Act	Ratio (A / B)	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 Estim.	20,160	62,461	32.3%	31.6%	(422)

Please note that there are several possible proxies that one could use to estimate the total number of at-risk children. For example, if one used the percentage of students in grades one through eight who are eligible for free or reduced lunch (38.6 percent of children in FY 2006-07), the estimated shortfall would be higher than indicated in the above table (e.g., approximately 3,950 slots in FY 2008-09).

Allocation of Slots. The Department provided information comparing each district's CPP preschool headcount to its funded kindergarten headcount. This comparison reveals disparities among districts, with ratios ranging from zero percent for those districts not participating to 350 percent (e.g., Kit Carson - High Plains received funding for seven preschool students and it had only two children enrolled in public kindergarten programs). In fact, in 19 districts, the number of CPP preschool slots equaled or exceeded the number of pupils in public kindergarten. However, these districts are relatively small, with kindergarten enrollments ranging from 2 to 18.

A review of larger districts reveals less of a disparity, and the disparities 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 preschool head count does not always correlate with the number of at-risk pupils.** The table on the following page compares the CPP preschool head count for those districts with more than 1,000 pupils in public kindergarten programs to the percent of each district's pupils that are considered "at-risk" for purposes of the School Finance Act (i.e., children who are eligible for the federal free lunch program or are English language learners). The last column (E) provides an estimate of the gap between the number of CPP preschool students and the number of at-risk pupils. For example, Denver's 2,531 CPP preschool students represent 34 percent of children who would be entering kindergarten the next school year. However, approximately 65 percent of Denver's pupils are considered "at-risk" (for purposes of the School Finance Act), so the gap for Denver is estimated at 1,133. Statewide, this gap for FY 2007-08 is estimated at 5,793.

Larger Districts (with 1,000+ kindergarten pupils) / Statewide	(A)	(B)	(C)	(D)	(E)
	Total CPP Preschool Head Count (FY 07-08)	Kindergarten Funded Head Count (FY 07-08)	Ratio (A / B)	Percent of Pupils "At-Risk" per School Finance Act (FY 07-08)	Estimated Number of At-Risk 4-year-olds Not Served [(D x B) - A]
Denver	2,531	6,589	34.3%	64.7%	1,133
Arapahoe - Aurora	758	2,878	26.3%	56.0%	854
Adams - Northglenn	290	3,171	8.8%	27.1%	568
Jefferson	871	5,862	14.9%	22.3%	433
Arapahoe - Cherry Creek	243	3,636	6.7%	17.4%	391
Boulder - St. Vrain	207	1,989	10.4%	28.8%	367
El Paso - Colorado Springs	693	2,524	27.5%	41.1%	345
Mesa - Mesa Valley	297	1,562	19.0%	36.4%	272
Weld - Greeley	401	1,552	25.8%	48.8%	265
Larimer - Poudre	149	1,815	8.2%	20.4%	221
Larimer - Thompson	75	1,052	7.1%	23.6%	173
Douglas	50	4,204	1.2%	4.0%	116
Boulder - Boulder	244	2,028	12.0%	15.8%	75
Adams - Brighton	242	1,121	0.0%	28.1%	72
Arapahoe - Littleton	97	1,056	9.2%	14.4%	55
El Paso - Academy	80	1,379	5.8%	6.2%	5
Pueblo - Pueblo City	846	1,392	60.8%	59.3%	(21)
Statewide	13,636	61,426	19.9%	31.6%	5,793

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. In addition, similar to the analysis of the total number of at-risk children, other proxies could be used to analyze the allocation of CPP slots (e.g., the percentage of students in grades one through eight who are eligible for free or reduced lunch).

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 2007-08, **61 percent** (104 of 170) of participating school districts chose to use CPP slots to serve children under age four. This compares to 107 districts (63 percent) in FY 2006-07. **These districts**

used **2,897²⁴ CPP slots (20.8 percent of CPP preschool slots) to serve a total of 2,814 children.** This compares to 2,158 slots (17.7 percent) in FY 2006-07. The percent of CPP slots that these districts used to serve children younger than age four ranged from 0.4 percent (Adams - Northglenn and Adams - Brighton) to 80 percent (Lincoln - Genoa Hugo).

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 818 for FY 2007-08. The Department provided a list of districts that used slots for this purpose in FY 2007-08. A total of 17 school **districts** (compared to 15 in FY 2006-07) **used 532 (compared to 416 in FY 2006-07) CPP slots to serve children through a full-day program.** The percent of CPP slots that these districts used to provide full-day preschool ranged from 0.4 percent (Boulder - Boulder Valley) to 33.3 percent (Clear Creek).

Allocation of Slots for Full-day Kindergarten. Prior to FY 2008-09, districts were allowed to apply to the Department to use CPP slots to provide full-day kindergarten classes to eligible children. **For FY 2007-08, the Department was required to allow districts to apply for authorization to use up to 15 percent of total CPP slots (2,454 for FY 2007-08) through a full-day kindergarten program. The Department allocates these slots separately from those designated for preschool.** The Department provided a list of the 60 districts (compared to 52 in FY 2006-07) that used 2,454 slots to provide full-day kindergarten classes in FY 2007-08.

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 2007-08. **Statewide, \$53.8 million of districts' total program funding was earmarked for the CPP (1.1 percent), including \$33.5 million in state funding (62.2 percent of total CPP funding).**

- 15 Department of Education, Assistance to Public Schools, Grant Programs and Other Distributions** -- The Department is requested to provide information to the Joint Budget Committee by November 1, 2008, 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 year 2007-08.

Comment: The Governor instructed the Department to comply with this request to the extent that the information can be compiled without jeopardizing the operation of the executive branch

²⁴ This figure includes 83 slots that were used to provide full-day preschool services, and 93 slots that were used to serve children younger than age three under a pilot waiver.

or the delivery of governmental services. The report was furnished by the Department and received by the Joint Budget Committee on November 14, 2008.

Pursuant to a provision added by H.B. 02-1053 (Young/Taylor), the Department is required to annually allocate funds to those boards of cooperative services (BOCES) that provide a wide range of services to their member school districts, or school districts with student populations of less than four thousand students [see Section 22-2-122 (3), C.R.S.]. Specifically, up to \$250,000 is to be allocated annually using 1.0 percent of amounts appropriated "to all education grant programs for that fiscal year"; moneys are to be allocated proportionately on a per school district basis, based on the total number of school districts that have student populations of less than four thousand students and are members of eligible BOCES. The BOCES that receive allocations are required to use such moneys to assist member school districts and schools in applying for grants.

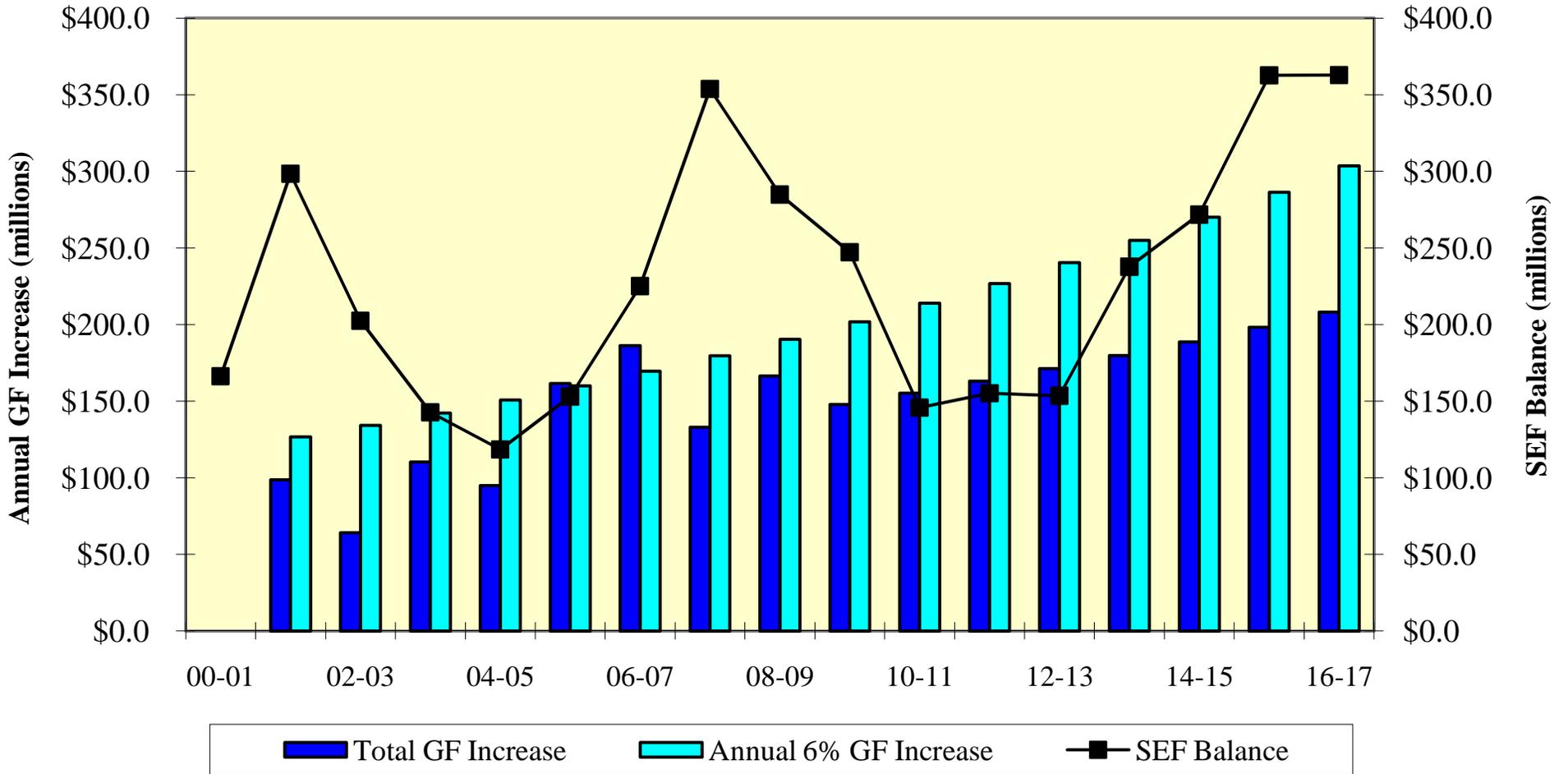
The following table details amounts allocated, by BOCES, since FY 2002-03. Primarily due to reductions in the amount of tobacco settlement moneys allocated to the Read-to-Achieve Grant Program, the total amount of funding allocated to BOCES dropped from nearly \$215,000 in FY 2005-06 to less than \$120,000 in FY 2006-07.

Allocations to BOCES, FY 2002-03 through FY 2007-08						
BOCES	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
Centennial	\$25,926	\$11,260	\$14,809	\$20,548	\$11,392	\$12,333
East Central	31,481	21,269	31,263	31,613	17,963	19,449
Front Range	0	6,256	9,872	9,484	4,820	5,218
Mountain	14,815	10,009	13,163	12,645	6,134	6,641
Northeast	25,926	17,516	19,745	18,967	10,516	11,385
Northwest	11,111	7,507	9,873	9,484	6,134	6,641
Pikes Peak	22,222	15,013	19,745	17,387	7,887	7,590
Rio Blanco	0	2,502	3,291	3,161	1,753	1,897
San Juan	7,407	5,004	6,582	6,322	11,392	3,795
San Luis Valley	25,926	17,516	23,036	22,129	10,516	13,282
Santa Fe Trail	9,259	6,256	8,227	7,904	4,381	4,744
South Central	24,074	16,265	21,391	20,548	3,505	12,333
South Platte Valley	7,407	5,004	6,582	0	0	0
Southeastern	24,074	16,264	21,391	20,548	12,268	12,333
Southwest	7,407	5,004	6,582	6,322	3,505	3,795
Uncompahgre	9,259	6,256	8,227	7,904	4,381	4,744
Total	\$246,296	\$168,901	\$223,779	\$214,966	\$116,547	\$126,180

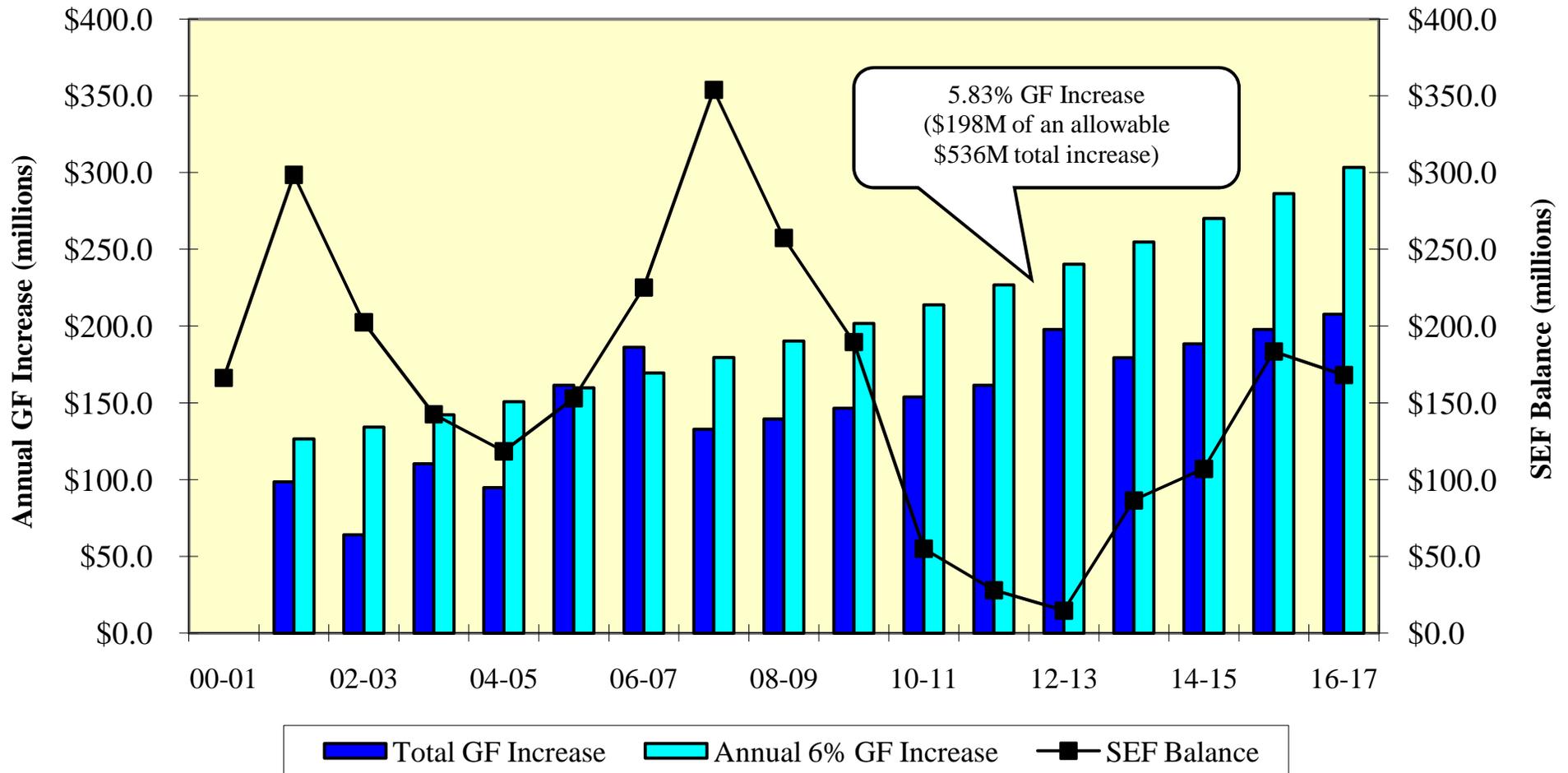
For FY 2007-08, \$63,407 (50.3 percent) was allocated from appropriations for the Expelled and At-risk Student Services Grant Program, \$52,773 (41.8 percent) of the funding was allocated from the Read-to-Achieve Grant Program, and the remaining \$10,000 of the funding was allocated from the Summer School Grant Program (7.9 percent).

Complying With Amendment 23: Scenario 1

Minimum GF Increases (5.0% for School Finance; none for Categoricals)



Complying With Amendment 23: Scenario 2 Minimum GF Increases, Including Refinancing FY 2008-09



**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

**APPENDIX E: Comparison of Budget Initiatives Submitted as Part of the Governor's
Official Budget Request and Those Approved by the State Board of Education**

Description of Decision Item/Base Reduction/Supplemental	Fund Source	State Board		Governor's Request		Variance
		Priority	Amount	Priority	Amount	
Requests Prioritized by the State Board of Education FY 2009-10						
Increase Funding for State Share	Total	1	\$ 210,354,394	1	\$ 210,354,394	\$ -
	GF		119,334,043		119,334,043	-
	CF - SEF		74,576,258		74,576,258	-
	CF - SPSF		16,444,093		16,444,093	-
Increase Funding for various categorical programs by the projected rate of inflation						-
Total Requested Increase	CF - SEF	2	10,313,727	2	10,313,727	-
Portion allocated to Special Education -- Children with Disabilities			2,667,440		2,667,440	-
Portion allocated to English Language Proficiency Program			1,727,877		1,727,877	-
Portion allocated to Public School Transportation			4,072,695		4,072,695	-
Portion allocated to State Assistance for Vocational Education			746,822		746,822	-
Portion allocated to Special Education -- Gifted and Talented			298,893		298,893	-
Portion allocated to Expelled and At-risk Student Services Grant Program			500,000		500,000	-
Portion allocated to Small Attendance Center Aid			-		-	-
Portion allocated to Comprehensive Health Education			300,000		300,000	-
Request for Increase of 2.0 FTE for Department Budget Office	GF	3	127,889	3	127,889	-
	FTE		2.0		2.0	-
Data Infrastructure Improvements	GF	4	868,518	4	-	868,518
	FTE		2.0			2.0
Colorado School for the Deaf and Blind (CSDB) Utility Rate Increase	GF	5	106,558	5	106,558	-
Asset Maintenance -- Information Technology	GF	6	213,133	6	213,133	-
Expand Services for CSDB Outreach -- Services paid for by School Districts	CF	7	755,836	7	755,836	-
	FTE		2.6		2.6	-
Adjust 2.0 FTE from Direct Administrative to 2.0 FTE CSI Administration	RF	8	(99,686)	8	(99,686)	-
STEM After School Program	CF	9	-	9	-	-
Increased Spending Authority for Reappropriated Funds for Charter School Institute	RF	10	1,929,137	10	1,929,137	-
SAR Printing Reduction	GF	11	(27,500)	11	(27,500)	-
Increase State Board of Education's Budget	GF	12	95,693		-	95,693
Request for Appropriation HB08-1344	CF	13	204,254		-	204,254
	FTE		3.0		-	3.0
Increase Spending Authority for GED Self-Funded Program	CF	14	61,785		-	61,785
Non-Prioritized State Requests						
Operating Common Policy - Fleet Operating (Fuel)	GF	NP-1	17,170	NP-1	17,170	-

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Education**

**APPENDIX E: Comparison of Budget Initiatives Submitted as Part of the Governor's
Official Budget Request and Those Approved by the State Board of Education**

Description of Decision Item/Base Reduction/Supplemental	Fund Source	State Board		Governor's Request		Variance
		Priority	Amount	Priority	Amount	
Operating Common Policy - Capital Complex Leased Space	Total	NP-2	32,127	NP-2	32,127	-
	GF		9,690		9,690	-
	CF		3,515		3,515	-
	RF		2,242		2,242	-
	FF		16,680		16,680	-
Operating Common Policy - Workers' Compensation	Total	NP-3	384	NP-3	384	-
	GF		187		187	-
	CF		15		15	-
	RF		30		30	-
	FF		152		152	-
Operating Common Policy - Administrative Law Judge Services	Total	NP-4	2,893	NP-4	2,893	-
	CF		1,062		1,062	-
	RF		1,831		1,831	-
Operating Common Policy - Mail	Total	NP-5	24,333	NP-5	24,333	-
	GF		1,869		1,869	-
	CF		9,536		9,536	-
	RF		12,928		12,928	-
Operating Common Policy - Vehicle Lease	GF	NP-6	5,310	NP-6	5,310	-
Integrated School-based Substance Use Treatment for Adolescents - Corresponds to Department of Human Services Decision Item # 21	CF	NP-7	908,620	NP-7	908,620	-
Division of On-line Learning		NP-8	-	NP-8	-	-
Total Colorado Department of Education Requests FY 2009-10						
Total			\$ 225,894,575		\$ 224,664,325	\$ 1,230,250
General Fund			120,752,560		119,788,349	964,211
Cash Funds			1,944,623		1,678,584	266,039
Cash Funds - State Education Fund(CF-SEF)			84,889,985		84,889,985	-
Cash Funds - State Public School Fund (CF-SPSF)			16,444,093		16,444,093	-
Reappropriated Funds			1,846,482		1,846,482	-
Federal Funds			16,832		16,832	-
Full-time Equivalent Staff (FTE)			9.6		4.6	5.0
Colorado Department of Education Requests FY 2008-2009						
Increase State Board of Education's Budget	GF		27,278		-	27,278