

**COLORADO GENERAL ASSEMBLY**  
**JOINT BUDGET COMMITTEE**



**FISCAL YEAR 2007-08 STAFF BUDGET BRIEFING**  
**DEPARTMENT OF EDUCATION**

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

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**December 4, 2006**

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DEPARTMENT OF EDUCATION  
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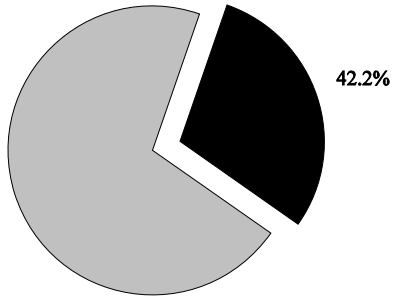
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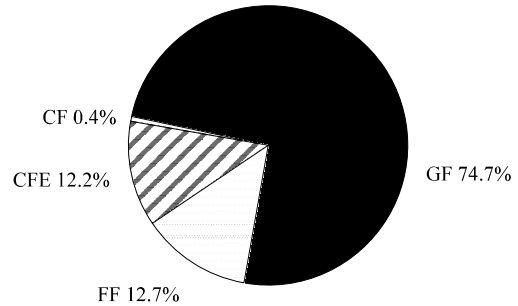
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**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF EDUCATION  
GRAPHIC OVERVIEW**

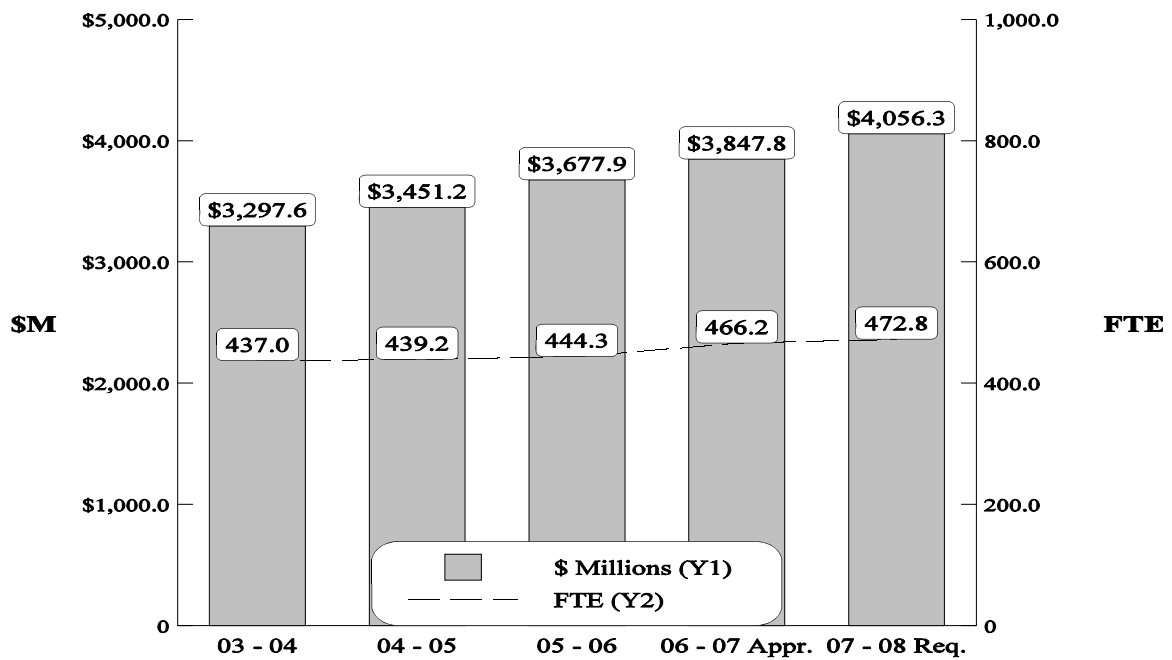
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**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF EDUCATION  
OVERVIEW**

**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 two "type 1"<sup>1</sup> 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.

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

## 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 annual appropriations to the Department of Education. Appropriations to the Department of Education for FY 2006-07 consist of 74.7 percent General Fund, 12.7 percent federal funds, 12.2 percent cash funds exempt, and less than one percent cash funds. Some of the most important factors driving the budget are reviewed below.

### Public School Finance

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 (\$4,864 per pupil for FY 2006-07). 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 2006-07, per pupil funding allocations are estimated to range from \$5,875 to \$13,608, with a statewide average allocation of \$6,376 per pupil. Each district's per pupil funding allocation is multiplied by its funded pupil count to determine its "total program" funding. For FY 2006-07, a total of \$4.8 billion in state and local funds will be allocated among school districts based on the public school finance formula.

#### *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 2006-07, base per pupil funding increased from \$4,718 to \$4,864 (3.1 percent), based on the actual inflation rate of 2.1 percent in calendar year 2005. Given an estimated funded pupil count of 750,307, the General Assembly is thus required to provide a minimum of \$3.7 billion in state and local funds for FY 2006-07 -- 76.3 percent of the \$4.8 billion in total state and local funding.

#### *Factors Considered in Public School Finance Formula.*

The remaining 23.7 percent of state and local funds that will be allocated among school districts in FY 2006-07 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.	14.6%
Size Factor	Recognizes economies of scale experienced by larger school districts. Provides greater per pupil funding for districts with low enrollment.	4.4%
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)	4.5%

*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 2006-07, local taxes are expected to contribute about \$1.7 billion toward public school finance. Thus, the General Assembly appropriated over \$3.0 billion in state funding to provide a total of \$4.8 billion for school district operations. Two constitutional provisions -- the Gallagher amendment and TABOR -- have the effect of limiting property taxes, causing the local share of total program funding to increase at a slower rate than overall funding. Thus, state funding is required to increase at an even greater rate than total program funding, and the state's proportional share of funding continues to rise annually. Since FY 1994-95, when the existing School Finance Act was first adopted, the state share of funding has risen from 54.3 percent to an estimated 63.6 percent for FY 2006-07.

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

- ✓ the number of pupils enrolled in public schools (including the number of slots statutorily authorized for state-funded 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 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 2005-06 and FY 2006-07.

Public School Finance Funding						
Description	FY 01-02 Actual	FY 02-03 Actual	FY 03-04 Actual	FY 04-05 Actual	FY 05-06 Approp.	FY 06-07 Approp.
<b>Funded Pupil Count</b>	<b>707,202</b>	<b>717,465</b>	<b>722,980</b>	<b>729,377</b>	<b>741,403</b>	<b>750,307</b>
<i>Annual Percent Change</i>	2.0%	1.5%	0.8%	0.9%	1.6%	1.2%
<i>Denver-Boulder Inflation Rate for Previous Calendar Year</i>	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%
Statewide <u>Base</u> Per Pupil Funding	\$4,202	\$4,442	\$4,570	\$4,666	\$4,718	\$4,864
<i>Annual Percent Change</i>	5.0%	5.7%	2.9%	2.1%	1.1%	3.1%
<b>Statewide <u>Average</u> Per Pupil Funding</b>	<b>\$5,451</b>	<b>\$5,796</b>	<b>\$5,943</b>	<b>\$6,074</b>	<b>\$6,167</b>	<b>\$6,376</b>
<i>Annual Percent Change</i>	5.5%	6.3%	2.5%	2.2%	1.5%	3.4%
<b>Districts' Total Program Funding</b>	<b>\$3,854,831,914</b>	<b>\$4,158,114,214</b>	<b>\$4,296,674,752</b>	<b>\$4,430,126,525</b>	<b>\$4,572,554,442</b>	<b>\$4,783,715,116</b>
<i>Annual Percent Change</i>	7.5%	7.9%	3.3%	3.1%	3.2%	4.6%
<b><u>Local Share</u> of Districts' Total Program Funding a/</b>	\$1,624,795,679	\$1,674,010,828	\$1,671,170,411	\$1,686,385,318	\$1,701,325,166	\$1,743,412,372
<i>Annual Percent Change</i>	5.7%	3.0%	-0.2%	0.9%	0.9%	2.5%
<b><u>State Share</u> of Districts' Total Program Funding a/</b>	\$2,230,036,235	\$2,484,103,386	\$2,625,504,341	\$2,743,741,207	\$2,871,229,276	\$3,040,302,744
<i>Annual Percent Change</i>	8.9%	11.4%	5.7%	4.5%	4.6%	5.9%
<i>State Share as Percent of Districts' Total Program Funding</i>	57.9%	59.7%	61.1%	61.9%	62.8%	63.6%
General Fund Portion of State Share Appropriation	\$2,073,406,872	\$2,137,582,405	\$2,247,917,791	\$2,342,782,148	\$2,483,349,077	\$2,649,049,913
<i>Annual Percent Change</i>	5.0%	3.1%	5.2%	4.2%	6.0%	6.7%

a/ Local share excludes revenues foregone due to business incentive agreements; state share includes state payments related to such agreements.



## 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 each fiscal year thereafter. For example, based on the actual inflation rate for calendar year 2005 (2.1 percent), the General Assembly was required to increase state funding for categorical programs by at least \$5.9 million (3.1 percent) for FY 2006-07. The General Assembly elected, however, to increase state funding for categorical programs by \$9.8 million.

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 2006-07 Appropriation	Change in Annual Appropriation of State Funds Since FY 2000-01	
Special education - children with disabilities	\$115,953,326	\$44,442,553	62.1%
English language proficiency program	6,132,897	3,031,299	97.7%
Public school transportation	42,940,625	6,018,398	16.3%
Colorado Vocational Act distributions	20,635,922	2,843,072	16.0%
Special education - gifted and talented children	7,808,744	2,308,744	42.0%
Expelled and at-risk student services grant program	6,285,171	496,364	8.6%
Small attendance center aid*	890,777	(57,363)	-6.1%
Comprehensive health education	600,000	0	0.0%
<b>Total</b>	<b>\$201,247,462</b>	<b>\$59,083,067</b>	<b>41.6%</b>

\* Although funding provided for small attendance center aid has declined since FY 2000-01, the amount appropriated for FY 2006-07 is estimated to be sufficient to fully fund the program.

## School Capital Construction Funding

Pursuant to S.B. 00-181, the General Assembly is required to appropriate a total of \$190.0 million from the General Fund over an eleven-year period to assist school districts with capital improvements<sup>2</sup>. The \$190.0 million is to be split between two funds:

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<sup>2</sup> 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

- ✓ A total of \$105.0 million is to be appropriated to the *School Capital Construction Expenditures Reserve* for capital expenditures of school districts that: (1) address immediate safety hazards or health concerns; (2) relieve excessive operating costs created by insufficient maintenance or construction spending; or (3) relieve conditions that detract from an effective learning environment.
- ✓ The remaining \$85.0 million is to be appropriated to the *School Construction and Renovation Fund* to provide matching grants to districts for qualified capital construction projects.

A provision was included in S.B. 00-181 [Section 24-75-201.1 (4) (c), C.R.S.] 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 million<sup>3</sup>. Due to revenue shortfalls, the General Assembly has thus not been statutorily obligated to appropriate General Fund moneys for school capital construction since FY 2000-01. However, the General Assembly elected to waive this provision for certain fiscal years and it has 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 five fiscal years. The following table provides a summary of funding required by S.B. 00-181 (given sufficient revenues) and funding made available to date 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	<u>20,000,000</u>	<u>15,000,000</u>	<u>0</u>	<u>12,545,316</u>	<u>27,545,316</u>
Subtotal	110,000,000	55,000,000	32,971,112	28,823,525	116,794,637

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.

<sup>3</sup> 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
07-08	20,000,000				n/a
08-09	20,000,000				n/a
09-10	20,000,000				n/a
10-11	<u>20,000,000</u>				n/a
<b>Total</b>	<b>\$190,000,000</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

## Summary of Major Legislation

- ✓ **S.B. 06-73 (Tapia/Merrifield):** Effective July 1, 2007, expanded the age requirements associated with compulsory school attendance to include children ages seven through 16 (adding 16-year-olds).
- ✓ **S.B. 06-119 (Groff/Garcia):** Increased the aggregate outstanding principal amount of bonds that may be secured by the state's moral obligation and the State Charter School Debt Service Reserve Fund from \$200 million to \$400 million.
- ✓ **H.B. 06-1008 (Massey/Isgar):** Allowed small school districts and certain charter schools to receive reimbursement for the cost of purchasing supplemental on-line education courses.
- ✓ **H.B. 06-1375 (Pommer/Windels): School Finance Act.** Increased the maximum number of children that can participate in the *Colorado Preschool and Kindergarten Program* from 12,360 to 14,360, and expressed the General Assembly's intent to "fully fund" the program over the next three fiscal years. Modified the distribution of state moneys appropriated for *special education for children with disabilities*. Allowed the General Assembly to appropriate General Fund moneys for *capital construction programs* for fiscal years 2005-06 through 2010-11 even if General Fund revenues do not exceed the relevant statutory threshold. Provided one year of additional *state aid to declining enrollment districts in which a new charter school is opened*. Restored funding for the *Summer School Grant Program* and the *Facility Summer School Program*.
- ✓ **S.B. 05-200 (Windels/Pommer): School Finance Act.** Eliminated the requirement that the General Assembly annually appropriate \$5 million from the State Education Fund to the *School Capital Construction Expenditures Reserve*. Restored *full-day kindergarten* funding for students attending a school that received an "unsatisfactory" academic performance rating.
- ✓ **S.B. 05-196 (Owen/Buescher): Land Board Investment and Development Fund.** Limited the amount of rental income earned on public school lands available for appropriation to \$12 million per fiscal year and required excess revenues to be credited to the Public School Fund.

- ✓ **H.B. 04-1362 (Carroll/Groff): State Charter School Institute.** Established a nine-member State Charter School Institute Board responsible for authorizing and monitoring the operations of "institute charter schools" located within certain school districts. Allowed a school district to retain exclusive authority to authorize charter schools within its boundaries if the district meets certain criteria.
- ✓ **H.B. 04-1397 (King/Anderson): School Finance Act.** Reduced the *at-risk factor* in the total program funding formula for three fiscal years. Allowed an adjustment to the *cost of living factor* in the total program funding formula based on the increase in teacher income rather than on inflation. Established a statutory *age-of-entry policy* for purposes of funding preschool, kindergarten, and first-grade pupils. Allowed the use of a portion of the annual appropriation for the state share of districts' total program costs "off the top" for associated department *administrative costs*. Modified and clarified districts' financial responsibilities for tuition costs for *children with disabilities* who enroll in and attend a charter school, an on-line program, or a school in a district other than the child's district of residence.
- ✓ **H.B. 04-1433 (King/Grossman): Academic Growth.** Repealed the Academic Growth Pilot Program. Required the Department to develop a model to calculate students' annual academic growth for diagnostic purposes, and to use the model to annually calculate the academic growth of each student and each school in reading, writing, and mathematics. Added the academic growth of students rating to the school accountability reports.
- ✓ **S.B. 03-53 (McElhany/King): Colorado School for the Deaf and the Blind Governance.** Established a seven-member Board of Trustees responsible for managing the School. Authorized the Board to grant charters to applicants that propose a charter school that is designed to serve students who would qualify for admission to the School, and to spend moneys granted or donated to the School. Authorized the School to provide additional educational services on a local or regional basis, and to provide adult educational services and receive federal moneys available for such purpose.
- ✓ **S.B. 03-183 (Reeves/Plant): K-12 Program Modifications.** Modified or eliminated several programs in order to reduce expenditures in FY 2002-03 and future fiscal years.
- ✓ **S.B. 03-248 (Anderson/King): School Finance Act.** Reduced the cost of districts' total program funding for FY 2003-04 and subsequent fiscal years by making the following modifications to the School Finance Act: (a) increasing *minimum per-pupil funding* by a lower percentage than base per pupil funding; (b) reducing the *size factor* for all districts; (c) modifying the *definition of "at-risk pupils"* to include only those pupils eligible for free lunch and eliminating the authority of districts to average at-risk pupil count for up to three years; (d) temporarily reducing the number of available *Colorado Preschool Program* slots by 2,000.

Repealed the *Full-day Kindergarten Pilot Program* three years early. Eliminated the authority for districts to receive funding each year for an *additional 135 on-line students* for whom districts would otherwise not receive funding. Eliminated a school district's authority

to enter into new *business incentive agreements* and the associated state replacement of school district revenues. Capped the amount of *interest earnings from the Public School Fund* that may be expended annually for the maintenance of public schools at \$19.0 million. Modified funding for *charter school capital construction*, including limiting the amount that the General Assembly is required to appropriate annually to \$5.0 million.

- ✓ **H.B. 03-1021 (King/Arnold): Charter School Facilities Financing.** Limited the charter schools that may have bonds issued on their behalf that rely upon the state Charter School Debt Reserve Fund to those that have an investment grade credit rating. Required charter schools that have such bonds to pay a specified amount of interest rate savings on bonds issued on its behalf that result from more favorable financing terms. Clarified that \$200 million is the maximum outstanding principal amount of bonds that may be enhanced by the State's "moral obligation" and the Charter School Debt Service Reserve Fund, and made a covenant with the purchasers of qualified charter school bonds that the state will not repeal, revoke, or rescind any statutory provisions that would adversely affect the rights and remedies available to the bond purchasers. Authorized the State Treasurer to charge a fee to the charter school to defray administrative costs of the program.
- ✓ **H.B. 03-1032 (Pommer/Tupa): Interest-free Loan Program.** Required a school district's superintendent and chief financial officer to inform the school district's board of education of each loan requested through the state interest-free loan program and the amount of the loan. Required the district's board to approve the school district's application to participate in the loan program.
- ✓ **H.B. 02-1349 (King/Thiebaut): School Finance Act.** Modified the method of funding pupils enrolled in *on-line programs*. Increased the maximum number of children that can participate in the *Colorado Preschool Program* from 10,050 to 11,050, and allowed certain three-year-old children to participate in the program.

Created a process that allows a *charter school* to submit a *capital construction* plan to its chartering district so that it can be included in a bond election or have the school district submit a special mill levy question on its behalf. Enhanced the ability of charter schools that issue bonds to fund capital construction through a governmental entity other than a school district to obtain favorable financing terms for such bonds by creating: (a) the "intercept program"; (b) the Charter School Debt Reserve Fund; and (c) a "moral obligation" by requiring the State to consider appropriating moneys not to exceed \$200 million to ensure that a charter school's bonds can be paid. Made all charter schools, except those operating in state facilities, eligible for additional State Education Fund moneys for capital construction, and modified the formula for determining the amount of State Education Fund moneys available for such purpose.

Established the *Academic Growth Pilot Program*, *School Breakfast Program*, the *Facility Summer School Grant Program*, the *National Credential Program*, and a program whereby additional state funding is provided to certain *fast-growing school districts*. Created a loan program to provide funding for capital improvements in certain fast-growing school districts,

and required the State Treasurer to lend moneys from the Public School Fund to growth districts whose loan applications have been approved by the State Board of Education.

- ✓ **S.B. 01-82 (Matsunaka/Spence): Implementation of Article IX, Section 17 of the Colorado Constitution (1 of 4).** One of four bills adopted that implemented a constitutional provision adopted by voters in November 2000. Set forth funding requirements and defined relevant terms.
- ✓ **S.B. 01-91 (Hernandez/Spence): Full-day Kindergarten Pilot Program.** Authorized a full-day kindergarten educational pilot program to serve those students who attend a school that received an academic performance grade of "F" for the previous school year.
- ✓ **S.B. 01-98 (Pascoe/King): School Improvement.** Enacted education reform measures, including the following major provisions: (1) made changes to statutory provisions concerning school improvement plans, educational accreditation, and school report cards (renamed "accountability reports"); (2) required the Department to review and update all statewide assessments, including non-English assessments, as necessary to maintain the integrity of the assessments; and, (3) established a teacher pay incentive pilot program to assist poorly-performing school districts in recruiting and maintaining quality teachers.
- ✓ **S.B. 01-129 (Thiebaut/Dean): School Finance Act.** Required the General Assembly to annually appropriate State Education Fund moneys for the purpose of assisting qualified charter schools with their *capital construction* needs and to annually appropriate an equal amount from the State Education Fund to the School Capital Construction Expenditures Reserve for school districts' capital construction needs.  
  
Required the General Assembly to make annual appropriations for the required state match for the *federal National School Lunch Act* and directed the Department to allocate those state moneys among participating school districts. Created the *Summer School Grant Program* to provide state funds to school districts for the operation of summer reading programs for certain students in grades three through five. Required the Department to make the state data reporting system capable of performing *longitudinal analyses* of student assessment results.
- ✓ **S.B. 01-204 (Reeves/Young): Implementation of Article IX, Section 17 of the Colorado Constitution (1 of 4).** Required Legislative Council staff to annually provide information concerning the solvency of the State Education Fund and the ability of the State to comply with the requirements of Article IX, Section 17. Required the General Assembly to annually certify the amount of moneys in the State Education Fund considered available for appropriation for the next fiscal year by acting on a joint resolution.
- ✓ **S.B. 00-181 (Wham/George): Funding of Public School Capital Construction Projects.** Established the School Capital Construction Expenditures Reserve to provide assistance to school districts for certain capital construction projects. Required the General Assembly to appropriate a total of \$105.0 million over 11 years to such Reserve, plus another \$85.0

million over nine years to the existing School Construction and Renovation Fund<sup>4</sup> to make matching grants to school districts for capital construction projects.

- ✓ **S.B. 00-186 (Anderson/Allen): Education Reform.** Enacted education reform measures, including: (1) expanding the number of grade levels tested through the Colorado student assessment program; (2) requiring the Department to produce annual report cards for every public school; and, (3) authorizing the State Board to recommend that any school that receives an academic performance grade of "F" on its report card be converted to an Independent Charter School and establishes a procedure for such conversion.
- ✓ **H.B. 98-1267 (Allen/B. Alexander): Accreditation/Assessments.** Required the State Board to implement a school accreditation process that focuses on student achievement results on standards-based tests, and to prepare annual reports on achievement of accreditation indicators by public schools and school districts.
- ✓ **H.B. 94-1001 (Anderson/Wells): Public School Finance Act of 1994.** Established a new formula for determining "total program" funding for each school district. Increased allowable participation in the Colorado Preschool Program from 2,750 to 8,500.
- ✓ **S.B. 93-183 (Owens/Kerns): Authorized the Establishment of Charter Schools.**
- ✓ **H.B. 93-1313 (Sullivan/Meiklejohn): Standards-Based Education.** Required the development and implementation of content standards and associated student assessments.

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<sup>4</sup> This Fund, established by H.B. 98-1231 (Tool/J. Johnson), was originally to consist of excess TABOR revenues pursuant to H.B. 98-1256. Voters, however, rejected the referred measure.

## Major Funding Changes FY 2005-06 to FY 2006-07

Action <i>(Source)</i>	General Fund	Other Funds <i>(Sources)</i>	Total Funds	Total FTE
<b>Changes Related to Public School Finance Act:</b>				
<b>Increase State Share of Districts' Total Program Funding Based on 3.1 Percent Increase in Base Per Pupil Funding and existing school finance funding formula</b>  <i>(Constitutionally/statutorily required increase)</i>	\$153,983,026	\$3,372,632  <i>(CFE - State Education Fund, State Public School Fund)</i>	<b>\$157,355,658</b>	<b>0.0</b>
<b>Increase State Share of Districts' Total Program Funding Based on Projected 1.1 Percent Enrollment Increase</b>  <i>(Constitutionally/statutorily required increase)</i>	48,873,799	0	<b>48,873,799</b>	<b>0.0</b>
<b>Add 2,000 funded "slots" for the Colorado Preschool and Kindergarten Program, partially offset by elimination of certain full-day kindergarten slots</b>  <i>(H.B. 06-1375)</i>	4,931,217	0	<b>4,931,217</b>	<b>0.0</b>
<b>Eliminate one-time appropriation to State Education Fund</b>  <i>(JBC action)</i>	(3,551,904)	0	<b>(3,551,904)</b>	<b>0.0</b>
<b>Less: Estimated 2.5 percent increase in local funds</b>	(42,087,206)	0	<b>(42,087,206)</b>	<b>0.0</b>
<b>Subtotal: Changes in State Appropriations Related to Public School Finance Act</b>	162,148,932	3,372,632	<b>165,521,564</b>	<b>0.0</b>



<b>Action</b> <i>(Source)</i>	<b>General Fund</b>	<b>Other Funds</b> <i>(Sources)</i>	<b>Total Funds</b>	<b>Total FTE</b>
<b>Other Changes:</b>				
<b>Categorical Programs</b> <i>(Constitutionally required increase; H.B. 06-1375)</i>	9,290,692	491,252 <i>(CFE - State Education Fund)</i>	<b>9,781,944</b>	<b>0.0</b>
<b>New or increased funding for various programs, including:</b> charter school capital construction; aid for declining enrollment districts with new charter schools; Summer School Grant Program; Facility Summer School Grant Program; and national credential fee assistance <i>(H.B. 06-1375)</i>	283,377	5,317,000 <i>[CFE - State Education Fund]</i>	<b>5,600,377</b>	<b>0.3</b>
<b>Increase spending authority related to the State Charter School Institute</b> <i>(JBC action)</i>	0	1,830,251 <i>[CFE - transfers]</i>	<b>1,830,251</b>	<b>9.5</b>
<b>Reimbursement for Supplemental On-line Education Courses</b> <i>(H.B. 06-1008)</i>	0	531,580 <i>[CFE - State Public School Fund]</i>	<b>531,580</b>	<b>0.0</b>
<b>Expand Colorado School for the Deaf and the Blind's home-based family literacy programs</b> <i>(Department request)</i>	462,620	0	<b>462,620</b>	<b>1.8</b>
<b>Increase state funding for library courier service</b> <i>(Department request)</i>	400,000	0	<b>400,000</b>	<b>0.0</b>
<b>Provide funding for family literacy grant program</b> <i>(G.A. action on Long Bill)</i>	0	400,000 <i>[CFE -State Education Fund and matching spending authority]</i>	<b>400,000</b>	<b>0.0</b>

<b>Action</b> <i>(Source)</i>	<b>General Fund</b>	<b>Other Funds</b> <i>(Sources)</i>	<b>Total Funds</b>	<b>Total FTE</b>
<b>Reading Assistance Grant Program Fund</b> <i>(H.B. 06-1004)</i>	0	300,000 <i>[CFE - Read-to-Achieve Cash Fund]</i>	<b>300,000</b>	<b>0.0</b>
<b>Principal Development Scholarship Program</b> <i>(H.B. 06-1001)</i>	0	250,000 <i>[CFE - Gifts, grants and donations]</i>	<b>250,000</b>	<b>0.0</b>
<b>Restore funding for boards of cooperative services' grants</b> <i>(S.B. 06-130)</i>	210,000	0	<b>210,000</b>	<b>0.0</b>
<b>Restore state funding for federal school breakfast program</b> <i>(JBC action)</i>	190,000	0	<b>190,000</b>	<b>0.0</b>
<b>Add accounting and school finance staff, and restore General Fund support for school finance unit</b> <i>(JBC action; H.B. 06-1375)</i>	1,024,986	(845,633) <i>[CFE - "off-the-top" of districts' total program funding]</i>	<b>179,353</b>	<b>3.0</b>
<b>Increase FTE authorization for longitudinal analyses of student assessment results</b> <i>(H.B. 06-1109)</i>	0	0	<b>0</b>	<b>1.0</b>
<b>Reduce funding for school accountability reports</b> <i>(G.A. action on Long Bill)</i>	(200,000)	0	<b>(200,000)</b>	<b>0.0</b>
<b>Eliminate requirement for this Department to collect and transfer licensure-related background check fees</b> <i>(S.B. 06-176)</i>	0	(775,000) <i>[CF - Educator Licensure Cash Fund]</i>	<b>(775,000)</b>	<b>0.0</b>

<b>Action</b> <i>(Source)</i>	<b>General Fund</b>	<b>Other Funds</b> <i>(Sources)</i>	<b>Total Funds</b>	<b>Total FTE</b>
<b>Reflect transfer of federal special education grant for infants, toddlers, and their families</b> <i>(Governor's Executive Order)</i>	0	(7,215,847) <i>(FF - Part C)</i>	<b>(7,215,847)</b>	<b>0.0</b>
<b>Eliminate State Education Fund appropriation to School Capital Construction Expenditures Reserve</b> <i>(Statutory)</i>	0	(10,000,000) <i>[CFE -State Education Fund and matching spending authority]</i>	<b>(10,000,000)</b>	<b>0.0</b>
<b>Reduce General Fund appropriations for capital construction programs</b> <i>(H.B. 06-1375 and JBC action)</i>	(10,000,000)	(10,000,000) <i>[CFE - Spending authority]</i>	<b>(20,000,000)</b>	<b>0.0</b>
<b>Eliminate one-time funding for Read-to-Achieve Grant Program</b> <i>(JBC action)</i>	(11,562,409)	(11,562,409) <i>[CFE - Spending authority]</i>	<b>(23,124,818)</b>	<b>0.0</b>

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
Department of Education  
Decision Item Priority List**

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF	TOTAL	FTE
<b>Requests Included in the Governor's Official Budget Request</b>							
1	<b>Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding</b> Increase funding for state share of districts' total program based on a 1.1 percent projected growth in the funded pupil count and a base per pupil funding inflationary increase of 4.5 percent (inflation plus one percent).  <i>[Required base per pupil funding increases: Section 22-55-106, C.R.S., and Article IX, Section 17 of the Colorado Constitution; School Finance Act: Section 22-54-101, et seq.]</i>	\$132,452,496	(\$35,480)	\$58,015,873		<b>\$190,432,889</b>	0.0
				<i>[State Public School Fund; State Education Fund]</i>			

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
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Decision Item Priority List**

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF	TOTAL	FTE
2	<b>Assistance to Public Schools, Categorical Programs</b>						
	Increase funding for categorical programs by 4.5 percent (inflation plus one percent).			9,056,137		<b>9,056,137</b>	0.0
	<i>[Required increase in state funding for categorical programs: Article IX, Section 17 of the Colorado Constitution and Sections 22-55-102 and 107, C.R.S.; Special Education for Children with Disabilities: Title 22, Article 20, C.R.S.; English Language Proficiency Program: Section 22-24-104, C.R.S.; Transportation: Sections 22-32-113 and 22-51-108, C.R.S.; State Assistance for Vocational Education: Section 23-8-101 et seq., C.R.S.; Special Education for Gifted and Talented Children: Section 22-26-101 et seq., C.R.S.; Expelled and At-risk Student Services Grant Program: Section 22-33-205, C.R.S.; Grant Program for In-school or In-home Suspension: Section 22-37-101 et seq., C.R.S.; Small Attendance Center Aid: Section 22-54-122, C.R.S.; Colorado Comprehensive Health Education Program: Section 22-25-104, C.R.S.]</i>			<i>[State Education Fund]</i>			

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
Department of Education  
Decision Item Priority List**

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF	TOTAL	FTE
3	<b>Assistance to Public Schools, Categorical Programs, Other Categorical Programs, Expelled and At-risk Student Services Grant Program</b>  Provide funding for 1.0 FTE to administer this grant program, including supervising the state evaluation of the program and sharing best practices with school districts.  <i>[Expelled and At-risk Student Services Grant Program: Section 22-33-205, C.R.S.;]</i>	55,505				55,505	1.0
<b>Non-Prioritized, Statewide Requests</b>							
	<b>Colorado School for the Deaf and the Blind, School Operations, Vehicle Lease Payments</b>  Provide funding to annualize the cost of replacing one vehicle at the Colorado School for the Deaf and the Blind in May 2007.  <i>[General statutory authority for the Department of Personnel and Administration's fleet program: Section 24-30-1104 (2) et seq., C.R.S.]</i>	1,289				1,289	0.0
<b>Total Decision Items</b>		<b>\$132,509,290</b>	<b>(\$35,480)</b>	<b>\$67,072,010</b>	<b>\$0</b>	<b>\$199,545,820</b>	<b>1.0</b>

**FY 2007-08 Joint Budget Committee Staff Budget Briefing**  
**DEPARTMENT OF EDUCATION: OVERVIEW OF MAJOR CHANGES**

Requested Changes FY 2006-07 to FY 2007-08:						
Description	FTE	General Fund	Cash	Cash Exempt	Federal	Total
<u>State Share of Districts' Total Program Funding:</u>						
Provide funding (at current average per pupil funding level) for projected 1.1 percent enrollment growth ( <i>DI #1</i> )	0.0	\$52,872,877	\$0	\$0	\$0	\$52,872,877
Increase base per pupil funding by 4.5 percent ( <i>DI #1</i> )	0.0	158,911,550	(35,480)	58,015,873	0	216,891,943
Less: Estimated 4.5 percent increase in local funds ( <i>DI #1</i> )	<u>0.0</u>	<u>(79,331,931)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(79,331,931)</u>
Net Change in State Share	0.0	132,452,496	(35,480)	58,015,873	0	190,432,889
Provide 4.5 percent increase for categorical programs ( <i>DI #2</i> )	0.0	0	0	9,056,137	0	9,056,137
Anticipated changes in federal funding for various programs	4.4	0	0	0	8,368,831	8,368,831
Increase funding for state employee benefits	0.0	568,289	109,429	114,565	391,533	1,183,816
Fund 1.0 FTE to administer the Expelled and At-risk Student Services Grant Program ( <i>DI #3</i> )	1.0	55,505	0	0	0	55,505
Eliminate one-time funding for Reading Assistance Grant Program (H.B. 06-1004)	0.0	0	0	(300,000)	0	(300,000)
Eliminate one-time spending authority from School Construction and Renovation Fund reserve	0.0	0	0	(437,602)	0	(437,602)
Eliminate reimbursement for supplemental on-line education courses (July 1, 2007 repeal in H.B. 06-1008)	0.0	0	0	(531,580)	0	(531,580)
Other	1.2	326,390	241,819	109,477	0	677,686
<b>Net Change</b>	<b>6.6</b>	<b>\$133,402,680</b>	<b>\$315,768</b>	<b>\$66,026,870</b>	<b>\$8,760,364</b>	<b>\$208,505,682</b>

**Fiscal Year 2007-08 Joint Budget Committee Staff Budget Briefing  
Department of Education**

	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
<b>DEPARTMENT OF EDUCATION</b>					
<b>Commissioner: William J. Moloney</b>					
<b>(1) MANAGEMENT AND ADMINISTRATION</b>					
This section provides funding and staff for: the State Board of Education; the administration of a variety of programs including public school finance, educator licensure and professional development programs, standards and assessments, and library programs; and, general department administration, including human resources, information management, budgeting, accounting, and facilities maintenance. The primary source of cash funds for this section is fees paid by applicants for educator licenses, certificates, etc. Cash funds exempt sources consist primarily of indirect cost recoveries and transfers of funds from various cash- and federally-funded line items.					
General Department and Program Administration a/	6,225,517	6,424,442	6,826,552	6,819,995	
FTE	<u>73.9</u>	<u>75.5</u>	<u>81.0</u>	<u>81.0</u>	
General Fund	3,993,895	4,110,663	5,301,208 b/	5,293,063	
FTE	48.3	49.7	65.0 b/	65.0	
Cash Funds	121,745	124,770	128,608	128,850	
FTE	1.5	1.5	1.5	1.5	
Cash Funds Exempt	2,096,856	2,175,690	1,383,790	1,383,833	
FTE	24.1	24.3	14.5	14.5	
Federal Funds	13,021	13,319	12,946	14,249	
Office of Professional Services - (CF) c/	2,308,307	2,376,033	1,663,799	1,663,799	
FTE	16.6	18.5	19.0	18.9	
Health, Life, and Dental	<u>1,097,408</u>	<u>1,341,487</u>	<u>1,624,152</u>	<u>1,948,203</u>	
General Fund	544,431	703,688	816,811	990,650	
Cash Funds	38,641	46,247	54,756	81,101	
Cash Funds Exempt	104,030	123,705	145,800	197,929	
Federal Funds	410,306	467,847	606,785	678,523	



**Fiscal Year 2007-08 Joint Budget Committee Staff Budget Briefing  
Department of Education**

	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
Amortization Equalization Disbursement	n/a	<u>55,447</u>	<u>202,764</u>	<u>320,901</u>	
General Fund		22,973	88,987	149,541	
Cash Funds		2,122	8,298	13,903	
Cash Funds Exempt		5,879	19,555	24,715	
Federal Funds		24,473	85,924	132,742	
Supplemental Amortization Equalization Disbursement	n/a	n/a	n/a	<u>68,586</u>	
General Fund				32,251	
Cash Funds				2,896	
Cash Funds Exempt				5,785	
Federal Funds				27,654	
Salary Survey and Senior Executive Service	<u>548,136</u>	<u>828,410</u>	<u>768,848</u>	<u>1,230,028</u>	
General Fund	278,552	393,052	354,397	571,468	
Cash Funds	18,536	27,800	33,632	97,653	
Cash Funds Exempt	46,982	66,621	68,042	103,651	
Federal Funds	204,066	340,937	312,777	457,256	
Performance-Based Pay Awards	<u>242,529</u>	<u>0</u>	<u>0</u>	<u>211,862</u>	d/
General Fund	88,912	0	0	84,574	
Cash Funds	10,057	0	0	10,562	
Cash Funds Exempt	31,239	0	0	15,882	
Federal Funds	112,321	0	0	100,844	
Shift Differential	<u>80,202</u>		See Colorado School for the Deaf and the Blind section		
General Fund	80,202				
Cash Funds Exempt	0				
Workers' Compensation	<u>438,058</u>	<u>374,680</u>	<u>407,704</u>	<u>426,615</u>	
General Fund	237,404	170,527	187,597	188,167	
Cash Funds	18,025	14,773	18,603	18,965	
Cash Funds Exempt	0	38,860	38,588	51,496	
Federal Funds	182,629	150,520	162,916	167,987	

**Fiscal Year 2007-08 Joint Budget Committee Staff Budget Briefing  
Department of Education**

	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
Emeritus Retirement - (GF)	33,011	30,575	29,392	29,392	
Administrative Law Judge Services	<u>57,024</u>	<u>24,291</u>	<u>26,177</u>	<u>77,333</u>	
Cash Funds - Educator Licensure Cash Fund	11,974	5,101	5,497	6,651	
Cash Funds Exempt - transfer from Special Educ.	45,050	19,190	20,680	70,682	
Payment to Risk Management and Property Funds	<u>61,762</u>	<u>60,940</u>	<u>83,004</u>	<u>110,607</u>	
General Fund	33,472	27,738	38,193	49,324	
Cash Funds	2,541	2,398	3,787	4,917	
Cash Funds Exempt	0	6,321	7,856	12,813	
Federal Funds	25,749	24,483	33,168	43,553	
Capitol Complex Leased Space	<u>465,148</u>	<u>430,898</u>	<u>485,083</u>	<u>509,052</u>	
General Fund	133,564	81,794	95,139	117,500	
Cash Funds	31,422	29,648	38,699	42,630	
Cash Funds Exempt	0	51,764	62,455	71,205	
Federal Funds	300,162	267,692	288,790	277,717	
Information Technology Asset Maintenance - (GF)	90,697	90,697	90,697	90,697	
Disaster Recovery - (GF)	19,722	18,869	19,722	19,722	
Colorado Student Assessment Program	18,102,415	24,765,334	21,771,340	21,771,340	
FTE	<u>5.1</u>	<u>3.8</u>	<u>6.0</u>	<u>6.0</u>	
General Fund	13,219,245	15,765,353	15,709,849	15,709,849	
Federal Funds	4,883,170	8,999,981	6,061,491	6,061,491	
FTE	5.1	3.8	6.0	6.0	
Federal Grant for State Assessments and Related Activities - (FF)	510,037	634,106	601,154	601,154	
FTE	5.6	5.7	7.0	7.0	
School Accountability Reports and State Data Reporting System - (GF)	2,223,417	1,503,002	1,308,453	1,308,453	

**Fiscal Year 2007-08 Joint Budget Committee Staff Budget Briefing  
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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
FTE	2.9	2.9	3.0	3.0	
Longitudinal Analyses of Student Assessment Results (GF)	118,159	144,837	277,124	277,124	
FTE	1.7	1.8	3.0	3.0	
<i>Calculation of Academic Growth of Students Using In-year Cost Recoveries Due to Unique Student Identifiers [Section 22-54-114 (2.5), C.R.S.] -- shown for informational purposes only</i>	59,828	0	<i>Up to \$200,000; not appropriated</i>	<i>Up to \$200,000; not appropriated</i>	
State Charter School Institute - (CFE - donations, transfer, and federal funds)	85,181	281,508 e/	See next line item		
FTE	0.4	2.2			
State Charter School Institute Administration, Oversight, and Management - (CFE - donations and transfer from State Share line item)	n/a	n/a	765,125	765,125	
FTE			6.5	5.0	
Institute Charter Schools' Categorical Funding - (CFE - transfers from various line items)	n/a	n/a	450,000	450,000	
Direct Administrative and Support Services Provided by the Department to the State Charter School Institute - (CFE - transfer from above line item)	n/a	n/a	255,042	255,042	
FTE			2.0	2.0	

**Fiscal Year 2007-08 Joint Budget Committee Staff Budget Briefing  
Department of Education**

	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
Department Implementation of Section 22-30.5-501 et seq., C.R.S. - (CFE - transfer from State Share line item)	n/a	n/a	510,084	510,084	
FTE			3.0	3.0	
Financial Literacy - (CFE - SEF)	1,335	39,114	40,000	40,000	
Civic Education - (CFE - SEF)	n/a	135,748	200,000	200,000	
					Request v. Appropriation
<b>SUBTOTAL - MANAGEMENT AND ADMINISTRATION</b>	32,708,065	39,560,418	38,406,216	39,705,114	3.4%
FTE	<u>106.2</u>	<u>110.4</u>	<u>130.5</u>	<u>128.9</u>	<u>-1.2%</u>
General Fund	21,094,683	23,063,768	24,317,569	24,911,775	2.4%
FTE	52.9	54.4	71.0	71.0	0.0%
Cash Funds	2,561,248	2,628,892	1,955,679	2,071,927	5.9%
FTE	18.1	20.0	20.5	20.4	-0.5%
Cash Funds Exempt	2,410,673	2,944,400	3,967,017	4,158,242	4.8%
FTE	24.5	26.5	26.0	24.5	-5.8%
Federal Funds	6,641,461	10,923,358	8,165,951	8,563,170	4.9%
FTE	10.7	9.5	13.0	13.0	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. This line item also provides funding for several centrally appropriated items, including the purchase of legal services, short-term disability, multi-use network payments, and the purchase of services from the general government computer center.

b/ This appropriation excludes \$25,245 General Fund and 0.3 FTE that was appropriated through H.B. 06-1283 and reflected in the FY 2006-07 Appropriations Report. This bill was contingent on the passage of Referendum J, which was not approved by voters in November 2006.

c/ 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.



**Fiscal Year 2007-08 Joint Budget Committee Staff Budget Briefing  
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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
<b>(2) ASSISTANCE TO PUBLIC SCHOOLS</b>					
This section provides funding that is distributed to public schools and school districts, as well as some associated Department administrative costs (staff responsible for administering the School Finance Act, transportation programs, programs for gifted and talented children, and various state grant programs are funded through the General Department and Program Administration line item, above).					
<b>(A) Public School Finance</b>					
Funded Pupil Count (FTE)	729,377.2	741,327.7	750,306.8 a/	758,599.7	DI #1
<i>Percent Change</i>	0.9%	1.6%	1.2%	1.1%	
<i>Denver-Boulder Inflation Rate (prior CY)</i>	1.1%	0.1%	2.1%	3.5%	
Statewide BASE Per Pupil Funding	\$ 4,666.29	\$ 4,717.62	\$ 4,863.87	\$ 5,082.74	DI #1
<i>Percent Change</i>	2.1%	1.1%	3.1%	4.5%	
MINIMUM Per Pupil Funding	\$ 5,627.00	\$ 5,689.00	\$ 5,865.00	\$ 6,128.93	
<i>Percent Change</i>	2.1%	1.1%	3.1%	4.5%	
Statewide AVERAGE Per Pupil Funding	\$ 6,073.85	\$ 6,167.54	\$ 6,375.68	\$ 6,661.59	DI #1
<i>Percent Change</i>	2.2%	1.5%	3.4%	4.5%	
<b>Total Program</b>	4,430,126,525	4,572,169,688	4,783,715,116	5,053,479,936	DI #1
<i>Percent Change</i>	3.1%	3.2%	4.6%	5.6%	
Local Share of Districts' Total Program Funding b/	1,688,649,273	1,702,467,578	1,744,552,387	1,823,884,318	
<i>Percent Change</i>	0.9%	0.8%	2.5%	4.5%	

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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
<b>State Share of Districts' Total Program Funding</b>					
<i>c/</i>	<u>2,741,548,395</u>	<u>2,869,820,038</u>	<u>3,039,162,729</u>	<u>3,229,595,618</u>	DI #1
General Fund	2,340,425,737	2,217,920,440	2,391,809,898	2,780,362,394	
General Fund Exempt	n/a	261,400,000	256,100,000	Not specified	
Cash Funds - State Public School Fund	11,500,000	9,491,876	9,527,356	9,491,876	
Cash Funds Exempt - State Education Fund	313,438,356	299,918,887	308,628,360	294,741,348	
Cash Funds Exempt - State Public School Fund	76,184,302	81,088,835	73,097,115	145,000,000	
<b>Additional State Aid Related to Locally Negotiated Business Incentive Agreements - (GF)</b>					
<i>d/</i>	2,192,812	1,140,015	1,140,015	1,140,015	
<b>Appropriation to State Education Fund - (GF)</b>	0	3,551,904	0	0	
					Request v. Appropriation
<b>Subtotal - Public School Finance</b>	<u>2,743,741,207</u>	<u>2,874,511,957</u>	<u>3,040,302,744</u>	<u>3,230,735,633</u>	<u>6.3%</u>
General Fund	2,342,618,549	2,222,612,359	2,392,949,913	2,781,502,409	5.0% (GF+GFE)
General Fund Exempt	n/a	261,400,000	256,100,000	Not specified	
Cash Funds - State Public School Fund	11,500,000	9,491,876	9,527,356	9,491,876	-0.4%
Cash Funds Exempt	389,622,658	381,007,722	381,725,475	439,741,348	15.2%
<i>Change in State Share</i>	4.5%	4.6%	5.9%	6.3%	
<i>Change in General Fund Portion of State Share</i>	4.3%	6.0%	6.6%	5.0%	
<i>State Aid as Percent of Districts' Total Program Funding</i>	61.9%	62.9%	63.6%	63.9%	

a/ The FY 2006-07 funded pupil count includes 7,180.0 FTE for the 14,360 ½-day slots authorized for the Colorado Preschool and Kindergarten Program.

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

c/ Actual expenditures for FY 2004-05 and FY 2005-06 include amounts that the Department is statutorily authorized to use "off-the-top" to pay related expenditures, including payments to Legislative Council staff to conduct the biennial cost-of-living

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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
study and funding used to cover expenses associated with the administration of the school finance program.					
d/ Actual expenditures reflect the actual amounts paid to school districts related to these agreements. In FY 2005-06, the appropriation was \$741,125 short of funding the full amount districts were eligible to receive. The FY 2006-07 appropriation is anticipated to cover 55 percent of the amount districts are eligible to receive, a shortfall of \$914,521.					
<b>(B) Categorical Programs</b>					
<b>(I) District Programs Required by Statute</b>					
Special Education - Children with Disabilities	219,585,359	236,476,642	268,564,686	272,623,052	
FTE	<u>56.0</u>	<u>58.6</u>	<u>54.9</u>	<u>54.9</u>	
General Fund	71,549,386	93,852,376	99,572,376	99,572,376	
Cash Funds Exempt - State Education Fund	15,061,678	16,380,950	16,380,950	20,439,316	DI #2
Cash Funds Exempt - transfer from DHS	97,414	0	98,000	98,000	
FTE	0.5	0.0	0.5	0.5	
Federal Funds	132,876,881	126,243,316	152,513,360	152,513,360	
FTE	55.5	58.6	54.4	54.4	
<i>State Funding Portion of Appropriation</i>	<i>86,611,064</i>	<i>110,233,326</i>	<i>115,953,326</i>	<i>120,011,692</i>	
<i>Annual Change in State Funding</i>	<i>3.0%</i>	<i>27.3%</i>	<i>5.2%</i>	<i>3.5%</i>	
English Language Proficiency Program	9,490,681	13,887,352	17,410,769	17,656,085	
FTE	<u>4.7</u>	<u>4.5</u>	<u>4.6</u>	<u>4.6</u>	
General Fund	3,101,598	3,101,598	4,657,644	4,657,644	
Cash Funds Exempt - State Education Fund	665,032	941,957	1,475,253	1,720,569	DI #2
Cash Funds Exempt - transfer from DHS	252,037	0	0	0	
FTE	1.0	0.0	0.0	0.0	
Federal Funds	5,472,014	9,843,797	11,277,872	11,277,872	
FTE	3.7	4.5	4.6	4.6	
<i>State Funding Portion of Appropriation</i>	<i>3,766,630</i>	<i>4,043,555</i>	<i>6,132,897</i>	<i>6,378,213</i>	
<i>Annual Change in State Funding</i>	<i>3.0%</i>	<i>7.4%</i>	<i>62.8%</i>	<i>4.0%</i>	



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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
<b>(II) Other Categorical Programs</b>					
Federal Special Education Grant for Infants, Toddlers, and Their Families - FF FTE	6,097,533 6.0	7,142,158 5.4	Appropriated to the Department of Human Services		
Public School Transportation	<u>41,417,427</u>	<u>41,604,620</u>	<u>42,940,625</u>	<u>45,609,290</u>	
General Fund	36,921,261	36,917,714	38,079,601	38,079,601	
Cash Funds Exempt - State Education Fund	4,496,166	4,686,906	4,861,024	7,529,689	DI #2
<i>Annual Change in State Funding</i>	<i>1.1%</i>	<i>0.5%</i>	<i>3.7%</i>	<i>6.2%</i>	
Transfer to the Department of Higher Education for Distribution of State Assistance for Vocational Education	<u>19,959,556</u>	<u>19,996,048</u>	<u>20,635,922</u>	<u>21,874,077</u>	
General Fund	17,792,850	17,792,850	18,349,048	18,349,048	
Cash Funds Exempt - State Education Fund	2,166,706	2,203,198	2,286,874	3,525,029	DI #2
<i>Annual Change in State Funding</i>	<i>1.1%</i>	<i>0.2%</i>	<i>3.4%</i>	<i>6.0%</i>	
Special Education - Gifted and Talented Children	<u>6,255,768</u>	<u>7,808,508</u>	<u>7,808,744</u>	<u>8,277,269</u>	
General Fund	5,497,024	7,049,764	7,050,000	7,050,000	
Cash Funds Exempt - State Education Fund	758,744	758,744	758,744	1,227,269	DI #2
<i>Annual Change in State Funding</i>	<i>1.1%</i>	<i>24.8%</i>	<i>24.8%</i>	<i>6.0%</i>	
Expelled and At-risk Student Services Grant Program	6,285,171	6,285,160	6,285,171	6,717,786	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	DI #3
General Fund	5,788,807	5,788,807	5,788,807	5,844,312	DI #3
FTE	0.0	0.0	0.0	1.0	
Cash Funds Exempt - State Education Fund	496,364	496,353	496,364	873,474	DI #2
<i>Annual Change in State Funding</i>	<i>1.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>6.9%</i>	

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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
Small Attendance Center Aid	<u>843,780</u>	<u>889,541</u>	<u>890,777</u>	<u>890,777</u>	
General Fund	787,644	833,405	834,479	834,479	
Cash Funds Exempt - State Education Fund	56,136	56,136	56,298	56,298	
<i>Annual Change in State Funding</i>	<i>4.4%</i>	<i>5.4%</i>	<i>5.6%</i>	<i>0.0%</i>	
Comprehensive Health Education	<u>595,679</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	
General Fund	300,000	0	300,000	300,000	
Cash Funds Exempt - Compr. Health Educ. Fund	295,679	600,000	300,000	300,000	
<i>Annual Change in State Funding</i>	<i>-0.5%</i>	<i>0.7%</i>	<i>0.7%</i>	<i>0.0%</i>	
<i>Minimum Inflationary Increase for Categorical Programs Required by Section 17 of Article IX of the State Constitution</i>				<i>\$9,056,137 included in above line items</i>	
					Request v. Appropriation
<b>Subtotal - Categorical Programs</b>	310,530,954	327,547,871	365,136,694	374,248,336	2.5%
FTE	<u>65.2</u>	<u>63.1</u>	<u>59.0</u>	<u>60.5</u>	<u>2.5%</u>
General Fund	141,738,570	165,336,514	174,631,955	174,687,460	0.0%
FTE	0.0	0.0	0.0	1.0	0.0%
Cash Funds Exempt	24,345,956	26,124,244	26,713,507	35,769,644	33.9%
FTE	1.5	0.0	0.5	0.5	0.0%
Federal Funds	144,446,428	136,087,113	163,791,232	163,791,232	0.0%
FTE	65.2	63.1	59.0	59.0	0.0%
<i>State Funding for Categorical Programs</i>	<i>165,735,075</i>	<i>191,460,758</i>	<i>201,247,462</i>	<i>210,359,104</i>	
<i>Annual Change in State Funding</i>	<i>2.1%</i>	<i>15.5%</i>	<i>5.1%</i>	<i>4.5%</i>	

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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
<b>(C) Grant Programs and Other Distributions</b>					
Read-to-Achieve Cash Fund	<u>16,331,727</u>	<u>15,922,311</u>	<u>0</u>	n/a	
General Fund	0	0	0		
Cash Funds Exempt - tobacco settlement	16,331,727	15,922,311	0		
Federal Funds	0	0	0		
Read-to-Achieve Grant Program - (CFE spending authority)	16,289,727	15,914,274	4,369,567	4,369,567	
Reading Assistance Grant Program Fund - (CFE from Read-to-Achieve Cash Fund)	n/a	n/a	300,000	0	
Federal Title I Reading First Grant - (FF)	8,011,373	15,659,030	10,878,225	10,878,225	
FTE	9.5	9.6	9.0	9.0	
Family Literacy Education Fund - (CFE - State Education Fund)	n/a	n/a	200,000	200,000	
Family Literacy Education Grant Program - (CFE - spending authority)	n/a	n/a	200,000	200,000	
National Credential Fund - (SEF)	0	83,000	0	n/a	
National Credential Fee Assistance - (CFE - spending authority thru FY 05-06; SEF for FY 06-07+)	0	83,000	100,000	83,000	
Principal Development Scholarship Program - (CFE - Principal Development Scholarship Fund)	n/a	n/a	250,000	250,000	
Summer School Grant Program - (CFE - State Education Fund)	n/a	n/a	1,000,000	1,000,000	
FTE			0.3	0.3	

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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
Facility Summer School Grant Program - (CFE - State Education Fund)	n/a	n/a	500,000	500,000	
Aid for Declining Enrollment Districts with New Charter Schools	n/a	n/a	<u>1,283,377</u>	<u>1,283,377</u>	
General Fund			283,377	283,377	
Cash Funds Exempt - State Education Fund			1,000,000	1,000,000	
Reimbursement for Supplemental On-line Education Courses - (CFE - SPSF - mineral lease revenues)	n/a	n/a	531,580	0	
S.B. 97-101 Public School Health Services a/ - (CFE - transfer from the DHCPF)	8,585,976 b/	9,967,122 b/	15,713,461 b/	15,713,461	
FTE	1.4	1.4	1.4	1.4	
State Public School Fund, Contingency Reserve	<u>0</u>	<u>622,493</u>	<u>4,291,277</u>	<u>4,291,277</u>	
General Fund	0	0	0	0	
Cash Funds Exempt - Contingency Reserve	0	622,493	4,291,277	4,291,277	
<i>Payments to Districts From Lottery Proceeds that are credited to the State Public School Fund, Contingency Reserve, Pursuant to Section 22-54-117 (1.6), C.R.S. SHOWN FOR INFORMATIONAL PURPOSES ONLY - NOT APPROPRIATED</i>	2,396,438 c/	1,691,454 c/	12,545,316 c/	0	
State Public School Fund, School Capital Construction Expenditures Reserve	5,000,000	21,500,000	15,000,000	15,000,000	
FTE	<u>1.6</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	
General Fund	0	5,750,000	7,500,000	7,500,000	
Cash Funds Exempt - State Education Fund	2,500,000	5,000,000	0	0	
Cash Funds Exempt - spending authority d/	2,500,000	10,750,000	7,500,000	7,500,000	
FTE	1.6	2.0	2.0	2.0	

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School Construction and Renovation Fund	<u>5,000,000</u>	<u>38,500,000</u>	<u>15,437,602</u>	<u>15,000,000</u>	
General Fund	0	19,250,000	7,500,000	7,500,000	
Cash Funds Exempt - State Education Fund	2,500,000	0	0	0	
Cash Funds Exempt - spending authority	2,500,000	19,250,000	7,937,602	7,500,000	
Charter School Capital Construction - (CFE - SEF)	5,000,000	5,000,000	7,800,000	7,800,000	
State Match for School Lunch Program - (SPSF)	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>	
Cash Funds - rental income	0	2,472,644	2,472,644	2,472,644	
Cash Funds Exempt - reserve	2,472,644	0	0	0	
School Breakfast Program - (GF)	0	310,000	500,000	500,000	
Boards of Cooperative Services - (GF)	0	0	210,000	210,000	
Colorado History Day - (CFE - SEF)	10,000	10,000	10,000	10,000	
					Request v. Appropriation
<b>Subtotal - Grant Programs and Other</b>	66,701,447	126,043,874	81,047,733	79,761,551	-1.6%
FTE	<u>12.5</u>	<u>13.0</u>	<u>12.7</u>	<u>12.7</u>	<u>0.0%</u>
General Fund	0	25,310,000	15,993,377	15,993,377	0.0%
Cash Funds	0	2,472,644	2,472,644	2,472,644	0.0%
Cash Funds Exempt	58,690,074	82,602,200	51,703,487	50,417,305	-2.5%
FTE	3.0	3.4	3.7	3.7	0.0%
Federal Funds	8,011,373	15,659,030	10,878,225	10,878,225	0.0%
FTE	9.5	9.6	9.0	9.0	0.0%

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; the local match is NOT reflected in the appropriation to the Department of Education.

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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
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b/ The Department reports administrative expenses of \$119,668 and \$147,488 for FY 2004-05 and FY 2005-06, respectively. The FY 2006-07 appropriation includes \$184,520 for related administrative expenses.

c/ At the time the FY 2004-05, FY 2005-06, and FY 2006-07 appropriations for this line item were determined, it was not anticipated that lottery proceeds would be sufficient to allow for a portion to be used for school capital construction. However, spillover funds became available in each of these fiscal years. Pursuant to Section 22-54-117 (1.6), C.R.S., these moneys are required to be used to provide supplemental assistance to districts for capital construction projects that address immediate safety hazards or health concerns. The State Board of Education approves projects to receive these funds.

d/ The Department reports administrative expenses of \$117,286 and \$147,488 for FY 2004-05 and FY 2005-06, respectively. The FY 2006-07 appropriation includes \$158,043 for related administrative expenses.

					Request v. Appropriation
<b>(D) Appropriated Sponsored Programs</b>	285,464,252	297,551,581	308,854,029	317,393,174	2.8%
FTE	<u>97.3</u>	<u>98.8</u>	<u>101.6</u>	<u>105.7</u>	<u>4.0%</u>
Cash Funds	520,272	435,247	575,000	810,000	40.9%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds Exempt- various	3,313,399	3,043,971	3,074,648	3,015,648	-1.9%
FTE	6.2	4.4	6.3	6.0	-4.8%
Federal Funds	281,630,581	294,072,363	305,204,381	313,567,526	2.7%
FTE	91.1	94.4	95.3	99.7	4.6%

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					Request v. Appropriation
<b>SUBTOTAL - ASSISTANCE TO PUBLIC</b>					
<b>SCHOOLS</b>	3,406,437,951	3,625,655,283	3,795,341,200	4,002,138,694	5.4%
FTE	<u>176.5</u>	<u>174.9</u>	<u>173.8</u>	<u>178.9</u>	<u>2.9%</u>
General Fund	2,484,357,119	2,413,258,873	2,583,575,245	2,972,183,246	4.7% (GF+GFE)
FTE	0.0	0.0	0.0	1.0	100.0%
General Fund Exempt	n/a	261,400,000	256,100,000	Not specified	
Cash Funds	12,020,272	12,399,767	12,575,000	12,774,520	1.6%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds Exempt	475,972,087	492,778,137	463,217,117	528,943,945	14.2%
FTE	10.7	7.8	10.5	10.2	-2.9%
Federal Funds	434,088,382	445,818,506	479,873,838	488,236,983	1.7%
FTE	165.8	167.1	163.3	167.7	2.7%

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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
<b>(3) LIBRARY PROGRAMS</b>					
This section provides funding for various library-related programs, excluding funding for most library programs staff, who are funded in the Management and Administration section.					
Colorado Library Consortium - (GF)	600,000	600,000	1,000,000	1,000,000	
Colorado Virtual Library	<u>359,796</u>	<u>379,796</u>	<u>379,796</u>	<u>379,796</u>	
General Fund	359,796	359,796	359,796	359,796	
Cash Funds Exempt - donations	0	20,000	20,000	20,000	
Colorado Talking Book Library, Building Maintenance and Utilities Expenses - (GF)	0	0	61,023	61,023	
Reading Services for the Blind - (CFE)	93,800	190,000	200,000	200,000	
<b>SUBTOTAL - LIBRARY PROGRAMS</b>	<u>1,053,596</u>	<u>1,169,796</u>	<u>1,640,819</u>	<u>1,640,819</u>	Request v. Appropriation
General Fund	959,796	959,796	1,420,819	1,420,819	0.0%
Cash Funds Exempt	93,800	210,000	220,000	220,000	0.0%



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	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
<b>(4) SCHOOL FOR THE DEAF AND THE BLIND</b>					
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. Cash funds consist of fees paid by individuals for workshops and conferences and housing reimbursements. Cash funds exempt sources include transfers from the Public School Finance, Categorical Programs, and Appropriated Sponsored Programs sections (above), as well as federal funds transferred from local school districts.					
<b>(A) School Operations</b>					
Personal Services	8,420,645	8,651,977	8,266,658	8,545,049	
FTE	<u>144.8</u>	<u>145.3</u>	<u>141.3</u>	<u>141.3</u>	
General Fund	7,195,147	7,417,097	6,987,248	7,265,639	
FTE	123.7	124.6	119.6	119.6	
Cash Funds Exempt - transfers	1,225,498	1,234,880	1,279,410	1,279,410	
FTE	21.1	20.7	21.7	21.7	
Early Intervention Services	Included in other line items		1,253,716	1,270,750	
FTE			<u>10.0</u>	<u>10.0</u>	
General Fund			1,100,108	1,117,142	
FTE			8.7	9.2	
Cash Funds Exempt - transfers			153,608	153,608	
FTE			1.3	0.8	
Shift Differential	See Management &		<u>75,627</u>	<u>82,257</u>	
General Fund	Administration		75,627	79,386	
Cash Funds Exempt - transfers		0	0	2,871	
Operating Expenses - (GF)	393,520	396,178	400,077	400,077	
Vehicle Lease Payments - (GF)	See Management &		45,060	46,349	Statewide DI:
	Administration				Vehicle replacement
Communication Services Payments - (GF)	2,341	3,083	3,282	3,282	

**Fiscal Year 2007-08 Joint Budget Committee Staff Budget Briefing  
Department of Education**

	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
Utilities - (GF)	430,683	510,705	577,718	577,718	
Allocation of State and Federal Categorical Program Funding - (CFE transfers)	150,969	141,866	150,000	145,000	
FTE	0.4	0.3	0.4	0.4	
Medicaid Reimbursements for Public School Health Services - (CFE transfers)	63,693	67,251	75,000	85,000	
FTE	1.1	1.2	1.5	1.5	
					Request v. Appropriation
<b>Subtotal - School Operations</b>	9,461,851	9,868,196	10,847,138	11,155,482	2.8%
FTE	<u>146.3</u>	<u>146.8</u>	<u>153.2</u>	<u>153.2</u>	0.0%
General Fund	8,021,691	8,424,199	9,189,120	9,489,593	3.3%
FTE	123.7	124.6	128.3	128.8	0.4%
Cash Funds Exempt - transfers	1,440,160	1,443,997	1,658,018	1,665,889	0.5%
FTE	22.6	22.2	24.9	24.4	-2.0%
<b>(B) Special Purpose</b>					
Fees and Conferences - (CF)	62,181	56,508	75,000	75,000	
Federal Funds Transferred from School Districts - (CFE)	235,306	298,634	269,000	269,000	
FTE	2.8	2.7	2.8	2.8	
Tuition from Out-of-state Students	<u>45,428</u>	<u>94,504</u>	<u>0</u>	<u>97,338</u>	
Cash Funds - fees paid with state funds	0	0	0	0	
Cash Funds Exempt - fees paid via federal funds	45,428	94,504	0	97,338	
Summer Olympics Housing - (CF)	8,918	3,247	10,000	10,000	

**Fiscal Year 2007-08 Joint Budget Committee Staff Budget Briefing  
Department of Education**

	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Appropriation</b>	<b>FY 2007-08 OSP Request</b>	<b>Change Requests</b>
Grants - (CFE)	1,174,234	1,191,142	1,246,392	1,250,000	
FTE	7.4	9.5	5.9	9.0	
					Request v. Appropriation
<b>Subtotal - Special Purpose</b>	1,526,067	1,644,035	1,600,392	1,701,338	6.3%
FTE	<u>10.2</u>	<u>12.2</u>	<u>8.7</u>	<u>11.8</u>	<u>35.6%</u>
Cash Funds	71,099	59,755	85,000	85,000	0.0%
Cash Funds Exempt	1,454,968	1,584,280	1,515,392	1,616,338	6.7%
FTE	10.2	12.2	8.7	11.8	35.6%
					Request v. Appropriation
<b>SUBTOTAL - SCHOOL FOR THE DEAF AND THE BLIND</b>	10,987,918	11,512,231	12,447,530	12,856,820	3.3%
FTE	<u>156.5</u>	<u>159.0</u>	<u>161.9</u>	<u>165.0</u>	<u>1.9%</u>
General Fund	8,021,691	8,424,199	9,189,120	9,489,593	3.3%
FTE	123.7	124.6	128.3	128.8	0.4%
Cash Funds - various	71,099	59,755	85,000	85,000	0.0%
Cash Funds Exempt	2,895,128	3,028,277	3,173,410	3,282,227	3.4%
FTE	32.8	34.4	33.6	36.2	7.7%
					Request v. Appropriation
<b>TOTAL - DEPARTMENT</b>	3,451,187,439	3,677,897,728	3,847,835,765	4,056,341,447	5.4%
FTE	<u>439.2</u>	<u>444.3</u>	<u>466.2</u>	<u>472.8</u>	<u>1.4%</u>
General Fund	2,514,433,289	2,445,706,636	2,618,502,753	3,008,005,433	4.6% (GF+GFE)
FTE	176.6	179.0	199.3	200.8	0.8%
General Fund Exempt	n/a	261,400,000	256,100,000	Not specified	
Cash Funds	14,652,619	15,088,414	14,615,679	14,931,447	2.2%
FTE	18.1	20.0	20.5	20.4	-0.5%
Cash Funds Exempt	481,371,688	498,960,814	470,577,544	536,604,414	14.0%
FTE	68.0	68.7	70.1	70.9	1.1%
Federal Funds	440,729,843	456,741,864	488,039,789	496,800,153	1.8%
FTE	176.5	176.6	176.3	180.7	2.5%

NOTE: In the "Change Requests" column, "DI" refers to the priority of a decision item request.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing**  
**DEPARTMENT OF EDUCATION**  
**FY 2006-07 LONG BILL FOOTNOTE UPDATE**

- 2 All Departments, Totals** -- The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly. Until such time as the Secretary of State publishes the code of Colorado regulations and the Colorado register in electronic form pursuant to section 24-4-103 (11) (b), C.R.S., each principal department of the state is requested to produce its rules in an electronic format that is suitable for public access through electronic means. Such rules in such format should be submitted to the Office of Legislative Legal Services for publishing on the Internet. Alternatively, the Office of Legislative Legal Services may provide links on its internet web site to such rules. It is the intent of the General Assembly that this be done within existing resources.

Comment:

*Copies of Reports.* The only footnote included in the FY 2006-07 Long Bill that requests a "report" is #11, concerning early intervention services for deaf and hard-of-hearing children. Copies of this report were delivered to the six members of leadership as requested. The FY 2006-07 Long Bill includes four footnotes that ask the Department to provide "information" to the Joint Budget Committee, including: #3 (FTE supported by federal grants or private donations), #7 (Colorado Preschool and Kindergarten Program), #8 (categorical programs), and #9 (grant funding for boards of cooperative services). The Department's FY 2007-08 budget request did not include responses to any of these footnotes. However, prior to November 1, Department staff provided Joint Budget Committee staff with information electronically related to footnote #7. Subsequent to November 1, Department staff have provided at least partial information related to footnotes #3, #8, and #9. Department staff have indicated that they plan to provide copies of these reports, once completed in hard copy form, to the six members of leadership.

*Rules Publication.* Rules adopted by the State Board of Education and approved by the Attorney General's office are available in electronic format on the State Board of Education website at the following address:

[www.cde.state.co.us/cdeboard/bdcurrent.htm](http://www.cde.state.co.us/cdeboard/bdcurrent.htm)

- 3 All Departments, Totals** – Every Department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2006-07. 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: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers in that it is attached to federal funds and private donations, which are not subject to legislative appropriation; and (2) placing information requirements on such funds could constitute substantive legislation in the Long Bill. In his letter to the General Assembly concerning the Long Bill, the Governor also indicated that this footnote is an unfunded mandate and that it would require a significant devotion of resources.*

*Information Included in Budget Request.* The Department annually reports actual FTE and associated expenditures for various federal fund sources in its budget request. With the assistance of Department staff, staff has included a summary of federal moneys expended by the Department in FY 2004-05 and FY 2005-06, as well as estimates of federal moneys that will be available for FY 2006-07 and FY 2007-08 [see Appendix A].

The Department's budget request includes some descriptive information about federal grants in the "Program Crosswalk" section of its budget request. However, information is not provided for all federal grants, including some significant sources of funding. For example, staff could not find a narrative description concerning Title I funding, which totaled over \$122 million in FY 2005-06. In fact, although the table of contents in the budget request references a section concerning "Appropriated Sponsored Programs" (the line item that reflects the majority of federal funding, including Title I funding), this section (pages 121 and 122) is actually blank. In addition, as the information in this section of the budget request is provided by organizational unit, it is difficult for the reader to quickly access the information about a specific federal grant even when it is included in the request.

*Other Available Information.* The Department's website does include information about many of the federal grants at:

[www.cde.state.co.us/index\\_funding.htm](http://www.cde.state.co.us/index_funding.htm)

In addition, pursuant to a provision that was included in S.B. 05-200 [Section , 22-2-108 (4) C.R.S.], the Department is now required to annually report (by July 1) the following information to the Education Committees:

- the amount of federal funds received in the prior fiscal year;
- an accounting of how such funds were used;
- the federal laws or regulations that govern the use of federal funds, if any; and
- any flexibility the State Board has in using the federal funds.

Last year, in response to an inquiry from Joint Budget Committee staff, the Department provided staff with spreadsheets detailing federal financial assistance for SFY 2003-04 and SFY 2004-05. These reports, which are prepared for the federal government, identify the following information for each federal grant:

- the federal agency that administers the grant;
- the associated program, fund, and grant reference numbers;
- accrued revenues and receipts; and
- expenditures, divided into three categories: direct, indirect, and pass-through.

Thus, this report only provided one of the four types of information required by statute. Staff is not aware of any information provided by the Department July 1, 2006, as required by this provision.

Please note that the timing of this statutory requirement is somewhat awkward. **Staff recommends that the General Assembly consider amending this provision to delay the reporting date from July 1 to September 1.** This would allow the Department to submit information for the most recent state fiscal year, thereby providing more recent and relevant information to the General Assembly.

**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 2006-07 is established at \$110.86 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 anticipated to be affected by this factor in FY 2006-07 or in future fiscal years.

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. As in past years, the *minimum per pupil state aid* [which is different than *minimum per pupil funding* referenced in Section 22-54-104 (2) (a), C.R.S.] for FY 2006-07 was calculated based on projections, as follows:

Interest earned on the Public School Fund	\$19,000,000
Rental income earned on state public school lands	12,000,000
Mineral lease moneys allocated to State Public School Fund	<u>52,071,000</u>
Total estimated revenues	\$83,071,000
Divided by: Projected statewide funded pupil count (Long Bill)	<u>749,327.8</u>
Minimum per pupil state aid	\$110.86

**The Committee should be aware of two issues.** First, staff has historically 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.

Second, the statutory provision indicates that this amount should be "based upon the amount of school lands and mineral lease moneys *received*". For a number of years this calculation has been based on *projections* of revenues. Further, since caps were placed on the General Assembly's ability to appropriate two of these revenue sources, staff has utilized the capped amounts (i.e., \$19 million in interest earnings and \$12 million in rental income) for purposes of this calculation. However, it is unclear whether this methodology is consistent with the legislative intent. **Staff recommends that the General Assembly consider modifying this provision to clarify its intent.**

- 7 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, 2006, information concerning the Colorado preschool program. The information provided is requested to include the following for fiscal year 2005-06: (a) data reflecting the ratio of the total funded pupil count for the preschool program to the total funded pupil count for kindergarten; (b) data indicating the number of three-year-old children that participated in the preschool program; (c) data indicating the number of children that participated in the preschool program for a full-day rather than a half-day; (d) data indicating the number of preschool 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 preschool program.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and, (2) it constitutes substantive legislation. The Governor indicated, however, that he would instruct the Department to comply to the extent feasible.*

The information that was provided to staff by the Department electronically prior to November 1 is summarized below.

*District Participation.* The purpose of the Colorado Preschool and Kindergarten Program (CPKP) 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 161 (of 178) in FY 2005-06. The Department indicates that an additional nine districts are participating in FY 2006-07. Most districts that are not currently participating in CPKP 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 4,511) and El Paso - Manitou Springs (1,307).

*Allocation 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 14,360 for FY 2006-07. Most recently, the General Assembly increased the number of

funded CPKP slots from 12,360 to 14,360, and increased the number of slots that may be used for full-day kindergarten from 1,500 to 2,154. In recent years, the Department has greatly improved the equity of the allocation of slots among districts. When allocating the 2,000 new slots for FY 2006-07, the Department gave priority to those districts not yet participating in the program. In addition, the Department considered a number of other factors in determining the allocation, including:

- the district's need, demographics and population served (e.g., the number of children eligible for the federal free or reduced lunch program, the number of children whose dominant language is not English, whether the district is making "adequate yearly progress", the percentage of district elementary schools with an overall academic rating of "low" or "unsatisfactory", and the percentage of district elementary schools with an academic improvement rating of "declining" or "significantly declining");
- the district's ability to collaborate within the community in providing CPKP services;
- the district's plan for implementing the program and its compliance with statutory mandates; and
- the district's ability to evaluate and assess the effectiveness of their program.

The Department provided information comparing each districts' funded pupil count for CPKP to its funded pupil count for public school kindergarten programs. In addition, the Department provided a similar comparison using the total kindergarten population (including both public and non-public schools). For FY 2005-06, participating districts received funding to serve a total of 12,360 pupils (including both preschool and full-day kindergarten slots). For comparison purposes, the number of pupils in public kindergarten programs statewide was 59,278. Thus, on a statewide basis, the number of CPKP slots authorized for FY 2005-06 represented 20.9 percent of the total number of public school kindergarten students (and 19.2 percent of the total kindergarten population).

For purposes of putting this ratio in perspective, please note that the proportion of the funded pupil count considered "at-risk" in FY 2005-06 (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 31.0 percent. If every district had received CPKP slots in proportion to its at-risk population in public kindergarten programs, a total of 18,376 CPKP slots would have been funded at an estimated cost of about \$56.2 million -- an increase of \$18.4 million total funds above the \$37.8 million actually spent on the CPKP in FY 2005-06. **For FY 2006-07, with the addition of 2,000 CPKP slots, the ratio of CPKP slots to the total kindergarten population will be about 24 percent, compared to a projected 32 percent of children who are considered at-risk.** Using this same methodology, staff estimates that a total of 19,187 slots would need to be funded in FY 2007-08 (an increase of 4,827) to serve 32



percent of preschool children<sup>5</sup>. Staff estimates that it would require approximately \$11 million state funds to add 4,827 slots in FY 2007-08.

Finally, a comparison of each participating district's funded pupil count for CPKP to the funded pupil count for public school kindergarten programs continues to reveal disparity among districts, with ratios ranging from zero percent for those districts not participating to 200 percent (e.g., Yuma - Liberty received funding for four preschool slots and it had only two children enrolled in public kindergarten programs). In fact, a total of 14 districts received a number of slots that equaled or exceeded public kindergarten FTE. However, these 14 districts are relatively small, with kindergarten enrollments ranging from 2 to 90. A review of larger districts reveals less of a disparity, and the disparities appear to correlate with the number of low income students served. Specifically, of the 17 districts with more than 1,000 pupils in public kindergarten programs, this percentage ranged from 1.2 percent (Douglas) to 42.6 percent (Pueblo - Pueblo City); in FY 2005-06, the percent of "at-risk" pupils for purposes of the School Finance Act was 3.1 percent in Douglas and 59.3 percent in Pueblo - Pueblo City.

*Participation of Three-Year-Old Children.* Since FY 2002-03, all districts have been allowed to serve eligible three-year-old children through CPKP as long as the child lacks overall learning readiness that is attributable to at least three significant family risk factors. In FY 2005-06, 44 percent (71 of 162) of participating school districts chose to use CPKP slots to serve three-year-old children. These districts used CPKP slots to serve a total of 1,468 three-year-old children (13.5 percent of CPKP slots for preschool age children). In addition, three districts (Denver, Fremont - Canon City, and Fremont - Florence) served children younger than age three under a pilot waiver. The percent of CPKP slots that these districts used to serve children younger than age four ranged from 1.5 percent (Adams - Northglenn) to 100 percent (Las Animas - Aguilar). The Department has previously noted that many districts use CPKP slots for three-year-old children who are English language learners, because they have found that two full years of quality early education allows these children to be ready for kindergarten by age five.

*Number of Children Allowed to Use Two Slots.* Districts may apply to the Department to use two CPKP 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 CPKP slots that can be used for this purpose to five percent of the total, or 718 for FY 2006-07. The Department provided a list of districts that used slots for this purpose in FY 2005-06. A total of 17 school districts used 554 CPKP 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 1.5 percent (Mesa - Mesa Valley) to 41.5 percent (La Plata - Durango). The Department has previously noted that districts generally use two slots to serve one child under two circumstances: (a) to serve the needs of parents living in a resort area; and (b) to pay the market rate for a slot that has been contracted out.

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<sup>5</sup> House Bill 06-1375 included a provision indicating that, "The general assembly intends to fully fund the state preschool and kindergarten program by increasing the number of children who may be served through the program over the 2006-07, 2007-08, and 2008-09 budget years." [see Section 22-28-102 (2), C.R.S.]. This provision does not define "fully fund", however.

*Allocation of Slots for Full-day Kindergarten.* Districts may apply to the Department to use CPKP slots to provide full-day kindergarten classes to eligible children. The Department is required to limit the total number of CPKP slots that can be used for this purpose to 15 percent of the total, or 2,154 for FY 2006-07. The Department provided a list of the 33 districts that used CPKP slots to provide full-day kindergarten classes in FY 2005-06.

*State and Local Funding.* The CPKP 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 CPKP in FY 2005-06. Statewide, \$37.8 million of districts' total program funding was earmarked for the CPKP (less than one percent), including \$23.6 million in state funding.

- 8 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 English language proficiency programs, public school transportation, Colorado Vocational Act distributions, and small attendance center aid is requested to include the following for FY 2005-06: (a) The total amount distributed to each entity; and (b) the total amount that each entity would be eligible to receive pursuant to state law and/or State Board of Education rule. The information for special education services -- children with disabilities and special education services - gifted and talented children is requested to include the following information for the most recent fiscal year for which data is available: (a) The total amount distributed to each entity; and (b) the total expenditures incurred by each entity.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and, (2) it constitutes substantive legislation. The Governor indicated, however, that he would instruct the departments to comply to the extent feasible.*

*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.

Although the Department's FY 2007-08 budget request did not include information responding to this footnote, Department staff provided data to Joint Budget Committee staff subsequent to

November 1. Staff believes that there are at least four factors to consider when allocating state funds among categorical programs:

1. Are districts statutorily required to provide the services?
2. If the program has a statutory reimbursement formula, how close does state funding come to the maximum statutory reimbursement?
3. What percent of districts' actual expenditures are covered by state and federal funds?
4. Are districts' expenditures for providing the service proportionate, or are certain districts impacted significantly more than others?

Staff provides a discussion of each of these factors below.

**1. Statutory Requirements.** As indicated by the structure of the annual Long Bill appropriations for categorical programs, there are two categorical programs that districts are statutorily required to provide:

- ✓ Special Education for Children with Disabilities - Pursuant to the federal *Individuals with Disabilities Education Act* and the state *Exceptional Children's Educational Act* [Article 20 of Title 22, C.R.S.], school districts are required to provide free educational services to children, ages three to 21, who by reason of one or more conditions are unable to receive reasonable benefit from ordinary educational services. Federal and state law require administrative units (usually a district or a board of cooperative services) to provide all necessary services to children identified as having a disability regardless of the cost or other district needs and priorities.
- ✓ English Language Proficiency Act Programs - Pursuant to the federal *No Child Left Behind Act* [Title III - English Language Acquisition, Language Enhancement, and Academic Achievement Act], the federal *Civil Rights Act of 1964* [Title VI], and the English Language Proficiency Act [Article 24 of Title 22, C.R.S.], districts are required to identify and provide programs for students whose dominant language is not English.

While services that are partially funded through the remaining categorical programs are important to individual students and to districts (i.e., transportation; services for children who are gifted and talented or at-risk of expulsion; and vocational education and comprehensive health education services), districts are not statutorily required to provide them.

**2. 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 2005-06, and the maximum statutory reimbursement. Based on this comparison, state funding for English Language Proficiency Programs is the least adequate, covering only 9.0 percent of the statutory maximum.

TABLE I: Maximum Amount of State Funds Districts Were Statutorily Eligible to Receive for FY 2005-06*				
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
<b>District Programs Required by Statute:</b>				
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	51.0%	\$106,263,314	96.4%
English Language Proficiency Program	Driven by the number of eligible students and statewide average per pupil operating revenue	9.0%	40,712,823	1,006.9%
<b>Other Categorical Programs (with specified statutory reimbursement levels):</b>				
Public School Transportation	Driven by total miles traveled and total transportation-related costs (excluding capital outlay expenses)	59.2%	29,480,895	69.0%
Colorado Vocational Act Distributions*	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	73.6%	7,145,261	35.8%
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%
<b>Total</b>			<b>\$238,188,098</b>	<b>124.4%</b>

\* Figures for Colorado Vocational Act Distributions reflect FY 2004-05 data.

\*\* The estimated increase required to fund the statutory maximum for special education for children with disabilities includes \$105,817,195 (assuming districts received \$6,000 per student for 100 percent of the 18,630 students with specified disabilities, rather than for 5.3 percent of these students) plus \$446,119 to cover the maximum reimbursement allowed for "educational orphans". Staff has not attempted to estimate the costs of "fully funding" the high cost grant program.

**3. 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 \$666 million in FY 2004-05 (13.2 percent of districts' total general fund expenditures) on five categorical programs. Districts spent the largest dollar amount of local funds to provide special education services to children with disabilities (\$364 million), followed by public school transportation services (\$128 million). However, in relative terms, state and federal funding for English Language Proficiency Programs is the least adequate, covering only 9.5 percent of districts' actual expenditures.

**TABLE II: Categorical Program Revenues and Expenditures: FY 2004-05**

<b>Long Bill Line Item</b>	<b>State Funding</b>	<b>Federal Funding</b>	<b>Total State and Federal Funding</b>	<b>Percent of Districts' Expenditures Covered by State and Federal Funds</b>	<b>Total Categorical Expenditures Covered by Local Districts' General Fund</b>	<b>Percent of Districts' General Fund Used to Cover Unreimbursed Expenditures</b>
<b>District Programs Required by Statute:</b>						
Special Education - Children With Disabilities a/	\$95,422,525	\$116,088,569	\$211,511,094	36.7%	\$364,363,183	7.4%
English Language Proficiency Program	3,766,536	6,853,781	10,620,317	9.5%	101,700,319	2.0%
<b>Other Categorical Programs:</b>						
Public School Transportation	41,241,181	0	41,241,181	24.0%	128,120,293	2.6%
Colorado Vocational Act Distributions	19,960,610	0	19,960,610	26.8%	54,495,544	1.1%
Special Education - Gifted and Talented Children	6,014,466	0	6,014,466	25.1%	17,939,950	0.3%
<b>Total</b>					<b>\$666,619,289</b>	<b>13.2%</b>

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

**4. Distribution of Costs Among Districts'.** One additional factor to consider when allocating state funds among categorical programs is whether the costs of providing the service are proportional among districts (i.e., districts spend a similar proportion of their budgets providing the service), or whether certain districts are impacted significantly more than others. As indicated above, statewide, districts' local expenditures for five categorical programs represented 13.2 percent of total district expenditures. This percentage ranged, however, from less than two percent for three districts (El Paso - Cheyenne Mountain, Hinsdale, and Baca-Vilas) to 23.3 percent for Denver<sup>6</sup>.

The following table (Table III) details local expenditures for five categorical programs incurred by those 15 districts that devoted the highest percentage of local expenditures for such purpose. This analysis reveals several differences among districts. First, Denver is spending significantly more local funds on categorical programs than any other district - at least six percentage points more than any other district.

Second, for the majority of those districts that spend the highest percentage of their local funds on categorical programs, special education services for children with disabilities represents the largest share of local expenditures. Please note, however, that state funding for these services increased by \$29.3 million (33.8 percent) from FY 2004-05 to FY 2006-07. In addition, the General Assembly adopted a new formula for allocating state funding among districts in an effort to make the distribution of funds more equitable. Thus, it is likely that the percent of districts' local funding expended for this purpose has declined.

Third, in general, rural districts spend more local funding on transportation than urban districts. In addition, it appears that small, rural districts spend a greater share of their local funding on vocational education programs compared to larger urban districts.

Finally, the variance in the proportion of local expenditures is greatest for three categorical programs: English Language Proficiency Programs (a range of 12.45 percentage points); Special Education for Children with Disabilities (a range of 11.19 percentage points); and Public School Transportation (a range of 9.06 percentage points). However, while nearly all districts are impacted to some extent by the latter two programs, fewer than half of districts are impacted at all by the provision of services to English language learners. In fact, only 11 districts spent a greater share of their local budget on services for English language learners than the statewide average of 2.0 percent:

Denver County (12.45%)	Prowers - Lamar (2.31%)
Garfield - Roaring Fork (5.79%)	Morgan - Fort Morgan (2.17%)
Eagle County (3.36%)	Costilla - Sierra Grande (2.16%)
Yuma - Yuma 1 (3.30%)	Garfield - Garfield (2.12%)
Otero - Rocky Ford (2.91%)	Kit Carson - Burlington (2.04%)
Adams - Westminster 50 (2.46%)	

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<sup>6</sup> For purposes of this analysis, based on data limitations, staff excluded boards of cooperative services.

**TABLE III: Percent of Districts' Local General Fund Expenditures Related to Categorical Programs: FY 2004-05**

District (15 highest overall)	Special Education - Children with Disabilities	English Language Proficiency Programs	Public School Transportation	Vocational Education	Special Education - Gifted and Talented Children	Total
Denver	6.75%	12.45%	2.84%	0.86%	0.42%	23.32%
Kit Carson - Stratton	3.03%	0.01%	9.65%	3.70%	0.85%	17.24%
Washington - Woodlin	3.30%	0.00%	6.08%	6.35%	0.43%	16.16%
Arapahoe - Cherry Creek	9.57%	0.93%	3.07%	1.51%	0.66%	15.74%
El Paso - Fountain	10.44%	0.70%	3.11%	0.90%	0.18%	15.33%
Larimer - Thompson	11.19%	0.68%	2.38%	1.09%	-0.12%	15.22%
Washington - Lone Star	2.20%	0.00%	4.96%	7.64%	0.31%	15.11%
Washington - Otis	3.47%	0.00%	2.99%	7.26%	1.34%	15.06%
Teller - Woodland Park	8.97%	0.00%	3.87%	1.66%	0.47%	14.97%
Jefferson	10.09%	0.54%	2.11%	2.24%	-0.05%	14.93%
Otero - Rocky Ford	7.64%	2.91%	2.41%	1.65%	0.32%	14.93%
Logan - Valley	7.01%	0.90%	3.58%	3.25%	0.10%	14.84%
Boulder - Boulder Valley	10.19%	1.03%	2.70%	0.93%	-0.08%	14.77%
Baca - Walsh	4.86%	0.08%	4.61%	4.57%	0.57%	14.69%
Las Animas - Kim	1.51%	0.00%	5.16%	7.14%	0.79%	14.60%
<b>Statewide - Average</b>	<b>7.43%</b>	<b>2.02%</b>	<b>2.60%</b>	<b>1.08%</b>	<b>0.03%</b>	<b>13.24%</b>
<b>Statewide - Range</b>	<b>0.0% - 11.19%</b>	<b>0.0% - 12.45%</b>	<b>0.59% - 9.65%</b>	<b>0.0% - 8.34%</b>	<b>-0.19% - 1.34%</b>	<b>1.25% - 23.32%</b>

NOTE: Shaded cells indicate the program for which the district spent the greatest share of its local budget.



In summary, the General Assembly is unlikely to be able to provide sufficient funding to "fully fund" statutory reimbursements for all categorical programs in the near future. However, the requirements of Section 17 of Article IX of the Colorado Constitution provide a window of opportunity over the next four years to continue to close the funding gap for one or more programs. Staff estimates that the General Assembly will be required to increase state funding for categorical programs by \$37.6 million over the next four years. This level of increase will not be adequate to "fully fund" all categorical programs. Based on the four criteria discussed above, staff recommends prioritizing funding increases among four programs as follows:

- English Language Proficiency Programs
- Special Education for Children with Disabilities
- Public School Transportation
- Colorado Vocational Act Distributions

- 9 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, 2006, 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 2005-06.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. The Governor indicated, however, that he would instruct the Department to comply to the extent feasible. This footnote first appeared in the FY 2004-05 Long Bill.*

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.

Board of Cooperative Service	FY 2002-03 Allocation	FY 2003-04 Allocation	FY 2004-05 Allocation	FY 2005-06 Allocation
Centennial	\$25,926	\$11,260	\$14,809	\$20,548
East Central	31,481	21,269	31,263	31,613
Front Range	0	6,256	9,872	9,484
Mountain	14,815	10,009	13,163	12,645

Board of Cooperative Service	FY 2002-03 Allocation	FY 2003-04 Allocation	FY 2004-05 Allocation	FY 2005-06 Allocation
Northeast	25,926	17,516	19,745	18,967
Northwest	11,111	7,507	9,873	9,484
Pikes Peak	22,222	15,013	19,745	17,387
Rio Blanco	0	2,502	3,291	3,161
San Juan	7,407	5,004	6,582	6,322
San Luis Valley	25,926	17,516	23,036	22,129
Santa Fe Trail	9,259	6,256	8,227	7,904
South Central	24,074	16,265	21,391	20,548
South Platte Valley	7,407	5,004	6,582	0
Southeastern	24,074	16,264	21,391	20,548
Southwest	7,407	5,004	6,582	6,322
Uncompahgre	9,259	6,256	8,227	7,904
<b>Total</b>	<b>246,296</b>	<b>168,901</b>	<b>223,779</b>	<b>214,966</b>

For FY 2005-06, \$152,114 (70.8 percent) of the funding was allocated from appropriations for the Read-to-Achieve Grant Program, and the remaining \$62,852 (29.2 percent) was allocated from the Expelled and At-risk Student Services Grant Program.

As this provision references amounts "appropriated" to education grant programs, staff has always assumed that it was not intended to apply to federal grant programs. Further, staff assumes it applies only to competitive grant programs open to districts and/or BOCES, and not to those sources of funds that are distributed based on a formula or that are intended for other individuals and entities (e.g., funding for special education services, charter school capital construction funding, or assistance for individuals seeking a national credential). The Legislative Council Staff fiscal note for the bill indicated that the, "Programs affected by this allocation include: Read-to-Achieve Grant Program; Teacher Development Fund; Services for Expelled and At-Risk Students; Science and Technology Education Fund; and Information Technology Education Fund."

Staff notes, however, that there are other state-funded, competitive grant programs that would appear to fall under this provision but have not contributed to this allocation to date. For FY 2005-06, these include the School Capital Construction Expenditures Reserve and the School Construction and Renovation Fund. Further, for FY 2006-07, these would include the following: (a) the Summer School Grant Program; (b) the Family Literacy Education Grant Program; (c) the School Capital Construction Expenditures Reserve; and (d) the School Construction and Renovation Fund. **Staff recommends that the Committee ask the Department to discuss their process for determining which grant programs will contribute to the BOCES allocation.**

- 10 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 \$150,000 of this appropriation be used to provide access to radio and television broadcasts of locally published and produced materials, and \$50,000 of this appropriation be used to provide telephone access to digital transmissions of nationally published and produced materials.

Comment: *This footnote was vetoed by the Governor on the basis that it: (1) interferes with the ability of the executive branch to administer the appropriation; and, (2) it may constitute substantive legislation in the Long Bill. The Governor indicated, however, that he would direct the Department to comply to the extent feasible.*

The State Board of Education approved two payments from this line item for FY 2006-07. First, the Board approved \$150,000 for the Radio Reading Service of the Rockies (the same amount approved for FY 2005-06) to continue providing free access to ink print materials statewide through various broadcasts (via television SAP feed, Internet, telephone, and podcasts), related audio services, and listener equipment for listeners.

The Board also approved a payment of \$50,000 to the National Federation for the Blind (NFB) for its Newline service (an increase of \$10,000 compared to FY 2005-06), which provides eligible Coloradans access to newspapers nationwide and a few magazines via touchtone telephone. 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.

- 11 Department of Education, School for the Deaf and the Blind, School Operations, Early Intervention Services; and Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Services for Children and Families, Program Funding** --The Division and the School for the Deaf and the Blind are requested to work together and provide a report to the Joint Budget Committee by November 1, 2006, concerning the coordination and provision of early intervention services to children under age three who are deaf or hard-of-hearing. The requested report should include information concerning services currently provided through the Division and the School to deaf and hard-of-hearing children under age three, including: the number of children eligible for early intervention services; the types of services provided through the Division and the School; and the associated costs and sources of funding. The report should also include information describing how the Division and the School plan to minimize any duplication that might be occurring with respect to program administration and service coordination.

Comment: *This footnote was vetoed by the Governor on the basis that it: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. The Governor indicated, however, that he would instruct the Department to comply to the extent feasible.*

*Background Information.* The School is statutorily required to provide services for eligible children, ages 0 to 21. In addition, pursuant to Section 22-80-102 (2), C.R.S., the School is to "be a resource to school districts, state institutions, and other approved education programs." In this capacity, the School is to provide the following services:

1. Assessment and identification of educational needs;
2. Special curricula;
3. Equipment and materials;
4. Supplemental related services;
5. Special short-term programs;
6. Program planning and staff development;
7. Programs for parents, families, and the public; and
8. Research and development to promote improved educational programs and services.

In recent years, while the number of on-campus students served by the school has remained relatively flat, the number of children under the age of three receiving services through the School has increased dramatically -- particularly for children who are deaf or hearing impaired.

Last year, the School submitted a request for \$462,620 General Fund to continue and expand two early literacy development programs. These programs involve specially trained fluent sign language instructors/tutors (many of whom are deaf or hard of hearing themselves) visiting families weekly to provide support and instruction in techniques to build the child's literacy. One program (the Shared Reading Program) is designed for children up to age eight in families who rely on American Sign Language; the second program (Integrated Reading Program) is designed for children up to age five in families who use English-based sign language and some speech. In addition, these initiatives involve coordinating with preschool and elementary school teachers so they may reinforce the family's use of early literacy strategies, thereby easing the child's transition into public school.

Staff initially expressed two concerns related to approving this request. First, the Committee had voted to appropriate an additional \$3.4 million net General Fund to the Division for Developmental Disability Services, Department of Human Services, to eliminate the waiting list for children, ages zero to three, who are eligible to receive early intervention services. It was unclear what portion of this new funding, if any, could be used to provide literacy development activities for children under the age of three with a hearing loss.

Second, the Governor had issued an Executive Order transferring the administration of the federal Part C program to the Department of Human Services, Division for Developmental Disability Services, for the express purpose of eliminating unnecessary duplication of early intervention services and maximizing funding that is allocated for direct services to children. Although staff noted that it would certainly be appropriate for the School to serve as a resource to Part C agencies by providing the expertise necessary to provide early intervention services to young children with a hearing loss, staff was concerned that by providing a direct General Fund appropriation for the School to continue and expand its own early intervention program, the General Assembly may increase the likelihood that duplication is occurring with respect to the administration and provision of early intervention services.

Ultimately, the Committee chose to approve the School's request and include this footnote in the Long Bill to ensure that the School and the Department of Human Services work together to coordinate the provision of early intervention services to children under age three who are deaf or hard-of-hearing. The two departments worked together over the interim and provided the report as request. Staff has summarized the contents of the response below.

*Number of Children Eligible for Early Intervention Services.* The Division for Developmental Disabilities (the Division) indicated that 3,920 infants and toddlers were actively receiving Part C services on June 1, 2006, and the total number of infants and toddlers who received services at some point during FY 2005-06 was 5,082. While all children eligible for Part C services receive a hearing screening as part of a multi disciplinary evaluation, existing data systems do not allow the Division to determine how many children were eligible for Part C services solely due to a hearing impairment. The Division notes that 28 children who needed and received audiology services as part of their Individualized Family Services Plan received services funded with state funds. The Division plans to modify the data system in the Spring of 2007 to allow for reporting on eligibility based on hearing impairment separate from other sensory or developmental criteria.

The School indicated that 125 children and their families are receiving services through the early literacy development initiative, including 84 families with children under age three (67 percent) and 41 families with children ages three through eight.

*Types of Services Provided Through the Division and the School.* The Division's early intervention program provides supports and services to families with children under age three with a significant delay or disability. Services are aimed at enhancing the child's development in the areas of cognition, speech, communication, motor skills, and social-emotional development. Services may include the following:

- assistive technology;
- audiology services;
- developmental intervention;
- health services;
- nutrition;
- occupational therapy;
- physical therapy;
- psychological services;
- respite care;
- service coordination;
- social work;
- speech-language pathology;
- transportation; and
- vision services.

Audiology services include auditory training, aural rehabilitation, sign language and cued language services, and other training to increase the functional communication skills of the child. Speech-language pathology services emphasize functional communication skills, including sign language and cued language services.

The purpose of the School's early literacy development initiative is to improve the literacy of children with a hearing loss so that they can enter school with literacy skills as close to grade level as possible. These services are provided to children up to age eight, and they are provided to those families who choose to use sign language as their primary mode of communication. The School notes the importance of continuing services after the child turns three until they enter kindergarten to ensure that gains made in the early years are not reversed.

The School indicates that 43.9 percent of children who are receiving services through the early literacy development initiative are receiving additional Part C services (such as audiology services, occupational therapy, physical therapy, or nutritional services).

*Associated Costs and Sources of Funding.* Services provided through the Division are funded from a variety of funding sources based on the following funding hierarchy:

- a. Private insurance plans
- b. Public insurance (Medicaid, Children's Basic Health Plan)
- c. Title V (Children with Special Health Care Needs)
- d. Child welfare and Temporary Assistance for Needy Families
- e. The Division's early intervention funding and other state and federal sources (including the Colorado School for the Deaf and the Blind)
- f. Other available local funds
- g. Traumatic Brain Injury Trust Fund
- h. Federal Part C funding

However, as the Division was unable to specifically identify children receiving Part C services due to a hearing loss, it was unable to identify the costs or sources of funding used to provide early intervention services to these children.

The School funds its early literacy development initiative with the following fund sources:

State General Fund (\$462,260 approved for FY 2006-07)  
\$15,000 in-kind services from the University of Colorado at Boulder  
\$15,000 in-kind services from the School

Based on a total of 125 families, this amounts to an average of \$3,938 per family, per year.

*How the Division and the School Plan to Minimize Duplication.* The response indicates that the Division and the School, along with many other partners in the system of early intervention supports and services, collaborate at multiple levels to minimize potential duplication of effort. Audiology, speech language, and assistive technology services are the areas with the greatest potential for duplication between the Division and the School. However, services provided through the School's early literacy development initiative are narrow in scope, are disability-specific, and are not offered to children without hearing loss. Thus, the response indicates that these services are neither funded nor provided as an allowable early intervention service through the Division.

The response also describes formal collaboration efforts that occur on a statewide basis, including the memorandum of understanding between those agencies involved in the Part C system (the departments of human services, education, health care policy and financing, and public health and environment), interagency pre-service and in-service training, and coordinated statewide public awareness efforts. The response also notes that Division staff participate on the Early Intervention Hearing Impaired Task Force and the Deafblind Advisory Committee, and staff from the School participate in the groups:

- Early Intervention Task Force;
- Colorado Infant Hearing Advisory Committee;
- Outreach Leadership Team;
- Deafblind Advisory Committee;
- Cochlear Implant Consortium;
- Western States Accountability Project;
- Hands & Voices Board;
- Early Education Accountability Committee; and
- EDHI Minority Issues Committee.

At the local level, Community Centered Boards (CCBs) are responsible for coordinating services for children and families, ensuring there is no duplication of services, and applying the funding hierarchy properly. The CCBs are also responsible for facilitating collaboration among community-based agencies and providers through local interagency coordination councils. The Division has encouraged regional CO-Hear Coordinators (from the School) to participate in these local councils. The CCBs are also responsible for collecting child assessment data on all eligible children regardless of how services are funded or who provides such services, and CO-Hear Coordinators participate in the ongoing assessment process for children with hearing impairments.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF EDUCATION**

**ISSUE:**

Department of Education Performance Measures

**DISCUSSION:**

**Department Mission**

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*State Board of Education Mission Statement:*

"The mission of the Colorado State Board of Education (CDE) is to provide all of Colorado's children equal access to quality, thorough, uniform, well-rounded educational opportunities in a safe and civil learning environment."

*Board of Trustees for the Colorado School for the Deaf and the Blind Mission/Vision Statement:*

"The Colorado School for the Deaf and the Blind is the center of excellence for specialized statewide, high-quality, educational services supporting data-driven decisions that are best for each individual."

*State Charter School Institute Mission Statement:*

"The mission of the Charter School Institute is to foster high-quality public school choices offered through institute charter schools, including particularly schools for at-risk students. The institute shall:

- Act as a model of best practices in authorizing charter schools;
- Use state and federal systems for ensuring the accountability of each institute charter school in meeting the obligations and goals set forth in its contract;
- Measure the academic success of each institute charter school student through longitudinal indices; and
- Measure the academic success of each institute charter school through performance-based means and not process-based means."

**Goals and Performance Measures**

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The Department's FY 2007-08 budget request includes a strategic plan that is 10 pages long. This plan lists the following five goals for the State Board of Education:

1. Fulfill the role as the state's educational authority.
2. Maintain commitment to accountability reform and accreditation.
3. Take a leadership role in improving the long term financial stability of education funding.
4. Improve educator quality, recruitment, retention, and placement.
5. Improve choice opportunities for Colorado students.



This plan also includes: a narrative description of the Department's organizational structure; a brief discussion of recent activities and accomplishments; a brief description of key trends and baseline data (assessment data); and, a list of five "critical" performance measures. The plan is preceded by two pages listing 28 prioritized objectives.

In addition, the "Detail by Program" section of the budget request identifies those prioritized objectives that relate to 40 different program areas. For each relevant objective, associated performance measures are listed (a total of 239, with some duplication).

### **Staff Analysis**

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Joint Budget Committee staff reviewed the Department's performance measures submitted in the budget. Staff assessed these performance measures using the following common checklist:

1. Do the goals and performance measures correspond to the program's directives provided in statute?
2. Are the performance measures meaningful to stakeholders, policymakers, and managers?
3. Does the Department use a variety of performance measures (including input, output, efficiency, quality, outcome)?
4. Do the performance measures cover all key areas of the budget?
5. Are the data collected for the performance measures valid, accurate, and reliable?
6. Are the performance measures linked to the proposed budget base?
7. Is there a change or consequence if the Department's performance targets are not met?

Unlike some other Departments or program areas, **state law provides specific and extensive guidance concerning goals, objectives, and performance measures** for the Department of Education. In addition, **the Department already collects extensive data for many of these performance measures**. While **the Department's strategic plan** references many of these goals and objectives and some of these performance measures, it **includes surprisingly little actual performance data**. **Further, even in those instances where actual performance data is provided, the data is not provided for multiple years and target measures are often omitted.**

*Statutory Directives.* Four statutory provisions provide specific and extensive guidance concerning the Department's goals, objectives, and performance measures.

Goals and Objectives With respect to goals and objectives, Section 22-7-204, C.R.S., directed the State Board of Education to "adopt goals and objectives for the state of Colorado concerning the improvement of education of children in this state" by January 1, 1989. This provision indicates that the goals and objectives are to express "high but achievable aspirations", and it lists several items that should be included. **While the prioritized objectives listed in the budget request reflect many of these goals** (e.g., improved scholastic achievement and demonstrated student proficiencies, improved teaching methods, and the provision of a learning environment and staff that is responsive to the individual needs of students), **they appear to exclude goals related to three items:**

- Improved **attendance** of students (although one goal concerns "increasing the accuracy and the consistency of student attendance rates);
- Improved **preparation of students** for the primary and secondary years; and
- Increased **parental and community support and involvement** in meeting expectations of the educational system.

Performance Measures The remaining three statutory provisions include extensive requirements concerning the specific measurements and data the Department is to collect and evaluate.

First, the Educational Accreditation Act of 1998 [see Article 11 of Title 22, C.R.S.] requires the State Board to implement an accreditation process. Section 22-11-102 (4) (b), C.R.S., indicates that this process will "enhance improvement in public schools and school districts by setting benchmarks and measuring improvement in attaining those benchmarks". The State Board is required to establish and annually review accreditation indicators for assessing the quality of education and learning in public schools and school districts. This provision specifies that the following measurements are to be included in the accreditation indicators:

- CSAP results for reading, writing, math, and science (aggregated by grade level and subject area; baseline is FY 2000-01);
- The percentage of students taking statewide assessments;
- The percentage of students who are exempt from the assessment program;
- The percentage of students whose dominant language is not English;
- CSAP results for students who have been identified as having a dominant language other than English, but who have been enrolled in a public school of the state for three years or longer or have been assessed as proficient in English;
- Results of district assessments in history, geography, art, music, physical education, foreign languages, economics, and civics;
- Dropout rates;
- Student attendance rates, including the numbers of expelled and suspended students;
- Graduation rates;
- The percentage of students taking advanced placement courses, students enrolled in an international baccalaureate diploma program, or students enrolled in an institution of higher education pursuant to the "Postsecondary Enrollment Options Act";
- Continuing education rates; and
- Mobility rates.

Sections 22-11-201 (4) and (5), C.R.S., also require each district's accreditation contract to address parent and community involvement, and reductions of consistent academic achievement discrepancies in student performance related to ethnicity, gender, disability, and limited English proficiency.

Second, the Colorado Basic Literacy Act [see Section 22-7-501 et seq., C.R.S.] requires school districts to annually assess the reading readiness or literacy and reading comprehension level of each pupil enrolled in kindergarten, or first through third grade. If a pupil's assessment indicates they are below grade level, the pupil's parents, teacher, and the school administration are required to formulate an individual literacy plan. This plan is to continue until the pupil is reading at or above

grade level. Section 22-7-505, C.R.S., requires each school district to annually report to the Department:

- the number and percent of 3rd grade students who read at or above grade level;
- the number and percent of students who have an individual literacy plan; and
- the number and percent of students who have increased their literacy and reading comprehension levels by two or more grades during one year of instruction.

Third, Section 22-7-605 et seq., C.R.S., requires the Department to issue annual accountability reports for every public school. This provision includes a detailed list of the measures (and the method of calculating each measure) that are to be reflected on the reports, including the following:

- overall academic performance rating
- academic growth of students rating
- adequate yearly progress for specified sub-groups of students
- length of school year and annual number of teacher days scheduled without student contact
- student average daily attendance
- dropouts
- safety and discipline incidents reported
- student enrollment stability
- students eligible for free lunch
- number of teachers and other staff
- student per teacher ratio for each grade level
- data concerning professional experience of teachers (years teaching, average number of days absent, number of teachers who left last year, teachers with and without tenure)
- average teacher salary and average administrator salary
- student CSAP performance in reading, writing, and math
- sources of school district revenue
- information about district expenditures (teachers, administration, buildings and facilities, operational expenses, textbooks/materials)
- district bonded debt information (total outstanding, average annual percentage interest rate, amount raised from most recent bond, amount spent on new buildings in past 2 years)

**Due to these statutory requirements, the Department collects data related to a number of performance measures. However, in most cases, this data is either not included in the Department's budget request, or it is not presented in a format that allows the reader to easily identify overall trends or to assess the Department's progress in achieving the goals and objectives set forth in statute.**

For example, the only information staff could find concerning districts' accreditation status was in the strategic plan, indicating that 19 districts are currently on accreditation watch status, and four districts were removed from watch status during the last year. The "program crosswalk" section of the budget request concerning accreditation did not include any information about the unit's objectives or performance measures. Staff checked the Department's website and asked Department staff where one might find further details about district accreditation. While an individual district's accreditation status is listed on each school's accountability report, there does not appear to be a way for one to easily identify which districts are currently on watch or probation, or the particular circumstance or indicators that caused the accreditation status to change. Department staff provided

Joint Budget Committee staff with a list of the 19 school districts that are on accreditation watch and the four that have been removed from watch.

Given that accreditation process is designed to "enhance improvement in public schools and school districts by setting benchmarks and measuring improvement in attaining those benchmarks", and it is the primary means by which the State Board assesses the quality of education and learning in public schools and school districts, the Department's strategic plan should include data concerning districts' performance in relation to the accreditation indicators. This information should include a target for many, if not all, indicators as well as historical data about statewide performance in relation to each indicator.

Another example is data related to assessments. Although the Department's strategic plan includes narrative descriptions about student assessment results in various subject areas and on the statewide ACT exam, this data is not presented in a format that allows one to easily assess the Department's progress to date or its measurable goals. Clearly, the Department devotes significant time and resources to collecting and analyzing assessment results by student, by school, by district, and for certain groups of students. The Department annually issues press releases concerning this data, it is required to report this data to the federal government under the No Child Left Behind Act, this data is used in the accreditation process, and this data is included in each school accountability report. The Department's strategic plan should include assessment data (perhaps for CSAPs in each subject area in a select number of grade levels, plus statewide ACT results), including statewide historical data as well as the Department's measurable goals. In addition, the strategic plan should include data that indicates the Department's progress and goals related to narrowing the achievement gaps for various groups of students.

*Scope and Variety of Measures.* In general, within the "program crosswalk" for each organizational unit, the budget request does a good job of identifying those overall goals and objectives that are relevant for a particular unit. Further, **in some instances, the Department has included several relevant, specific, performance measures that would allow one to assess the outcomes associated with a particular program or service.** Staff has listed below some examples of programs that included particularly strong outcome-oriented performance measures:

<u>Expelled and At-risk Student Services Grant</u>	
Objective	Performance Measure
Increase academic achievement for all students	Of the students receiving services through these programs, 24% improved at least one failing grade at midyear
Increase student attendance rates	35% of students improved their attendance at midyear
Reduce overall number of statewide safety and discipline incidents measured by the annual district report	27% of youth with a history of discipline problems reduced their number of office referrals by midyear

<b>Library Programs - Networking and Resource Sharing Unit</b>	
<b>Goal 1: Increase student achievement by insuring that Colorado students and residents can easily and quickly find needed educational and information resources through improved searching and functionality and expanded resources and services</b>	
<b>Objective</b>	<b>Performance Measure</b>
Expand curriculum support for teachers by expanding links to Colorado Education Standards in the Colorado Virtual Library for Kids	Link 85% of all websites in CVL for Kids to Colorado Education Content Standards
Expand curriculum support for teachers by adding new resources in the Teachers section of the Colorado Virtual Library for Kids	Add 20 new lesson plans to Standards in Action by June
Improve student achievement by serving students through AskColorado	During FY07-08, 55% of users served through AskColorado will be K12 students

<b>Colorado School for the Deaf and the Blind - Program for Blind K-12</b>	
<b>Objective 1.0: All students will evidence a satisfactory rate of educational achievement</b>	
<b>Measure</b>	<b>Target</b>
1.01 - Meeting IEP goals	95% of students achieve 80% or better of their IEP goals (4 years of targets and 2 years of actual data provided)
1.02 - Graduation rates	100% (4 years of targets and 2 years of actual data provided)
1.03 - Attendance rates	95% (4 years of targets and 2 years of actual data provided)

**However, given the five goals prioritized by the State Board, staff identified significant weaknesses in the performance measures that were included in other key areas of the budget.** For example, one of the top five goals of the State Board is to "improve educator quality, recruitment, retention, and placement". The "program crosswalk" for the Licensure/Professional Services unit includes several input/output measures, including information about the number of inquiries received, the number of applications received, the number of licenses issued or renewed, the number of investigations conducted concerning allegations against educators, and the number of licenses or authorizations denied, revoked, etc. These are clearly important measures of this unit's workload. However, this section did not include any data that indicates progress in improving:

- teacher quality (e.g., the percent of public school teachers who are nationally board certified or hold a master's degree, or the percent of teachers that meet the federal definition of highly qualified);
- recruitment (e.g., a measure of what types of teaching positions are hardest to fill, or a comparison of average teacher salaries in Colorado and those of neighboring states);
- retention (e.g., the average number of years that a teacher teaches in public schools, or the percent of first-year teachers who are still teaching five years later); or
- placement (e.g., a comparison of the credentials and experience of teachers in schools with high academic achievement ratings to those with low ratings).

Another top goal of the State Board is to "improve choice opportunities for Colorado students". The narrative for the Schools of Choice unit references statutory directives to increase learning

opportunities for all pupils, with a special emphasis on expanded learning experiences for pupils who are identified as academically low-achieving. Additional choice-related directives identified in statute include improving pupil learning, encouraging diverse approaches to learning, encouraging parental and community involvement, and requiring that charter school enrollment decisions are made in a nondiscriminatory manner.

The Schools of Choice unit section provides data concerning the number of new and closed charter schools (since 1993), and the number and percent of students attending charter schools. This section also identifies school accountability report ratings for charter and non-charter schools for three years, indicating that a greater percent of charter schools received "excellent" or "high" ratings when compared to non-charter schools. However, this section does not include any information or performance measures related to:

- the variety or effectiveness of charter schools' approaches to learning (i.e., What types of charter schools exist and which types are most effective in increasing student achievement over time?);
- the level of parental and community involvement (i.e., What types of schools or programs are most effective in increasing involvement?); or
- the demographics of charter school enrollment (i.e., Does the data indicate that charter schools are serving academically low achieving students? Does charter school enrollment reflect the diversity of overall enrollment?).

Finally, the focus of this unit is clearly charter schools. However, state law concerning schools of choice is much broader, requiring school districts to offer a variety of enrollment options within the public school system. The Department should identify measures that reflect the full array of enrollment options available to students within school districts (i.e., What percent of students attend a school other than their neighborhood school? What percent of students attend a school in a district other than their district of residence? How many and what types of options are available to parents in district-run schools?).

### **Questions for Department**

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Staff recommends that the Committee discuss the following questions with the Department during the FY 2007-08 budget hearing:

1. How do your performance measures influence department activities and budgeting?
2. To what extent do the performance outcomes reflect appropriation levels?
3. To what extent do you believe that appropriation levels in your budget could or should be tied to specific performance measure outcomes?
4. As a department director, how do you judge your department's performance? What key measures and targets do you use?

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF EDUCATION**

**ISSUE:**

This issue brief provides preliminary projections of state funding that will be required for K-12 public education in future years, as well as preliminary estimates of the General Fund appropriations that will be required to comply with constitutional funding requirements.

**SUMMARY:**

- ❑ Based on Legislative Council Staff's projections of the 2006 inflation rate (3.4 percent) and a projected 1.2 percent increase in the funded pupil count, total program funding for districts is estimated to increase by \$271.9 million (5.7 percent) for FY 2007-08.
- ❑ Local revenues are once again projected to grow more slowly than districts' total program funding, thereby requiring \$33.1 million in state funding over and above the \$171.6 million that is required to cover a proportionate share of enrollment and inflationary increases -- a total increase in state funding of \$204.7 (6.7 percent).
- ❑ The Department's request reflects a 5.0 percent General Fund increase (\$132.5 million), the minimum increase required by the state constitution. Based on moneys projected to be available from the State Public School Fund and the State Education Fund in future fiscal years, staff estimates that the General Fund appropriations for districts' total program funding and categorical programs will need to increase by an average of at least 6.4 percent in FY 2007-08 (\$179.9 million) and annually thereafter through FY 2016-17 to comply with constitutional funding requirements.

**RECOMMENDATION:**

Staff recommends that the Committee discuss its long-term plan for complying with constitutional funding requirements for K-12 education. Specifically, does the Committee intend to increase General Fund appropriations for K-12 at a sufficient, steady rate in order to avoid the need for an increase in a future fiscal year that significantly exceeds the allowable six percent increase? Does the Committee intend to maintain a balance in the State Education Fund to ensure that the General Assembly is capable of providing the required funding increases during a future economic downturn or during a period of relatively high inflation?

**DISCUSSION:**

**I. PROJECTIONS OF TOTAL PROGRAM FUNDING AND THE STATE SHARE OF SUCH FUNDING**

*Summary.* Based on information available to date, staff has prepared a table (beginning on page 70) that summarizes the projected annual state share of districts' total program funding through FY 2011-12. The table is followed by a chart (see page 72) illustrating the components of the projected annual increases in the state share. Based on Legislative Council Staff's September 2006 projection of the 2006 inflation rate (3.4 percent), total program funding for districts is estimated to increase by \$271.9 million (5.7 percent) for FY 2007-08. *Local* revenues are only projected to increase by 3.9

percent, covering \$67.3 million of the estimated increase. Thus, staff estimates that the *state share* of funding will need to increase by \$204.7 million (6.7 percent).

*Comparison of Request and Staff Projection.* The table on the following page also details the Department's FY 2007-08 request. There are three major differences between staff's projections and the Department's request:

- The request is based on a slightly lower projected funded pupil count (a difference of 936 -- less than one percent). As a result the Department's projection of total program funding is \$6.2M lower than staff's projection.
- The request is based on the Office of State Planning and Budgeting's September forecast of the 2006 rate of inflation (3.5 percent compared to Legislative Council Staff's projection of 3.4 percent), resulting in a slightly higher base per pupil funding amount. This offsets the difference associated with a lower projected funded pupil count by \$4.1 million.
- The request assumes a \$79.3 million increase in local revenues, compared to the \$67.3 million increase used in staff's projection.

**Overall, staff's projection of the additional state funds that will be required for FY 2007-08 is \$14.3 million *higher* than the request.**

Before the Committee takes action on the Department's FY 2007-08 request, more timely information will be available to help inform the Committee's decisions. Specifically, the Committee will have information concerning: the actual 2006 student count (including the number of "at-risk" students), the actual amount of local revenues available for the current fiscal year; and the actual inflation rate for calendar year 2006 (which is applicable for FY 2007-08).



**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 2006-07 Appropriation	FY 2007-08 Request	PROJECTIONS USING LCS STAFF FORECAST				
			FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>PROJECTED FUNDING NEED:</b>							
Funded Pupil Count (FTE) <1> <i>Annual Percentage Change</i>	750,306.8 1.2%	758,599.7 1.1%	759,535.7 1.2%	768,902.7 1.2%	778,873.4 1.3%	789,205.5 1.3%	803,545.7 1.8%
Multiplied by: Average Per-pupil Funding (NOT in millions) <i>Denver-Boulder Inflation Rate for Previous Calendar Year</i> <i>Annual Percentage Change in Base &lt;2&gt;</i> <i>Annual Percentage Change in Average &lt;3&gt;</i>	\$6,376 2.1% 3.1% 3.4%	\$6,662 3.5% 4.5% 4.5%	\$6,656 3.4% 4.4% 4.4%	\$6,956 3.5% 4.5% 4.5%	\$7,262 3.4% 4.4% 4.4%	\$7,567 3.2% 4.2% 4.2%	\$7,809 3.2% 3.2% 3.2%
<b>Districts' Total Program Funding</b> <i>Annual Percentage Change</i>	<b>\$4,783.7</b> 4.6%	<b>\$5,053.5</b> 5.6%	<b>\$5,055.6</b> 5.7%	<b>\$5,348.3</b> 5.8%	<b>\$5,656.0</b> 5.8%	<b>\$5,971.7</b> 5.6%	<b>\$6,274.8</b> 5.1%
<b>PROJECTED STATE AND LOCAL SHARES:</b>							
<b>Local Share &lt;4&gt;</b> <i>Annual Percentage Change</i>	<b>\$1,743.4</b> 2.5%	<b>\$1,822.7</b> 4.6%	<b>\$1,810.7</b> 3.9%	<b>\$1,856.6</b> 2.5%	<b>\$1,907.5</b> 2.7%	<b>\$1,960.6</b> 2.8%	<b>\$2,054.1</b> 4.8%
<b>Remainder: State Share &lt;4&gt;</b> <i>Annual Percentage Change</i>	<b>\$3,040.3</b> 5.9%	<b>\$3,230.7</b> 6.3%	<b>\$3,245.0</b> 6.7%	<b>\$3,491.7</b> 7.6%	<b>\$3,748.5</b> 7.4%	<b>\$4,011.1</b> 7.0%	<b>\$4,220.7</b> 5.2%
<b>ANNUAL INCREASE IN STATE SHARE:</b>							
Required Increase in State Share	\$169.5	\$190.4	\$204.7	\$246.7	\$256.8	\$262.6	\$209.6

**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)**

Notes:

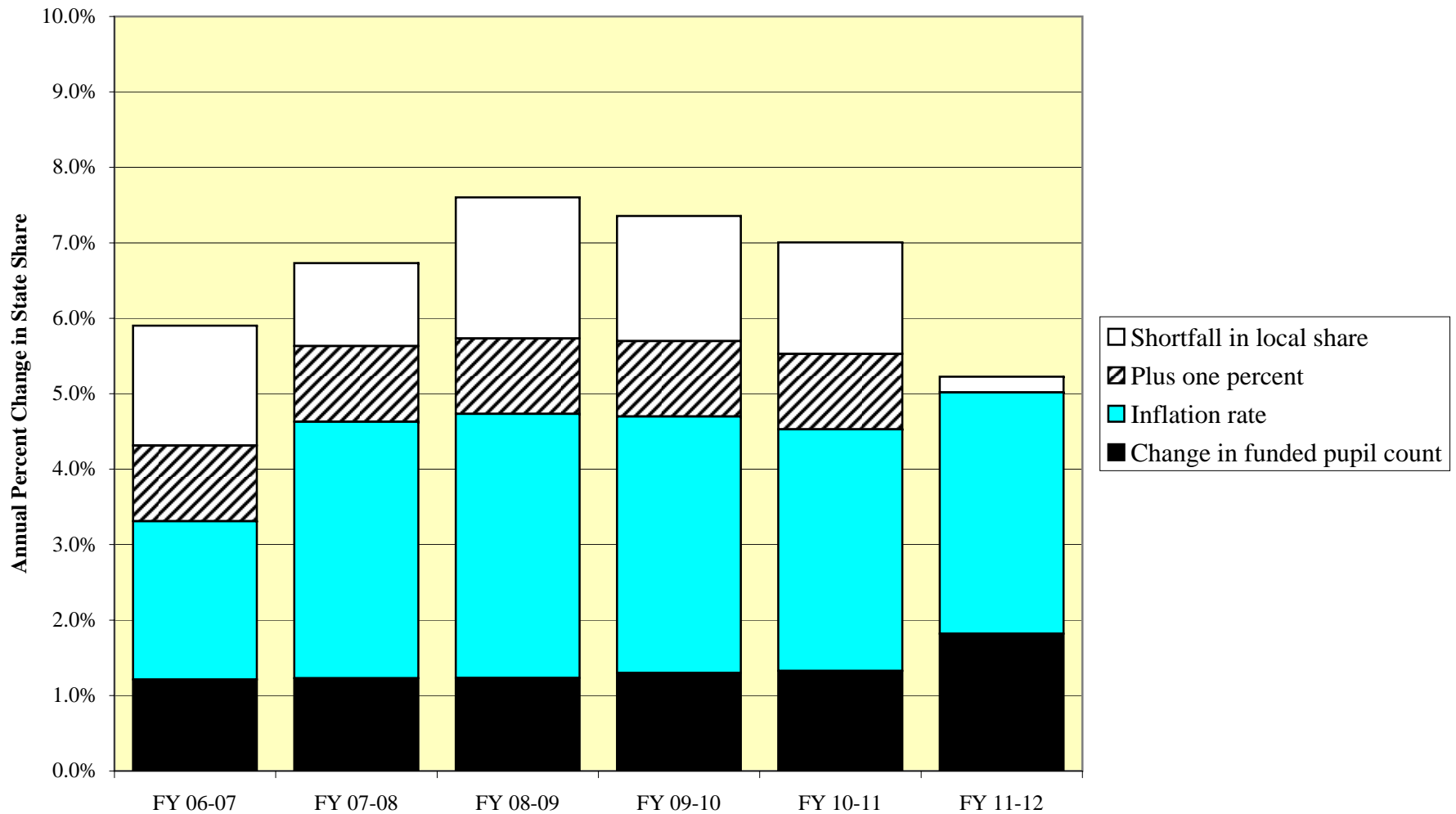
<1> Projected funded pupil counts are based on Legislative Council staff's December 2005 estimates, as well as on legislation adopted during the 2006 Session. Specifically, projections for FY 2006-07 and subsequent fiscal years include an increase of 2,000 slots for the Colorado Preschool and Kindergarten Program, offset by a decrease of 128 full-day kindergarten pilot program slots.

<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 2007-08 through FY 2010-11), and by inflation for FY 2011-12; these are the minimum increases required by the State Constitution. The annual percentage change in base per pupil funding for fiscal years 2007-08 through FY 2011-12 is thus based on Legislative Council staff's September 2006 projections of inflation for calendar years 2006 through 2010.

<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 2007-08 through 2011-12, 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 2006 estimates. Such estimates have been 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 locally-negotiated business incentive agreements.

## Public School Finance Projections: Composition of the Annual Change in the State Share



## II. CONTINUING EROSION OF THE LOCAL SHARE OF FUNDING FOR SCHOOLS

Two constitutional provisions limit property taxes in Colorado: the Gallagher Amendment and the Taxpayer's Bill of Rights (TABOR). These two provisions have caused property taxes to increase at a slower rate than they otherwise would -- particularly for homeowners. In fact, Colorado residential property taxes are 2nd lowest in the nation<sup>7</sup>.

The **Gallagher Amendment**, part of a property tax reform measure referred by the legislature and approved by the voters in November 1982, requires 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]. Under current law, property in Colorado is reassessed on a two-year cycle in odd-numbered years. Thus, the residential assessment rate is adjusted every two years. Under the Gallagher amendment, whenever residential property values rise faster (or fall slower) than nonresidential values, the residential assessment rate is lowered. Since 1982 the statewide residential assessment rate has declined from 30.0 percent to 7.96 percent.

Please note that the residential assessment rate is determined based on total statewide property values, and is thus largely determined based on changes in property values along the front range. The impact of the Gallagher amendment on property tax revenues for an individual jurisdiction depends on the area's mix of residential and non-residential property.

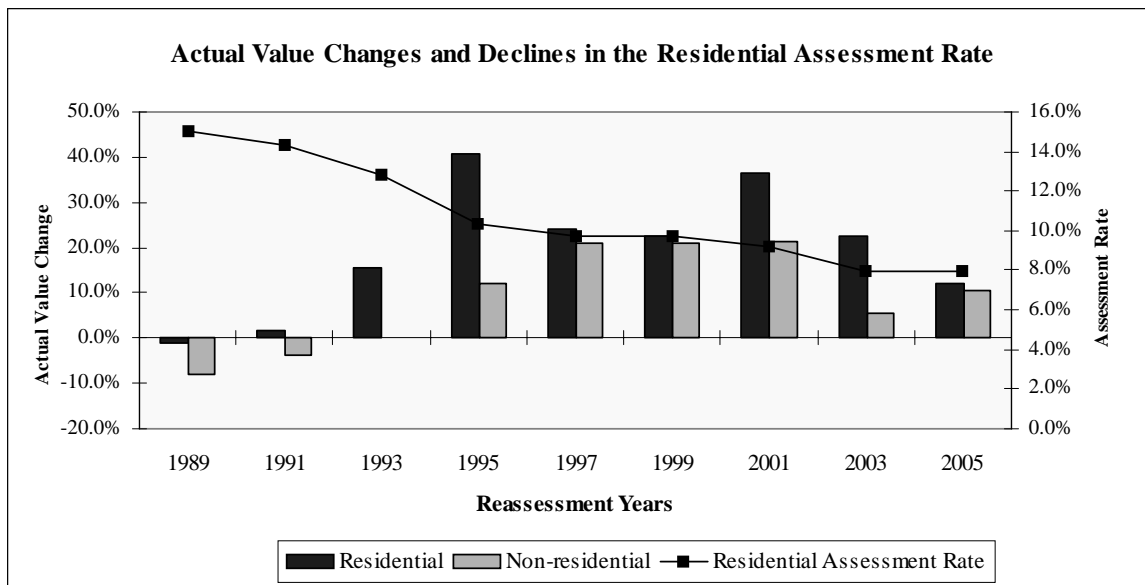
From 1987 (when the Gallagher amendment first affected the residential assessment rate) to 2005, while actual statewide residential property values increased nearly five-fold (an increase of 365.5 percent), the portion of residential property value that has been taxed has doubled (an increase of 105.9 percent). In contrast, the statewide assessed value of non-residential property has increased faster than actual values (118.4 percent increase compared to 106.6 percent, respectively). These changes are detailed in the following table.

Changes in Actual and Assessed Property Values: 1987 to 2005						
Property Type	Actual Values (\$ millions)			Assessed Values (\$ millions)		
	1987	2005	% Change	1987	2005	% Change
Residential	\$89.3	\$416.0	365.5%	\$16.1	\$33.1	105.9%
Non-residential	<u>57.5</u>	<u>118.9</u>	<u>106.6%</u>	<u>17.2</u>	<u>37.5</u>	<u>118.4%</u>
Total	146.9	534.8	264.1%	33.3	70.6	112.3%

Source: Department of Local Affairs, Division of Property Taxation: 2005 Annual Report, Table 9.

The chart on the following page illustrates the relationship between changes in the actual value of property statewide and changes in the residential assessment rate.

<sup>7</sup> Josh Harwood, Legislative Council Staff. "Colorado's Tax Structure & State Rankings", Presentation to the 2005 Interim Committee on School Finance (August 2, 2005).



The 1982 property tax measure has shifted the property tax burden from homeowners to businesses. Specifically, although 77.8 percent of actual statewide property value relates to residential property, only 46.9 percent of statewide assessed property value relates to residential property. Based on estimates prepared by the Department of Local Affairs, Division of Property Taxation, the Gallagher amendment has resulted in property tax savings for homeowners totaling \$10.2 *billion* over 18 years<sup>8</sup>. This figure is calculated based on what homeowners would have paid if the residential assessment rate had remained at 21 percent. Please note, however, that the vast majority of these savings are attributable to years following the adoption of TABOR. Thus, it is important to understand the interaction between TABOR and Gallagher.

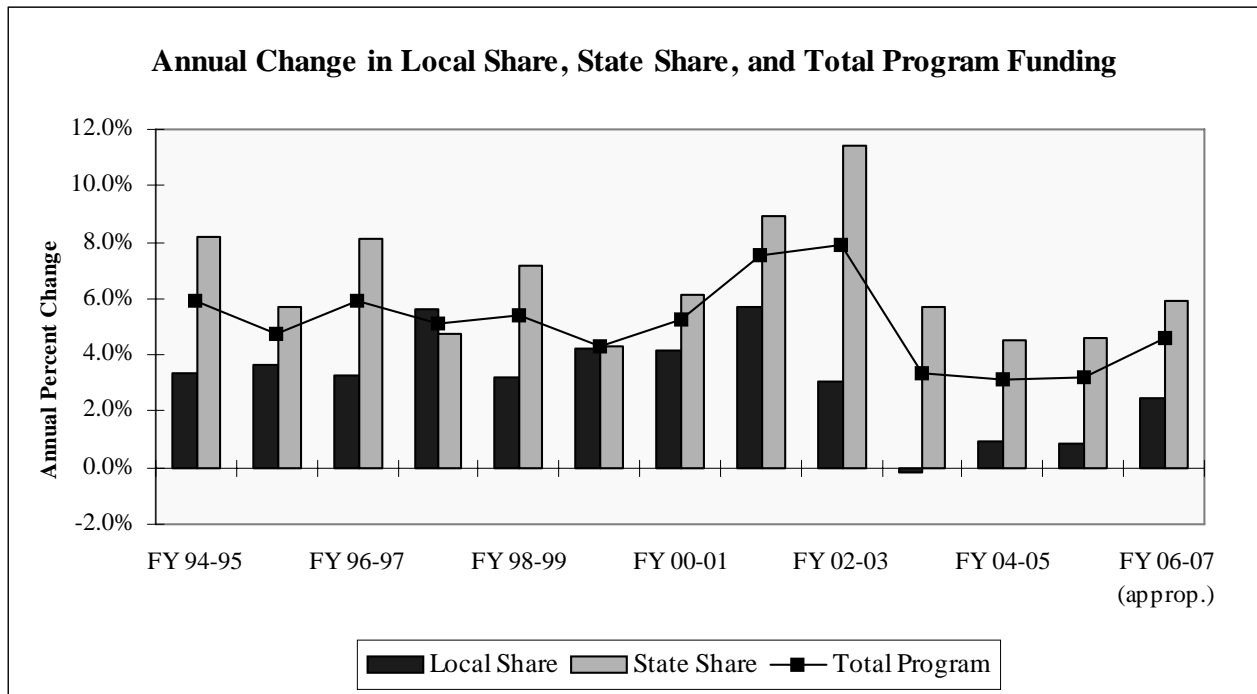
Prior to the adoption of **TABOR** in 1992, local governments could generally collect and spend the same amount of property tax revenue each year. When the total taxable value of property increased substantially, the mill levy would be decreased; when the total taxable value of property decreased, the mill levy would be increased. The mill levy changed each year based on the revenue required to support local services, with a general statutory limit of 5.5 percent on annual increases in property tax revenues. Thus, property taxes provided a stable source of revenue that was not generally affected by changes in economic conditions (unlike sales or income taxes).

With regard to school district property taxes, TABOR reduced the General Assembly's role in determining school finance property tax revenues and it has resulted in a large variation in districts' mill levies. Prior to TABOR, the General Assembly set property taxes for school operations through the School Finance Act (e.g., directing the Department of Education to set a mill levy sufficient to raise a particular dollar amount of property taxes or to target a specified percentage state share or appropriation, or simply establishing a uniform mill levy in statute). With the adoption of TABOR, the General Assembly no longer actively controls the level of property taxes available for schools each year. School districts are now required, under Section 22-54-106, C.R.S., to levy the same number of mills from year to year, unless the mill levy would raise more property taxes than TABOR permits (inflation plus the percentage change in district enrollment). In this case, the levy must be

<sup>8</sup> Department of Local Affairs, Division of Property Taxation, 2005 Annual Report, Table 8.

reduced to avoid exceeding the property tax revenue limit -- even if a districts' voters have authorized the district to spend revenues which exceed the TABOR limit. Thus, TABOR restricts the amount that each local government's property taxes may increase each year and requires voter approval for most tax rate increases.

Due to the combined effects of Gallagher and TABOR, the average statewide mill levy for school finance decreased from 38.264 in 1991 to 21.371 in FY 2006-07. Mill levies have also become quite disparate, ranging from 1.571 mills (Las Animas - Primero) to 40.080 mills (Washington - Lone Star). In addition to creating a large variation in districts' mill levies, the current method for determining school district property taxes has caused the local share of funding for public school finance to grow at a slower rate than total program funding, requiring a greater state subsidy each year that does not necessarily relate to districts' wealth. The approval of Amendment 23 in 2000 accelerated this phenomenon by requiring total program funding to grow at a rate that exceeds the TABOR limit. The following chart depicts the annual change in the local and state shares of districts' total program funding, and compares these rates of growth to the rate of growth in total program funding.



In addition to the overall increase in the state share of districts' total program, it is important to note that increases in the state share of funding for individual districts are not necessarily related to changes in the relative wealth of the district. As detailed in the table on the following page, seven of the ten districts with the lowest mill levies in the state receive more than 50 percent of their total program funding from the state, and the state share for five of these districts is higher than the state average of 62.8 percent. As recently as FY 1997-98, the Aspen school district was funded almost entirely from local revenues; the state is now paying for more than 25 percent of Aspen's total program funding.

The Ten School Districts With the Lowest Mill Levies		
District	2005 Mill Levy (mills)	FY 2005-06 State Share
Las Animas - Primero	2.347	56.1%
Rio Blanco - Rangely	2.784	69.8%
La Plata - Ignacio	3.322	75.1%
Garfield - Parachute	3.909	75.3%
Gilpin	4.464	55.9%
Pitkin - Aspen	4.885	28.7%
San Miguel - Norwood	5.490	75.7%
San Miguel - Telluride	6.053	21.4%
Garfield - Rifle	6.208	74.5%
La Plata - Durango	7.312	45.3%

Due to constraints on the amount of local tax revenues that are available for school finance, the state share of funding for districts' total program is projected to continue to increase. As detailed in the following table, staff estimates that if the local share of districts' total program funding were to, instead, increase at the same rate as total program funding every year, a total of \$733.8 million in state funding would be available for other purposes over the next five years.

Calculation of Additional State Funding Required Due to Constraints on Local Funding (\$ millions)						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Cumulative
<b>Current Projections</b>						
Total Program Funding	\$5,055.6	\$5,348.3	\$5,656.0	\$5,971.8	\$6,274.8	\$28,306.5
<i>Annual Percent Change</i>	5.7%	5.8%	5.8%	5.6%	5.1%	
Less: Local Share	\$1,810.7	\$1,856.6	\$1,907.5	\$1,960.6	\$2,054.1	\$9,589.5
<i>Annual Percent Change</i>	3.8%	2.5%	2.7%	2.8%	4.8%	
<b>Equals State Share</b>	<b>\$3,244.9</b>	<b>\$3,491.7</b>	<b>\$3,748.5</b>	<b>\$4,011.2</b>	<b>\$4,220.7</b>	<b>\$18,717.0</b>
<i>Annual Percent Change</i>	6.7%	7.6%	7.4%	7.0%	5.2%	
<b>Modified Projections, Assuming Local Share Increases at Same Rate as Total Program Funding</b>						
Total Program Funding	\$5,055.6	\$5,348.3	\$5,656.0	\$5,971.8	\$6,274.8	\$28,306.5
<i>Annual Percent Change</i>	5.7%	5.8%	5.8%	5.6%	5.1%	
Less: Local Share	\$1,843.8	\$1,950.5	\$2,062.7	\$2,177.9	\$2,288.4	\$10,323.3
<i>Annual Percent Change</i>	5.7%	5.8%	5.8%	5.6%	5.1%	
<b>Equals State Share</b>	<b>\$3,211.8</b>	<b>\$3,397.8</b>	<b>\$3,593.3</b>	<b>\$3,793.9</b>	<b>\$3,986.4</b>	<b>\$17,983.2</b>
<i>Annual Percent Change</i>	5.6%	5.8%	5.8%	5.6%	5.1%	
<b>Reduction in Required State Share if Local Share Were to Keep Pace with Overall Increases</b>						
	<b>(\$33.1)</b>	<b>(\$93.9)</b>	<b>(\$155.2)</b>	<b>(\$217.3)</b>	<b>(\$234.3)</b>	<b>(\$733.8)</b>

### III. 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 receives revenues from four primary sources<sup>9</sup>, discussed below.

1. *Federal Mineral Lease Revenues.* Federal funds received by the State for sales, bonuses, royalties, and rentals of public lands within the State are also credited to the SPSF. These revenues, called "federal mineral lease revenues", are primarily derived from coal, gas, and oil, and most revenues are earned from federal lands on the Western Slope. Due to production and price changes, federal mineral lease revenues can vary significantly from year to year, and are therefore difficult to project. Both Department and Joint Budget Committee staff rely, in part, on staff at the Department of Local Affairs to provide federal mineral lease revenue projections for purposes of estimating federal funds that will be available in the SPSF. Federal mineral lease revenues are distributed through a complex statutory formula for the benefit of public schools, local governments, and the Colorado Water Conservation Board Construction Fund.

**In FY 2005-06, federal mineral lease revenues allocated to the State Public School Fund (\$69.3 million) represented 66 percent of total SPSF revenues.** This represents more than a three-fold increase compared to annual lease revenues in the late 1990s. The Governor's request is predicated on these revenues increasing to \$100.0 million in FY 2007-08.

2. *Interest and Income Earned on the Public School Fund.* Section 3 of Article IX of the Colorado Constitution establishes the "Public School Fund" (often referred to as the "Permanent" School Fund). This fund consists of proceeds from lands that were granted to the State by the federal government for educational purposes (usually referred to as "state trust lands" or "public school lands"). The Public School Fund is to remain intact, but all interest derived from the investment and reinvestment of the Public School Fund is credited to the "Public School Income Fund", and then periodically transferred to the "State Public

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<sup>9</sup> Please note that there are accounts and reserves within the SPSF that are required to be used for specific purposes *other than* school finance, including: the Contingency Reserve [see Section 22-54-117, C.R.S.]; the School Capital Construction Expenditures Reserve [see Section 22-54-117 (1.5), C.R.S.]; and "in-year cost recoveries" that the Department is required to allocate for the purpose of calculating the academic growth of students for diagnostic purposes [see Section 22-54-114 (2.5), C.R.S.]. Further, 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. Finally, 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.



School Fund" [Section 22-41-106, C.R.S.]. Moneys in the State Public School Fund (SPSF) are then appropriated by the General Assembly for the state's share of districts' total program funding and other educational programs. Interest and other income earned on the Public School Fund currently provides the second largest source of annual revenue to the SPSF. Pursuant to S.B. 03-248 [Section 22-41-102 (3), C.R.S.], however, the maximum amount of interest earnings that may be expended annually is \$19.0 million (this compares to earnings of \$22.8 million in FY 2005-06). **Interest and other income earned on the Public School Fund represented 18 percent (\$19.4 million) of SPSF revenues in FY 2005-06.**

3. *Rental Income Earned on Public School Lands.* **About 11 percent of annual revenues to the SPSF (\$12.0 million in FY 2005-06) come from rental income earned on public school lands**, including mineral royalties, grazing fees, land sales, timber sales, and interest earnings. A portion of the revenues are transferred to the SPSF, and the remainder is transferred to the Public School Fund. Pursuant to S.B. 05-196 [Section 36-1-116 (1) (a) (II), C.R.S.]; the amount annually transferred to the SPSF is limited to \$12.0 million (this compares to revenues of \$12.5 million in FY 2005-06).
4. *District Audit Recoveries.* **The balance of annual revenues to the SPSF (\$4.6 million in FY 2005-06) 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.

Based on projections of SPSF revenues, staff has estimated the amounts available for appropriation in FY 2006-07 and FY 2007-08. Due to higher than anticipated revenues in FY 2005-06, the Fund has reserves totaling \$18.2 million that could be appropriated for FY 2006-07 (if the Department requires additional funds for the School Finance Act) or for future fiscal years. [A history of SPSF revenues is provided at Appendix C.]

## **State Education Fund**

The State Education Fund consists of approximately 7.4 percent of annual state income tax revenues<sup>10</sup>, 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;

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<sup>10</sup> 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. 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 (an estimated 7.4 percent for FY 2005-06).

- 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 summarized in the following table, the General Assembly appropriated a total of \$345.8 million from the State Education Fund for FY 2006-07. This compares to \$388.3 million in projected fund revenues. Appropriations from the State Education Fund exceeded fund revenues for three years (shortfalls of \$96.0 million in FY 2002-03, \$59.9 million for FY 2003-04, and \$24.2 million for FY 2004-05). While these actions assisted the General Assembly in balancing the General Fund budget in each fiscal year, they resulted in a declining State Education Fund balance. Specifically, at the end of FY 2001-02, the fund balance peaked at close to \$300 million; the fund balance declined to \$118.4 million by the end of FY 2004-05.

Of the total amount appropriated from the State Education Fund for FY 2006-07, \$334.9 million (97 percent) was appropriated for constitutionally required inflationary increases in statewide base per pupil funding and state funding for categorical programs. The remaining \$10.8 million was appropriated for capital construction programs and for eight other programs. [A complete history of appropriations from the State Education Fund is provided in Appendix D.]

<b>FY 2006-07 Appropriations from the State Education Fund</b>	
<b>Constitutionally-Required Inflationary Increases:</b>	
Public School Finance, State Share of Districts' Total Program Funding	\$308,628,360
Categorical programs (various line items)	<u>26,315,507</u>
<b>Subtotal</b>	<b>334,943,867</b>
<b>Other Programs:</b>	
Charter school capital construction (S.B. 01-129)	7,800,000
Aid for declining enrollment districts with new charter schools (H.B. 06-1375)	1,000,000
Summer school grant program (S.B. 01-129 and H.B. 06-1375)	1,000,000
Facility summer school grant program (H.B. 02-1349 and H.B. 06-1375)	500,000
Civic education (S.B. 05-200)	200,000
Family literacy education grant program (H.B. 02-1303 and H.B. 06-1375)	200,000
National credential fee assistance (H.B. 02-1349)	100,000
Financial literacy resource bank and technical assistance (H.B. 04-1360)	40,000
Colorado History Day (H.B. 04-1202)	<u>10,000</u>
<b>Subtotal</b>	<b>10,850,000</b>
<b>GRAND TOTAL</b>	<b>\$345,793,867</b>

## 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 continue to support about 87 percent of the state share of districts' total program and categorical programs over the long term.

For purposes of providing a historical perspective, the following table 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 5.02 percent for the six years following the passage of Amendment 23 (FY 2001-02 through FY 2006-07).

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	2,483,349,077	6.00%	387,880,199	-3.30%	2,871,229,276	4.64%
2006-07	2,649,049,913	6.67%	391,252,831	0.87%	3,040,302,744	5.89%

*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 years<sup>11</sup>. 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 2006-07 through FY 2010-11. Please note that even though the five percent maintenance of effort requirement did not apply for FY 2003-04, the General Assembly increased the General Fund appropriation by more than five percent.

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 2006-07 General Fund appropriation for categorical programs exceeds this "floor" amount (\$141,765,474) by \$32.9 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. With regard to total program, the FY 2006-07 General Fund appropriation is \$2,649.0 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.**

*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, State Education Fund revenues, 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 2006 Session. [Please note, however, that more recent estimates 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.]

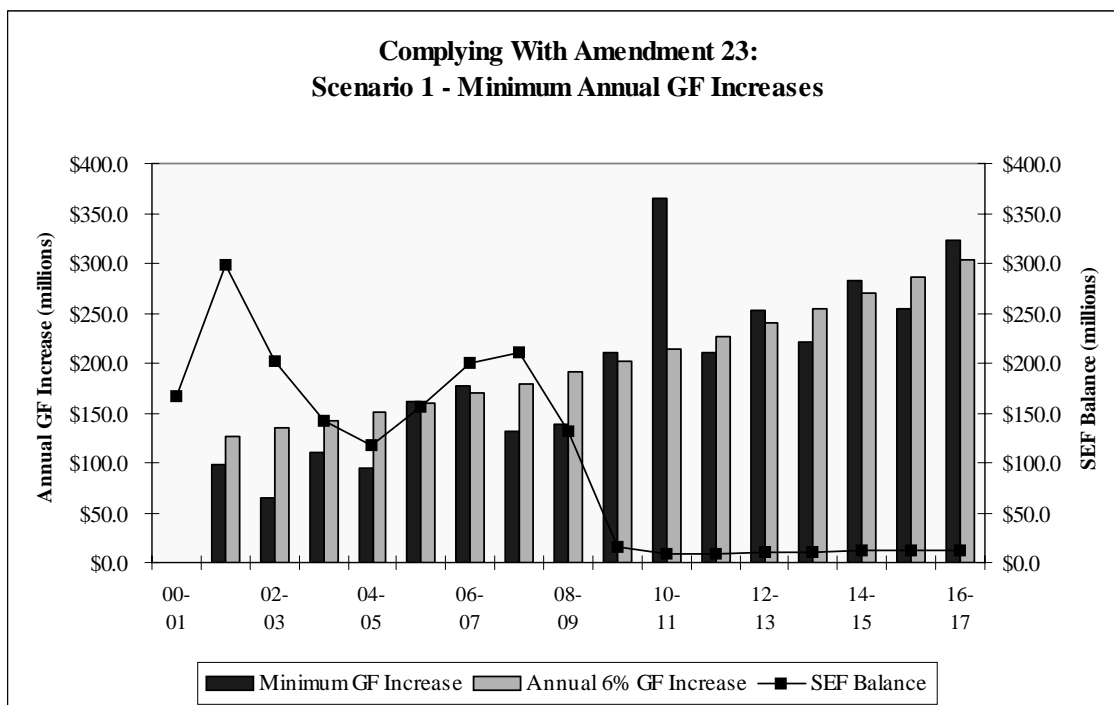
Staff has prepared two funding scenarios, based on two different approaches to financing the state share of funding for public schools. Both scenarios provide the same overall level of funding for public schools (the minimum required under current law), and both assume the same level of local funding in each fiscal year.

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<sup>11</sup> 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.

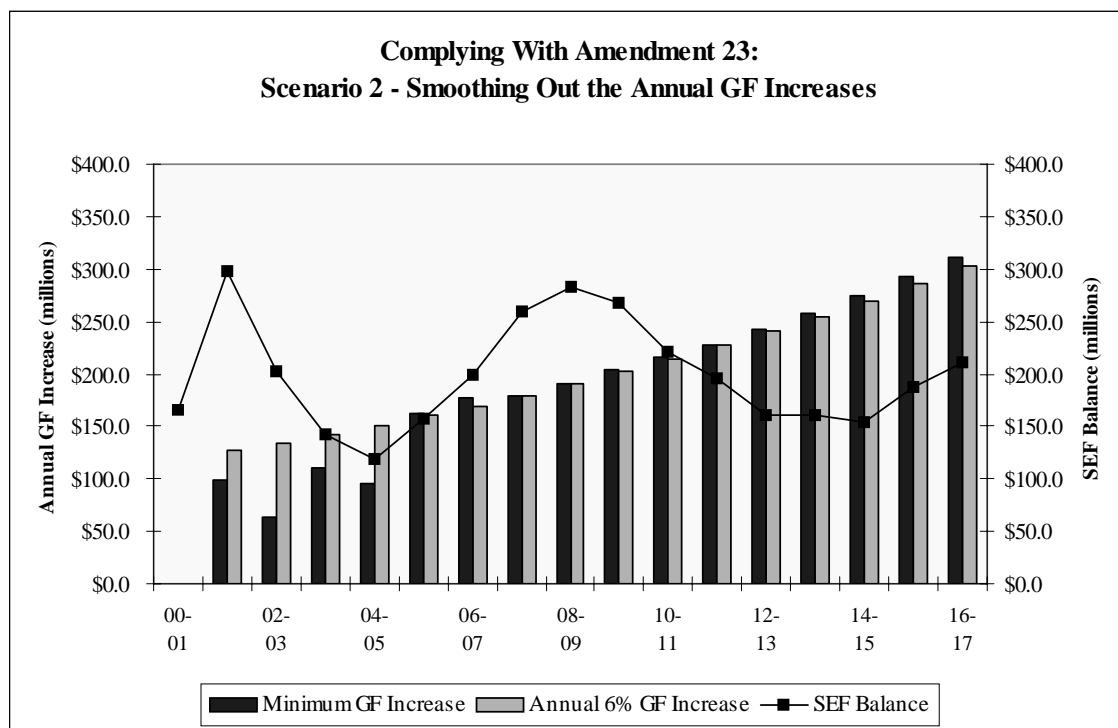
**Scenario 1:** The first scenario is consistent with requests submitted by Governor Owens in recent years, including the FY 2007-08 budget request. Under this scenario, the General Fund appropriation for categorical programs does not increase in future fiscal years. Instead, the State Education Fund is used to cover the full required increase in state funding for categorical programs each year. In addition, the General Fund appropriation for districts' total program funding is increased by the minimum amount allowed through FY 2010-11 (5.0 percent annually), unless a greater increase is needed in a particular year to provide the overall amount of state funding required (i.e., the State Education Fund balance is depleted to the point that it cannot cover the required increase). In FY 2011-12 and subsequent fiscal years, this scenario simply reflects the annual increase in General Fund required each year (i.e., the General Fund appropriation could increase by \$0 if the State Education Fund balance were adequate to cover the required increase in state funding).

Scenario 1 requires relatively high expenditures from the State Education Fund in the short-term. This, in turn, would cause the State Education Fund balance to decline so that by FY 2009-10, the fund balance would be insufficient to cover the required increases in state funding. As a result, General Fund increases of 6.8 percent and 11.1 percent would be required in FY 2009-10 and FY 2010-11, respectively. For FY 2010-11, this would require that \$365.4 million of the \$477.5 million allowable increase in General Fund appropriations (76.5 percent) be devoted to K-12 education, leaving \$112.1 million for other state programs. Please note that Joint Budget Committee staff recently projected that a *minimum* of \$234.6 million will be required in FY 2010-11 to cover expenditure increases in the Medicaid program, corrections, higher education, human services, and the Judicial Branch, as well as to cover statewide employee salary and benefit increases. Under this scenario, available funds would fall \$122.5 million (52.2 percent) short of covering these needs. Finally, this approach would also reduce the annual interest and investment income earned on the State Education Fund balance.



**Scenario 2:** The second scenario is consistent with recommendations that have been made by Joint Budget Committee staff. Under this scenario, General Fund appropriations for categorical programs will increase proportionately in future fiscal years (e.g., if total state funding for categorical programs increases by 4.4 percent, General Fund appropriations also increase by 4.4 percent). In addition, the annual General Fund appropriation for districts' total program funding will increase steadily to avoid the need for any one year increase that is significantly in excess of six percent.

Scenario 2 requires increases in General Fund appropriations of about 6.4 percent annually through FY 2016-17, when pupil enrollment increases are projected to peak. This scenario not only avoids the unmanageable General Fund increase otherwise required in FY 2010-11, it maintains a State Education Fund balance of at least \$150 million. This balance can serve as a "rainy day fund" for periods of economic downturn (as it did from FY 2002-03 through FY 2004-05), or for those periods of relatively high inflation (such as FY 2002-03). This fund balance, particularly if it is sustained and predictable, allows the State Treasurer to earn greater interest and investment income; these earnings are exempt from TABOR and the six percent limit on General Fund appropriations.



**IV. PLANS FOR COMPLYING WITH CONSTITUTIONAL FUNDING REQUIREMENTS IN FUTURE FISCAL YEARS**

In enacting the provisions of Amendment 23, the General Assembly declared the following with respect to the funding increases required by Amendment 23 and the potential impact of such increases on other state programs and services:

"In enacting legislation to implement section 17 of article IX of the state constitution, it is the duty, intent, and legislative prerogative of the general assembly to mitigate any adverse impact that the state education funding requirements of said section 17 of article IX may have on the financial condition of the state and other state programs

and services by *ensuring that moneys are credited to the state education fund, invested while in the fund, and expended from the fund in a manner that will ensure that the fund remains viable and that fund moneys will always be available to meet a significant portion of the long-term state education funding requirements* of said section 17 of article IX." (emphasis added) [Section 22-55-101 (3) (c), C.R.S.]

Following the adoption of Amendment 23, the Pacey Economics Group prepared a report at the request of the Legislative Audit Committee concerning the implementation of Amendment 23<sup>12</sup>. This report described the model that Pacey developed to project future funding requirements for education. The model was designed to allow policymakers to determine the future impact of decisions about: (a) the level of General Fund appropriation for education; and (b) the level of appropriations from the State Education Fund for discretionary purposes. This report included a variety of funding scenarios, using different economic assumptions; the primary scenarios are described below:

- *5.0 Percent Annual General Fund Increases.* The model predicted that if General Fund appropriations for school finance only increased by 5.0 percent annually, the State Education Fund would become insolvent (by FY 2015-16) even if no moneys were appropriated from the State Education Fund for discretionary purposes. [Please note that the actual compound annual growth rate of General Fund appropriations for school finance from FY 2000-01 to FY 2006-07 is 5.02 percent. In addition, the General Assembly has appropriated a total of \$110 million to date from the State Education Fund for purposes other than school finance and categorical programs -- an average of \$18 million per year.]
- *5.6 Percent Annual General Fund Increases.* The model predicted that if General Fund appropriations for school finance increased by 5.6 percent annually, the State Education Fund would remain solvent unless there was a significant economic slowdown. In addition, the General Assembly could spend up to \$50 million per year from the State Education Fund for discretionary purposes without adversely impacting the solvency of the Fund (unless there was a significant economic slowdown). [Please note that as the actual compound annual growth rate of General Fund appropriations from FY 1993-94 through FY 2000-01 was over six percent, this appeared to be a reasonable and manageable level of General Fund support.]
- *6.0 Percent Annual General Fund Increases.* The model predicted that if General Fund appropriations for school finance increased by 6.0 percent annually, the State Education Fund would remain solvent even if there was a significant economic slowdown. In addition, given this level of General Fund support, the General Assembly could spend up to \$50 million per year from the State Education Fund for discretionary purposes without adversely impacting the solvency of the Fund.

Thus, prior to the economic downturn, it was clear that the General Assembly would need to increase the General Fund appropriation for school finance by more than 5.0 percent to ensure it is capable of providing the required funding increases over the long-term. During the economic downturn, the General Assembly relied heavily on the State Education Fund to allow it to comply with

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<sup>12</sup> Pacey Economics Group, "Amendment 23: Economic Modeling for Decision Makers", (February 2001).

constitutional funding requirements and mitigate the need for even greater cuts in General Fund support for other program areas. As a result, however, staff is now projecting that General Fund appropriations for education will need to increase by an average of at least 6.4 percent annually through FY 2016-17.

Given these projections, staff recommends that the Committee discuss their long-term plan for complying with constitutional funding requirements for K-12 education. Specifically, does the Committee intend to increase General Fund appropriations at a sufficient, steady rate in order to avoid the need for an increase in a future fiscal year that significantly exceeds the allowable six percent annual increase? Further, does the Committee intend to maintain a balance in the State Education Fund to ensure that the General Assembly is capable of providing the required increases during a future economic downturn? Staff has listed below some advantages and disadvantages associated with maintaining a significant balance in the State Education Fund:

Advantages:

- A balance in the State Education Fund can serve as a "rainy day fund" during an economic downturn (as it did from FY 2002-03 through FY 2004-05), or in those fiscal years when enrollment and inflation require increases in excess of six percent (e.g., FY 2001-02 and FY 2002-03).
- A balance produces greater interest and investment income. This income is exempt from TABOR and the six percent limit on General Fund appropriations, thus making it easier for the General Assembly to comply with educational funding requirements under existing spending and revenue limitations (i.e., in the long-term, this would reduce the General Fund increases needed for education).

Disadvantages:

- Unlike the Public School Fund (often called the "Permanent Fund"), the General Assembly is authorized to appropriate moneys from the corpus of the State Education Fund. As demonstrated in the last several years, the higher the State Education Fund balance, the more difficult it is to control discretionary spending from the State Education Fund.



**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF EDUCATION**

**ISSUE:**

This issue brief describes the existing structure of and the problems associated with the State Public School Fund.

**SUMMARY:**

- ❑ The existing structure of the State Public School Fund unnecessarily complicates appropriations and accounting processes.
- ❑ Although staff has not yet developed a solution that addresses all of the problems associated with the existing structure, staff has identified a couple of minor statutory modifications that would begin to address some of the problems.

**RECOMMENDATION:**

Staff recommends that the Committee consider introducing legislation to modify the structure of the State Public School Fund, including: establishing the Contingency Reserve and the School Capital Construction Expenditures Reserve as separate and distinct funds; eliminating the off-budget mechanism for funding longitudinal analyses; and requiring that the costs of publishing school laws be paid from the State Public School Fund, rather than the Public School Income Fund.

**DISCUSSION:**

***Existing Fund Structure***

As described in the previous issue brief, the State Public School Fund (SPSF) receives revenues from the following four primary sources:

1. *Federal Mineral Lease Revenues* - A portion of the federal funds received by the State for sales, bonuses, royalties, and rentals of public lands, primarily derived from coal, gas, and oil are credited to the SPSF.
2. *Interest and Income Earned on the Public School Fund* - Pursuant to Article IX, Section 3 of the Colorado Constitution, the interest and other income earned on the Public School Fund, "... shall be expended in the maintenance of the schools of the state, and shall be distributed amongst the several counties and school districts of the state, in such manner as may be prescribed by law". Interest and other income derived from the investment and reinvestment of the Public School Fund is credited to the Public School Income Fund, and then periodically transferred to the State Public School Fund. Pursuant to Section 22-41-102 (3), C.R.S., the maximum amount of interest earnings that may be expended from the Public School Fund annually is \$19.0 million.
3. *Rental Income Earned on Public School Lands* - Rental income earned on public school lands includes mineral royalties, grazing fees, land sales, timber sales, and interest earnings.

Pursuant to Section 36-1-116 (1) (a) (II), C.R.S., the amount annually transferred to the SPSF is limited to \$12.0 million.

4. *District Audit Recoveries.* Amounts recovered by the Department pursuant to school district audits are credited to the SPSF.

In addition, 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 all of the state funds appropriated for school finance, except those that are appropriated from the State Education Fund<sup>13</sup>. At the end of each fiscal year, the Department is required to transfer half of any unexpended balance of moneys appropriated in the SPSF to the Colorado Comprehensive Health Education Fund (the remaining amount is retained in the SPSF).

For FY 2006-07, the General Assembly has appropriated moneys from the State Public School Fund as follows:

- \$82,624,471 for the State Share of Districts' Total Program Funding (as detailed in Long Bill letters, this amount includes: \$51,539,420 from federal mineral lease revenues, \$19,000,000 in interest earnings, \$9,527,356 from rental income, \$2,000,000 in audit recoveries, and \$557,695 from SPSF reserves)
- \$2,472,644 for the state match for the federal school lunch program (this amount is identified in the Long Bill letter as rental income that is credited to the SPSF)
- \$531,580 to reimburse certain districts for supplemental on-line education courses (pursuant to H.B. 06-1008 this amount is specifically appropriated from federal mineral lease revenues transferred to the SPSF)

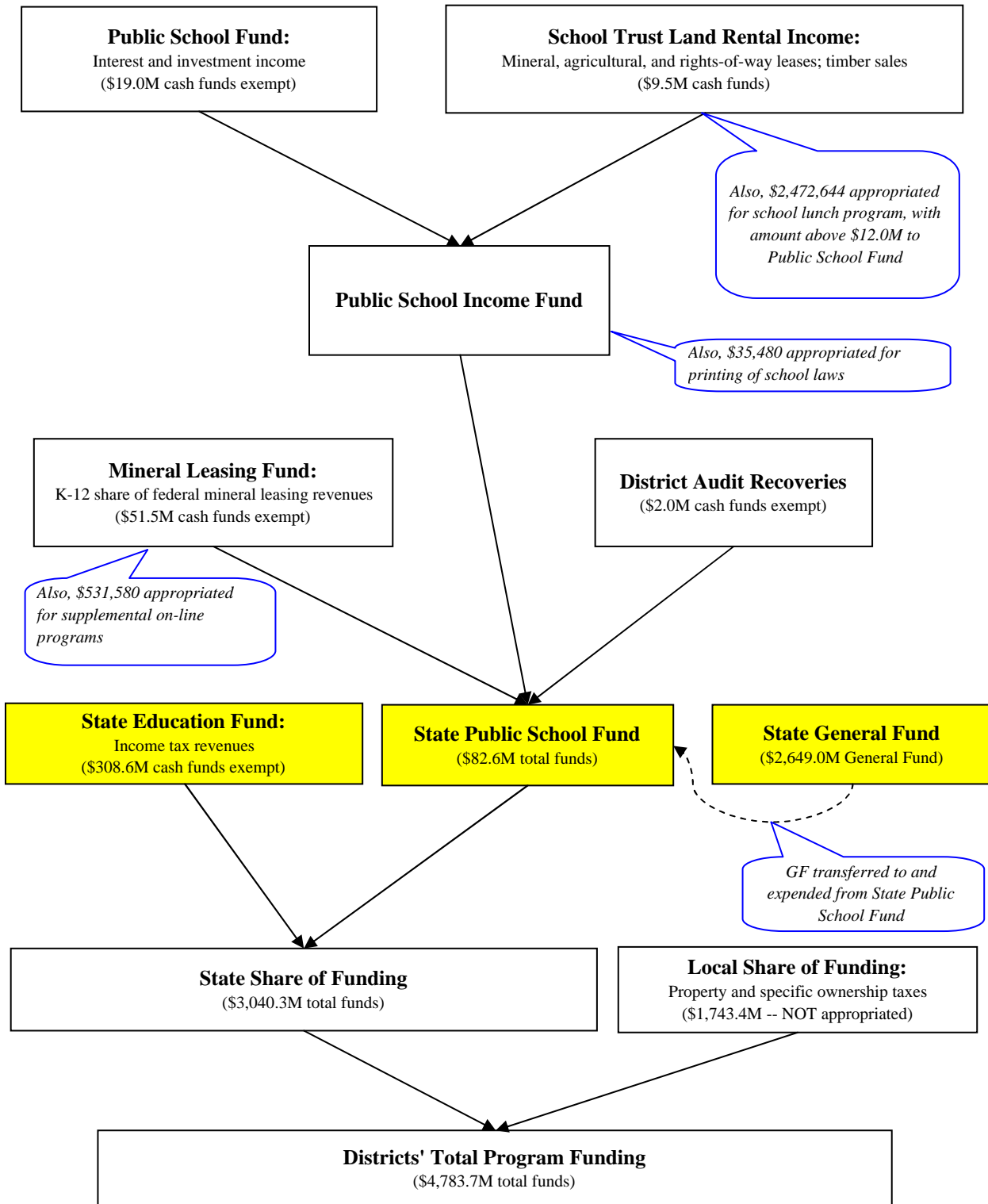
The General Assembly has also included an appropriation of \$35,480 from the Public School Income Fund for the Department to publish and distribute education-related laws, as required by Section 22-2-112 (1) (i), C.R.S. [Staff has learned, however, that this appropriation will need to be adjusted through a supplemental bill so that the total amount of rental income appropriated does not exceed \$12 million.]

The chart on the following page attempts to illustrate the flow of revenues into the State Public School Fund, and how these moneys are appropriated for school finance.

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<sup>13</sup> Staff recently learned, however, that for purposes of reporting the amount of total program funding paid to each school district, the Department functionally disburses State Education Fund moneys that are appropriated for the State Share of Districts' Total Program Funding through the SPSF.

## Sources of Funds for Districts' Total Program Funding (FY 2006-07 Appropriations)



In addition to the above-described revenue sources and appropriations, there are accounts and reserves within the SPSF that are required to be used for other specific purposes, including the following:

- The *Contingency Reserve* [see Section 22-54-117, C.R.S.] is an account within the SPSF from which the State Board is authorized to approve payments to assist school districts under certain circumstances (e.g., financial emergencies caused by an act of God). Revenue sources for this account include General Fund appropriations as well as moneys received from school districts that are required to reimburse the State for supplemental assistance received from the Contingency Reserve.
- The *School Capital Construction Expenditures Reserve* [see Section 22-54-117 (1.5), C.R.S.] is one of two funds that were created for purposes of providing state assistance to school districts for capital construction expenditures. Pursuant to S.B. 00-181 (and as part of the *Giardino* lawsuit settlement), the General Assembly is required to appropriate a total of \$105 million from the General Fund over an eleven-year period to this Reserve for capital expenditures of school districts that: (a) address immediate safety hazards or health concerns; (b) relieve excessive operating costs created by insufficient maintenance or construction spending; or (c) relieve conditions that detract from an effective learning environment. Any associated interest earnings are retained in this reserve.
- Pursuant to Section 22-54-114 (2.5), C.R.S., the Department is required to annually earmark up to \$200,000 of the "in-year cost recovery" that directly relates to the use of unique student identifiers, and use this amount to fund *longitudinal analyses* of student assessment results [see Section 22-54-114 (2.5), C.R.S.]. This allocation is to occur even if the Department needs to request additional state funding to cover the costs of the State Share of Districts' Total Program. This funding does not appear in the annual Long Bill and the Department's annual budget request does not reflect the expenditure of these moneys. Unspent moneys remain available in the SPSF.

### ***Problems Associated with the Existing Fund Structure***

Based on experience and discussions with staff at both the Department of Education and the State Treasurer's Office, staff has identified some problems associated with the existing fund structure:

- The complexity of the State Public School Fund makes it difficult and time-consuming for accounting staff to reconcile annual revenues and expenditures.
- Although the annual Long Bill includes letter notations to identify the assumptions underlying the appropriation (i.e., the estimated sources of revenues that comprise an amount appropriated from the SPSF), these revenue sources lose their identify once credited to the SPSF. As a result, if there is a limitation on the purposes for which a particular revenue source may be expended, it is more difficult to demonstrate compliance.
- The Public School Income Fund is currently statutorily administered by the State Treasurer's Office. If moneys in this fund are appropriated to cover expenditures incurred by the Department of Education (e.g., for publication of school laws), the fund should be modified so that it is administered by the Department of Education. In addition, if this fund is simply used to flow revenues through to the SPSF, it does not appear to serve any purpose.

### ***Recommended Structural Changes***

Over the interim, staff researched some of the legal history related to the SPSF, and staff worked with Education and Treasury staff to brainstorm potential solutions to the problems that have been identified. In the long-term, staff recommends that the General Assembly consider modifying the fund structure so that different revenue sources maintain their identity. To date, however, staff has not identified a proposed structure that addresses the identified problems without creating new problems. Staff has, however, identified a few proposed statutory changes that the General Assembly could make in 2007 to begin to address some of the identified problems. Specifically, staff recommends that the Committee consider introducing legislation to accomplish the following:

- Establish the Contingency Reserve as a fund that is separate and distinct from the SPSF.
- Establish the School Capital Construction Expenditures Reserve as a fund that is separate and distinct from the SPSF.
- Eliminate the off-budget mechanism for funding longitudinal analyses (this action is also recommended in the next issue brief).
- Require that the costs of publishing school laws be paid from the SPSF, rather than the Public School Income Fund.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF EDUCATION**

**ISSUE:**

This issue brief concerns longitudinal analyses of student assessment results.

**SUMMARY:**

- Since the first statewide assessments were administered in 1997, the General Assembly has invested in and continues to annually appropriate significant state resources for the Colorado Student Assessment Program (CSAP). The General Assembly has also directed the Department to develop the tools and expertise necessary to perform longitudinal analyses of student assessment results, and to provide diagnostic information to assist school districts, schools, teachers, and parents in improving students' academic achievement and closing the achievement gap.
  
- Since 2000, the Department has accomplished many of the assigned tasks necessary to perform longitudinal analyses over the last five years. However, despite the provision of state funding and clear statutory direction, the Department has not yet taken the steps necessary to make longitudinal data useful to parents, teachers, or administrators.

**RECOMMENDATION:**

Staff recommends that the Committee require the Department to clearly describe the status of its efforts to date, and specify the resources it needs to make longitudinal data useful to administrators, teachers, and parents. Staff also recommends that the Committee introduce legislation to repeal Section 22-54-114 (2.5), C.R.S., effective July 1, 2007, thereby eliminating the off-budget mechanism for funding longitudinal analyses.

**DISCUSSION:**

***What is Longitudinal Analysis?***

Pursuant to state and federal law, Colorado students in grades three through ten are required to take statewide assessments in four subject areas<sup>14</sup>. These assessments are aligned with various content standards, which are statements of what a student at a particular grade level should know or be able to do in a particular academic area. The results of these assessments provide parents, teachers, and administrators a snapshot of the student's proficiency in a particular subject area. These results are used annually for purposes of holding schools and districts accountable by identifying the percent of students performing at various levels of proficiency. The Department is required to assign an overall academic performance rating to every public school every year based on the percentages of its students that performed at each level of proficiency.

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<sup>14</sup> The Colorado Student Assessment Program (CSAP) requires every student in grades three through ten to take assessments in reading, writing, and math, and it requires students in grades five, eight, and ten to take a science assessment.

Longitudinal analyses involve measuring an individual student's academic progress in a particular subject area over time. Several elements need to be in place in order to perform longitudinal analyses:

- unique student identifiers
- student-level enrollment, demographic, and graduation data
- annual statewide assessments, aligned with state standards, that are comparable from one year to the next
- valid and reliable data, and a data system with sufficient capacity
- expertise and analytical tools

Longitudinal analysis provides information to assist teachers in planning their instructional efforts, and to school administrators in evaluating teachers and identifying gaps in professional development and other supportive services. In addition, longitudinal analysis provides information about every student's academic growth, regardless of whether the student moves from one level of proficiency to the next. Thus, it assists districts in focusing on those students who are currently performing in the middle of a proficiency range -- those who are scoring extremely low or extremely high, and those who are at the bottom end of a range. By using longitudinal data and analytical tools, one can evaluate whether a student is on track to achieve a particular level of proficiency in the future (i.e., what is a student's growth rate, and is it adequate?). Once sufficient data is available, longitudinal analyses can also provide information that can help guide public policy. For example, it would allow one to identify certain achievement levels or other factors that are present in middle school that indicate a student is likely to drop out in the future, or to identify what high school performance indicators are the best predictors of a student's success in college.

### ***General Assembly Interest in Longitudinal Analysis.***

As summarized below, since 2000, the General Assembly has passed several bills concerning longitudinal analyses of student assessment results, and the provision of diagnostic information to districts and schools for the purpose of improving instruction.

S.B. 00-186: As part of Governor Owen's education reform legislation, the Department was required to implement and maintain the "state data reporting system", a comprehensive data collection and reporting system designed to include all information needed for measuring student and school performance, including: fiscal, student, program, personnel, facility, community, and evaluation data. This bill also required the Department to develop the necessary applications to provide statistical analysis of the information, as well as output and reporting formats to provide districts with diagnostic information for making academic and safety environment decisions.

S.B. 01-129: Required the Department of Education to modify the state data reporting system to ensure that the system is capable of storing individual students' annual assessment scores and can be used to perform a variety of longitudinal analyses of individual student assessment results, classroom assessment results, and entire school assessment results.

S.B. 02-59: Required the Department to ensure that CSAPs are designed to generate results that may be used as diagnostic tools for improving student performance.

H.B. 02-1349: Established the Academic Growth Pilot Program to use students' assessment scores over time to measure students' academic growth. By FY 2005-06, required the Department to annually assign academic growth ratings to districts, and to provide every district with

academic growth information reports for each enrolled student; and it required districts to prepare academic growth profiles for each student for use by the student, and the student's parents and teachers in helping the student to grow academically.

- S.B. 03-248: Added a provision to the statutory section concerning the State Public School Fund that required the Department to annually "allocate up to \$200,000 of the amount of the in-year cost recovery occurring as a result of the use of unique student identifiers to fund implementation of the academic growth pilot program and the academic growth program...".
- H.B. 04-1433: Repealed the Academic Growth Pilot Program and school improvement measurement. Instead, required the Department to choose an entity to develop a model to calculate students' annual academic growth for diagnostic purposes. Directed the Department to calculate the amount of each student's and each school's annual academic growth in reading, writing, and mathematics. Required the Department to calculate what constitutes sufficient academic growth for each student for each school year, and directed the Department to provide diagnostic academic growth information for each student and each public school. Added the academic growth of students rating to the school accountability reports, beginning with the 2003-04 school year.
- H.B. 05-1217: Modified the provision concerning the calculation of "sufficient academic growth" so that rather than requiring targets to be based on achieving proficiency by the end of 10th grade, allowed the Department to select intermediate grade levels at which to project a student's rate of academic growth, with the goal of achieving proficiency in reading, writing, and mathematics by at least the conclusion of the tenth grade. Eliminated the requirement for an annual audit of the process of preparing school accountability reports, and shifted the associated appropriation of \$150,000 to the longitudinal analyses line item.
- H.B. 06-1109: Instructed the technical advisory committee to determine a method by which to identify schools that demonstrate the highest rate of student academic growth in a school year toward state standards for proficiency. Directed the Department to provide technical assistance and training to school districts and charter schools to assist them in interpreting and using diagnostic academic growth information. Repealed language requiring all accreditation indicators relating to statewide assessments to be consistent with the methodology used in determining school academic ratings.

### ***Department Accomplishments to Date.***

Staff has attempted to summarize below the Department's accomplishments since 2000 (staff has not had an opportunity to actually meet with Department staff about this issue):

1. The Department has implemented and maintains a state data reporting system and since the 2001-02 school year, has stored individual student assessment results. In fact, it is staff's understanding that Colorado's assessments are the longest continuously administered assessments in the country. The Department has four years of assessment data that can be used for performing longitudinal analyses and evaluating programs and services. One expert called this the "holy grail" for researchers.
2. The Department has developed a process for assigning individual student identifiers to all students in public schools, including preschool children participating in the Colorado Preschool and Kindergarten Program and disabled preschool children receiving special education services. In addition, pursuant to S.B. 06-24, the Department has worked with the



Colorado Commission on Higher Education to ensure that these unique identifiers will be used by Colorado higher education institutions.

Please note that the implementation of individual student identifiers has had other positive impacts. For example, the Department is now able to identify duplicate pupil counts shortly after districts submit student count data, thus allowing the General Assembly to adjust the annual school finance appropriation in the middle of the fiscal year based on confirmed duplications, rather than having the Department recover funds from districts in subsequent fiscal years. In addition, this system has facilitated the Department's ability to track the prior year funding status and related data for individual students, which helps the Department to verify the funding eligibility of on-line students and has made it possible for the Department to report data such as the number of children that meet certain age-of-entry criteria and the number of students that repeat a grade level. Finally, the Department indicates that this system has allowed it to decrease data and reporting burdens on districts by consolidating data collections associated with pupil counts and assessments.

3. As required by Section 22-7-604, C.R.S., the Department now assigns each school an annual academic growth rating based on the proportion of students who make gains from one year to the next (i.e., comparing students' scale scores from one year to the next).
4. As required by Section 22-7-604.3, C.R.S., the Department has developed a "mixed effects statistical model" to diagnostically calculate individual students' academic growth. The Department has calculated what constitutes sufficient academic growth for each student for each school year (i.e., how much growth needs to occur for that student to become proficient by at least 10th grade). In addition, just last school year, the Department provided districts and charter schools with electronic diagnostic growth information for each student enrolled in each school, based on assessment results.

### ***What is Yet to be Done?***

Based on legislation passed to date, a review of available research, and discussions with certain experts, staff believes that the Department needs to take further actions to make longitudinal data useful to districts, schools and parents. Staff has attempted to describe several next steps below:

- Provide technical assistance and training to schools and districts to assist personnel in interpreting and using the diagnostic growth information provided. Assist smaller school districts and those lacking the technical expertise and/or resources by utilizing economies of scale and provide a basic set of tools and reports to all school districts. If several school districts are using their own funding to purchase certain tools or expertise, evaluate whether it would be cost-effective for the Department to purchase or provide such resources to all districts. Develop some internal Department capacity to provide in-depth and timely technical assistance -- particularly to those districts with the greatest achievement gaps. Although Section 22-7-604.3 (5) (h), C.R.S., indicates that the costs of such assistance and training "shall be paid within existing appropriations", it is not clear if this is realistic or desirable.
- Evaluate whether there is a way to provide districts with better and more timely access and control over data so that they can use the data most effectively. Continue to utilize open architecture software and ensure that the data remains in the public domain.

- Continue to pursue federal approval to utilize longitudinal data for setting annual student achievement goals as required under federal law.
- Improve the format and usefulness of data and reports that are made available to students, parents, and teachers.
- Utilize assessment data, as well as other available student data (including data from preschool as well as post-secondary institutions) to evaluate which programs and services are effective, and to determine what resources are necessary to for every student to achieve proficiency before graduating. Determine whether additional student demographic data could and should be incorporated into the data warehouse to provide useful information about what is working and what is not.

***Funding for Longitudinal Analyses.***

Senate Bill 01-129 included an appropriation of \$388,000 from the State Education Fund and 2.0 FTE for FY 2001-02 for the Department to implement an individual student identifier and make the necessary modifications to the state data reporting system. From FY 2002-03 through FY 2004-05, the General Assembly appropriated \$180,000 and 2.0 FTE annually for the ongoing administration of this system, including validating state assigned student identification numbers with districts. For FY 2005-06, due to actual expenditures consistently falling short of the appropriation, Joint Budget Committee staff recommended a decrease in the appropriation. The amount recommended (\$124,651) was based on information provided by the Department concerning planned expenditures. Subsequently, the General Assembly passed H.B. 05-1217, which eliminated the need for \$150,000 expenditures related to the state data reporting system; this bill included an appropriation clause that redirected these moneys to the longitudinal analyses line item.

Please note that in the past, this line item has also included funding for the Academic Growth Pilot Program (originally created through H.B. 02-1349) to measure individual students' academic growth over time. The initial appropriation that was provided for this program for FY 2002-03 from the State Education Fund was eliminated mid-year due to delays in program implementation. The FY 2003-04 Long Bill appropriation of \$318,635 from the State Education Fund for this program was subsequently eliminated through S.B. 03-248, and an alternate method of funding was authorized.

Specifically, a provision was added to the statutory section concerning the State Public School Fund [Section 22-54-114 (2.5), C.R.S.] that requires the Department to annually "allocate a portion of the amount of the in-year cost recovery occurring as a result of the use of unique student identifiers to fund implementation of the academic growth pilot program and the academic growth program..." The amount allocated for this purpose is capped at \$200,000. Thus, under current law, the Department is required to separately account for savings associated with student count issues and to " earmark " up to \$200,000 of any such savings to fund the calculation of academic growth. This allocation is to occur even if the Department needs to request additional state funding to cover the costs of the State Share of Districts' Total Program. This funding does not appear in the annual Long Bill and the Department's annual budget request does not reflect related expenditures.

The table on the following page provides a detailed comparison of annual available funding and actual expenditures for longitudinal analyses.

Longitudinal Analyses of Student Assessment Results							
State Fiscal Year	Appropriation		Funds Available "Off-budget"	Total Funds Available		Actual Expenditures	
	Dollars	FTE		Dollars	FTE	Dollars	FTE
2001-02	\$388,000	2.0	\$0	\$388,000	2.0	\$104,324	0.3
2002-03	180,000	2.0	0	180,000	2.0	143,995	2.0
2003-04	180,000	2.0	200,000	380,000	2.0	159,756	2.0
2004-05	180,000	2.0	200,000	380,000	2.0	179,560	1.7
2005-06	274,651	2.0	200,000	474,651	2.0	144,837	1.8
2006-07	277,124	3.0	n/a	277,124	3.0	n/a	n/a
2007-08 (request)	277,124	3.0	n/a	277,124	3.0	n/a	n/a

As detailed above, the Department has never spent the full amount of funding available for performing longitudinal analyses. A year ago, staff raised this issue with the Committee and the Committee included the following item on the Department's hearing agenda (#36):

"What is status of Department's efforts to perform longitudinal analysis of students' academic progress? What level of state funding does the Department require to perform this analysis?"

In its hearing response, the Department did not provide any information about the actual cost of its current activities funded by the "Longitudinal Analyses of Student Assessment Results" line item. The information provided by the Department in response to this question actually related to another line item, "School Accountability Reports and State Data Reporting System". The Department indicated that it would like to spend \$100,000 in one-time funding and \$250,000 in ongoing funding to purchase additional COGNOS licenses and a COGNOS software tool kit. These items would allow the Department to incorporate the longitudinal growth reports into the Colorado Education Data Analysis Reporting System (CEDAR), thereby allowing for the development of very customized report and allowing districts to perform further analysis on longitudinal growth data. The Department subsequently confirmed that it planned to accomplish this task using existing funding in the School Accountability Reports and State Data Reporting System line item.

Once again, the Department's FY 2007-08 budget request does not provide any information about the status of its efforts to perform longitudinal analyses of students' academic progress, nor does it provide useful information to determine what level of state funding the Department needs to provide adequate technical assistance and training to schools and districts. **Given the interest the General Assembly has demonstrated in longitudinal analyses of student assessment results, staff recommends that the Committee require the Department to clearly describe the status of its efforts to date, and to specify the resources it needs to make longitudinal data useful to schools and districts.**

In addition, staff notes that one reason the Department may not have spent the full amount available each year is the awkward funding mechanism that was established through S.B. 03-248. The Department does not know until about two-thirds of the way through the fiscal year whether the

\$200,000 will be available for longitudinal analyses. Of the \$600,000 that has been available through this funding mechanism over the last three fiscal years, the Department has only expended \$68,588 (including \$8,760 in FY 2003-04 and \$59,828 in FY 2004-05). In addition, in FY 2005-06, the Department reverted \$129,814 (47 percent) of the General Fund appropriated for longitudinal analyses. **Staff thus recommends that the Committee introduce legislation to repeal Section 22-54-114 (2.5), C.R.S., effective July 1, 2007, thereby eliminating this off-budget funding mechanism.**

**FY 2007-08 Joint Budget Committee Staff Budget Briefing  
DEPARTMENT OF EDUCATION**

**INFORMATIONAL ISSUE:**

This issue brief provides an overview of the statutory formulas used to determine annual funding for Colorado school districts.

**SUMMARY:**

- ❑ The primary source of funding for public schools in Colorado is provided pursuant to the Public School Finance Act of 1994, as amended. The Act sets forth a complex funding formula intended to provide for a "thorough and uniform system of public schools", as required by the state constitution.
- ❑ This statutory formula essentially involves two steps: (1) Establish a specific level of per pupil funding for each school district that reflects variances in districts' costs of providing educational services; and (2) Determine a specific state and local share of funding for each district.
- ❑ For FY 2006-07, districts are anticipated to receive an average of \$6,376 per pupil. This per pupil funding amount consists of \$4,864 in "base" per pupil funding, plus \$1,512 per pupil related to various factors that are applied to the base through the School Finance Act funding formula (a total of \$1,134.3 million statewide). In addition, for FY 2005-06, the General Assembly allowed districts to "count" 12,206 at-risk children in preschool programs and an estimated 2,154 at-risk children in full-day kindergarten programs as full-day (versus half-day) students. Thus, another \$34.9 million in "base" funding is currently provided at the discretion of the General Assembly to assist districts in providing preschool and full-day kindergarten programs. Finally, districts are currently allowed to average up to four years of pupil enrollment counts, allowing districts with declining enrollments to receive more funding than they otherwise would (accounting for about \$24.1 million in "base" funding in FY 2006-07).
- ❑ In summary, about 75 percent (\$3.65 billion) of districts' total program funding is directly related to the "base" funding to which the constitutional inflationary increase applies, and the remaining 25 percent (\$1.14 billion) is related to other factors and elements of the School Finance Act that have been put in place at the discretion of the General Assembly.

**DISCUSSION:**

**THE PUBLIC SCHOOL FINANCE ACT OF 1994**

Public schools in Colorado receive funding from a variety of sources. However, the primary source of state and local funding is provided through the Public School Finance Act of 1994, as amended. This legislative declaration associated with the Act indicates that it was enacted "in furtherance of the general assembly's duty under section 2 of article IX of the state constitution to provide for a thorough and uniform system of public schools throughout the state; that a thorough and uniform

system requires that all school districts operate under the same finance formula; and that equity considerations dictate that all districts be subject to the expenditure and maximum levy provisions of [the Act]." The funds provided pursuant to the School Finance Act represent the financial base of support for public education in each district; such funds are referred to as a district's "total program". With a few statutory exceptions<sup>15</sup>, districts have the discretion to determine the amounts and purposes for which such moneys are budgeted and expended.

The Act thus sets forth a complex formula designed to ensure that all school districts are funded on an equitable basis. The General Assembly amends the Act each year to address changing state needs. Essentially, this statutory formula provides a method for determining each school district's total program funding using two steps: (1) establishing a specific per pupil level of funding for each school district; and (2) determining a specific state and local share of funding for each district. Each of these steps is described in detail below.

### **CALCULATION OF TOTAL PER PUPIL FUNDING FOR EACH SCHOOL DISTRICT**

The first step in determining the amount of state funding required for K-12 education is the calculation of total (state and local) funding for each individual school district. The Public School Finance Act of 1994 established a per pupil funding formula. For each pupil, the formula provides a base amount of funds plus additional funds associated with variances in districts' costs of providing educational services. The formula also provides additional funding for districts' "at-risk" pupils. The basic formula for allocating funds to school districts for FY 2006-07 is the greater of:

**[(District Per Pupil Funding x (District Funded Pupil Count - District On-line Pupil Enrollment)) + District At-Risk Funding + District On-line Funding]**

**-OR-**

**[\$5,865<sup>16</sup> x District Funded Pupil Count]<sup>17</sup>**

Each of the components of the above formula are described in more detail below.

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<sup>15</sup> These exceptions, which are described more fully at the end of this issue brief, include: instructional supplies and materials; capital reserves, insurance reserves, and other risk management activities; at-risk funding; per pupil operating revenues for children participating in the Colorado Preschool and Kindergarten Program; per pupil revenues for pupils enrolled in charter schools; and total program funding associated with institute charter schools.

<sup>16</sup> For FY 2006-07, no districts (down from two last year and seven two years ago) are anticipated to be affected by this provision. Pursuant to Section 22-54-104 (3.5) (b), C.R.S., this *minimum per pupil funding* amount shall be increased each year by the same percent as the statewide base per pupil funding.

<sup>17</sup> Please note, however, that pursuant to Section 22-54-104 (6) (b), C.R.S., no district's total per pupil funding may increase by more than 25 percent annually. It is projected that no district will reach this maximum limit for FY 2006-07.

## 1. District Per Pupil Funding

Each district's per pupil funding amount equals the statewide base, adjusted for a variety of factors. These factors include a cost-of-living adjustment for personnel-related costs, as well as an adjustment associated with the size of the district (in terms of students). Pursuant to Section 22-54-104 (3), C.R.S., the per pupil funding formula is as follows:

$$\begin{aligned}
 & \text{[(Statewide Base Per Pupil Funding x District Personnel Costs Factor} \\
 & \quad \text{x District Cost-of-Living Factor)} \\
 & \quad \quad \quad + \\
 & \quad \text{(Statewide Base Per Pupil Funding x District Nonpersonnel Costs Factor)]} \\
 & \quad \quad \quad \times \\
 & \quad \quad \text{District Size Factor}
 \end{aligned}$$

### Statewide Base Per Pupil Funding.

A Statewide Base Per Pupil Funding amount is established in statute. Each year since the current School Finance Act was enacted, the General Assembly has elected to increase this factor to at least partially offset the effects of inflation. Pursuant to Article IX, Section 17 of the Colorado Constitution, the General Assembly is now *required* to increase this factor by inflation plus one percent each year through FY 2010-11, and by inflation each year thereafter. For FY 2006-07, the General Assembly increased this base amount from \$4,717.62 to \$4,863.87, or 3.1 percent. [Section 22-54-104 (5) (a) (XIII), C.R.S.]

### District Personnel Costs Factor / Nonpersonnel Costs Factor:

Districts' funding is adjusted based on the personnel costs of each particular area. Each district is assigned a "personnel costs factor" based on its funded pupil count, which is intended to represent that portion of a district's expenditures that relate to personnel. This is the portion of the budget that is then adjusted by the cost-of-living factor. For FY 2006-07, personnel costs factors range from 79.99 percent ( Baca-Campo, Kiowa-Plainview, and Las Animas - Kim) to 90.50 percent (Adams - Northglenn, Arapahoe - Cherry Creek, Arapahoe - Aurora, Denver, Douglas, El Paso - Colorado Springs, and Jefferson), with smaller districts getting smaller personnel costs factors [Section 22-54-104 (5) (d), C.R.S.]:

District Funded Pupil Count	Personnel Costs Factor
Less than 453.5	0.8250 - [0.0000639 x (453.5 - pupil count)]
453.5 or more but less than 1,567.5	0.8595 - [0.0000310 x (1,567.5 - pupil count)]
1,567.5 or more but less than 6,682	0.8850 - [0.0000050 x (6,682 - pupil count)]
6,682 or more but less than 30,000	0.9050 - [0.0000009 x (30,000 - pupil count)]
30,000 or more	0.9050

A district's "Nonpersonnel Costs Factor" simply represents that portion of a district's base funding is *not* adjusted for cost of living. These factors thus currently range from 20.01 percent to 9.50 percent. [Section 22-54-104 (5) (e), C.R.S.]

District Cost of Living Factor

Cost of living factors are applied to districts' personnel-related costs to reflect differences in the costs of housing, goods and services among regions. The cost of living factor does not reflect any annual increase in the costs of such goods caused by inflation. Cost differences are reviewed every two years. Cost of living factors currently range from 1.010 (Las Animas - Kim) to 1.641 (Pitkin - Aspen). Statewide, approximately **15 percent** of districts' total program funding can be attributed to the cost of living factor. [Section 22-54-104 (5) (c), C.R.S.].

District Size Factor

The District Size Factor is applied to recognize the differences in purchasing power among school districts. Each district is assigned a size factor based on its funded pupil count. The larger a district's size factor, the more funding it receives. Historically, school districts with very high or very low funded pupil counts have been assigned larger size factors to accommodate the extra expenses associated with these types of school districts. The size factor was thus commonly referred to as the "J curve" because the formula, when graphed by enrollment, resembled a backwards "J". Pursuant to H.B. 00-1159, however, the "J curve" was phased out so that since FY 2002-03, medium- and large-sized districts have had the same size factor, producing an "L curve". Finally, pursuant to S.B. 03-248, the size factor for all districts was reduced by 0.0045 in order to eliminate the added cost (approximately \$16 million) of phasing out the "J curve".

For FY 2006-07, size factors range from 1.0297 (several medium- and large-sized districts) to 2.3582 (Kiowa - Plainview with an estimated funded pupil count of 60.0). Statewide, approximately **four percent** of districts' total program funding can be attributed to the size factor. [Section 22-54-104 (5) (b) (I.5), C.R.S.]

District Funded Pupil Count	FY 2006-07 Size Factor
Less than 276	$1.5457 + [0.00376159 \times (276 - \text{funded pupil count})]$
276 or more but less than 459	$1.2385 + [0.00167869 \times (459 - \text{funded pupil count})]$
459 or more but less than 1,027	$1.1215 + [0.00020599 \times (1,027 - \text{funded pupil count})]$
1,027 or more but less than 2,293	$1.0533 + [0.00005387 \times (2,293 - \text{funded pupil count})]$
2,293 or more but less than 4,023	$1.0297 + [0.00001364 \times (4,023 - \text{funded pupil count})]$
4,023 or more	1.0297



## 2. District Funded Pupil Count

The "funded pupil count" [see Section 22-54-103 (7) (c), C.R.S.] refers to the number of pupils for which a district receives state funding. This figure is likely to be slightly different than the actual number of students served. The funded pupil count in each district includes three components. First, it includes the district's *pupil enrollment* as of October 1 of each year (or the school day nearest that date). Districts are given an eleven day window in which to determine pupil enrollment, allowing for students who may be absent on the official day to be counted. A district's pupil enrollment includes expelled students who are receiving educational services, as well as students who were participating in on-line programs in FY 2001-02 who continue to participate in such programs. Districts with declining enrollments may use the average of the current year pupil enrollment and the previous one, two, or three pupil enrollments, whichever is greatest. Second, it includes children who are participating in the *preschool and kindergarten program* (these children are counted as half-day pupils). Third, it includes a district's *on-line pupil enrollment* (excluding those students who have been participating in an on-line program since FY 2001-02). Please note that pupils actively participating in on-line programs after FY 2001-02 are funded through a separate component of the formula (see discussion on the next page). [Section 22-54-103 (10), C.R.S.]

The funded pupil count is expressed in terms of full-time equivalents (FTEs). Pupils in grades one through twelve are counted as either full-time or part-time based on the number of scheduled hours of course work. The State Board of Education promulgates rules concerning the proportions of funding districts will receive for various levels of part-time enrollment. Pupils in kindergarten, three- and four-year-old pupils with disabilities receiving special education services, and pupils enrolled in the Colorado preschool and kindergarten program are counted as half-day pupils. Districts are only eligible for funding for kindergarten students who are five years old as of October 1 of the applicable budget year. For FY 2006-07, districts' funded pupil counts are anticipated to range from 60.0 (Kiowa - Plainview) to 81,812.1 (Jefferson).

Please note that unlike other educational services, school districts are *not* required to provide preschool services to "at-risk" children through the Colorado preschool and kindergarten program, nor are districts required to provide full-day kindergarten programs. The General Assembly limits enrollment in these programs statutorily. The number of statutorily authorized (and thus funded) preschool and kindergarten program slots has been increased multiple times, primarily through the annual Public School Finance Act. Since the inception of the program, the number of slots has increased from 2,000 to 14,360. Districts are allowed to use up to 15 percent (2,154) of the 14,360 slots to provide full-day, versus half-day, kindergarten to at-risk children. In FY 2006-07, approximately \$45.8 million of districts' total program funding, including \$29.1 million in state funding (63.6 percent), is earmarked for the preschool program.

## 3. At-Risk Funding

Districts receive additional funding based on the presence of at-risk students in kindergarten through grade twelve. Eligibility for participation in the federal free lunch program (which is based on household income) is used as a proxy to identify a district's at-risk population. The at-risk "count" also includes pupils whose dominant language is not English. For FY 2006-07, it is projected that districts' at-risk counts will range from 2.9 percent of the funded pupil count (Pitkin - Aspen) to 87.6 percent of the funded pupil count (Saguache - Center), with a statewide average of 32.8 percent. In

FY 2000-01 this percentage dropped to the lowest point since FY 1995-96 (23.9 percent); it has increased steadily each year since FY 2000-01.

For districts with at-risk populations that are *less than or equal to* the statewide average (32.8 percent of the funded pupil count for FY 2006-07) and for districts with a funded pupil count equal to or less than 459, the District At-Risk Factor equals 12.0 percent. For districts with at-risk populations *greater* than the statewide average and funded pupil counts of greater than 459, the At-Risk Factor is greater than 12.0 percent. The formula for calculating at-risk funding is shown below ["At-Risk Pupils" defined in Section 22-54-103 (1.5), C.R.S.; formula for determining at-risk funding defined in Section 22-54-104 (4) (a) (I) and (b) (I), C.R.S.):

$$\frac{(\text{District Per Pupil Funding} \times \text{District At-Risk Factor}) \times \text{District At-Risk Pupils}}{\text{District At-Risk Pupils}}$$

Statewide, approximately **five percent** of districts' total program funding can be attributed to at-risk funding.

#### 4. On-line Funding

Every district also receives additional funding for students enrolled in on-line programs. [Prior to FY 2002-03, these students were simply included in each district's funded pupil count.] Since FY 2002-03, every district receives the same dollar amount of per pupil funding for on-line students (\$5,865 for FY 2006-07). In FY 2005-06, 5,792 students participated in on-line programs (this compares to 3,483 on-line pupils in FY 2004-05 - a 66 percent increase).

Although 25 school districts served students through on-line programs in FY 2005-06, over 85 percent of the on-line students were served through three school districts: Adams - Northglenn (2,191 on-line students), Baca - Vilas (1,777 on-line students), and Las Animas - Branson (1,050 on-line students). While on-line students represent a small portion of total Adams - Northglenn student population (6.1 percent), on-line students represent 90 percent of the Las Animas - Branson student count (1,050 on-line students and 113 traditional "brick and mortar" students) and on-line students represent over 93 percent of the Baca - Vilas student count (1,777 on-line students and 122 traditional students).

As noted earlier, on-line students are funded at the minimum per pupil funding level (\$5,865 for FY 2006-07), which is lower than the statewide average per pupil funding level (\$6,359 for FY 2006-07). However, those three districts that serve the majority of on-line students have a relatively high state share of funding for school finance. Specifically, while state funding represents 63.6 percent of all districts' total program funding in FY 2006-07, it is significantly higher for those three districts that serve the majority of on-line students (79.1 percent for Adams - Northglenn, 95.8 percent for Las Animas - Branson, and 99.1 percent for Baca - Vilas). As a result, the State is paying a higher cost for the education of many on-line students who enroll in districts other than their home district.

For example, the following calculations illustrate the difference in cost to the State of educating an on-line student in Baca - Vilas compared to another district (for purposes of this example, staff

assumes the home district receives the statewide average per pupil funding amount and the statewide average state share of funding):

	On-line Student in Vilas	"Brick and Mortar" Student in Home District	<u>Difference</u>
<b>State Funding</b>	\$ 5,811	\$ 4,044	<b>\$ 1,767</b>
Local Funding	<u>54</u>	<u>2,315</u>	<u>(2,261)</u>
Total Per Pupil Funding	5,865	6,359	(494)

In the above example, the State pays \$1,767 more for a student to participate in Vilas' on-line program than it would for the student to attend a "brick and mortar" school in the average school district. Further, please note that if the on-line student's home district is in declining enrollment, the home district is allowed to continue receiving partial funding for that student for up to four years under the enrollment averaging provision.

The formula for calculating on-line funding is shown below ["On-line Pupil Enrollment" defined in Section 22-54-103 (8.5), C.R.S.; formula for determining on-line funding defined in Section 22-54-104 (4.5), C.R.S.]:

<b>District On-line Pupil Enrollment x Minimum Per Pupil Funding</b>
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#### **CALCULATION OF THE LOCAL AND STATE SHARES OF EACH DISTRICT'S TOTAL PER PUPIL FUNDING.**

The second step in determining the amount of state funding required for K-12 education is to determine what portion of each district's total funding may be provided through local revenue sources. If such sources are insufficient to fully fund the amount that a district is entitled to pursuant to the School Finance Act formula, state funds are provided to make up the shortfall. The School Finance Act thus provides every school district, regardless of available local revenues, with equitable resources to fund district operations.

#### **Minimum Per Pupil State Aid**

The School Finance Act formula provides for a minimum amount of state aid for each district. Specifically, pursuant to Section 22-54-106 (1) (b), C.R.S., the General Assembly annually establishes an amount of minimum per pupil state aid. The amount is determined each year based upon the amount of school lands and mineral lease moneys projected to be available for school finance. The minimum per pupil state aid amount is identified in a footnote in the annual Long Bill, and 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. No school districts are anticipated to be affected by this factor in FY 2006-07.

## Local Funding

Local funding consists of both property and specific ownership (vehicle registration) tax revenues.

### *Specific Ownership Taxes*

Vehicle registration taxes are collected by counties and are shared with school districts. Each district's local share includes an amount of specific ownership tax revenue equal to the prior budget year's actual amount received.

### *Property Taxes*

Each school district is required to impose a property tax mill levy to finance a share of its total program funding. Specifically, pursuant to Sections 22-54-106 (2) and 22-54-107 (1), C.R.S., a school district must levy the *smallest* mill<sup>18</sup> 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 share of total program; or (3) the maximum mill allowed by Article X, Section 20 of the Colorado Constitution (referred to as TABOR)<sup>19</sup>. TABOR limits the annual change in a school district's annual spending to inflation plus the percentage change in student enrollment. Student enrollment is statutorily defined as the percentage change in a district's funded pupil count [see Article X, Section 20, subsection (7) (b) Colorado Constitution, and Section 22-54-104.3 (2.7), C.R.S.].

Portions of Article X, Section 3, of the Colorado Constitution -- commonly referred to as the Gallagher Amendment -- set a formula for determining residential and commercial property values in Colorado. Every odd-numbered calendar year, the General Assembly is required to adjust the residential real property assessment rate so that residential assessed values statewide

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<sup>18</sup> 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 2006), each mill of tax raises \$7.96.

<sup>19</sup> 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. [Please note that approval for an override is different than approval to collect revenues in excess of the district's TABOR limit (called "de-Brucing".] 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 2006-07, 69 of the 178 districts had voter-approved override mill levies providing \$438.8 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.]

represent approximately 47 percent of total assessed values statewide; other taxable property is to be valued for assessment at 29.0 percent of its actual value. When statewide residential property values *increase* faster than non-residential property values (or when they decrease at a slower rate), the residential assessment rate must be reduced to maintain the 47/53 ratio. Conversely, when statewide residential property values *decrease* faster than non-residential property values (or they increase at a slower rate), the residential assessment rate would need to be increased to maintain the 47/53 ratio. However, as discussed below, TABOR negates this self-adjusting mechanism because it prohibits an increase in the residential assessment rate without a vote of the people.

Please note that a change in the statewide residential assessment rate may affect individual districts differently. For example, although statewide residential property values may be increasing (thus lowering the assessment rate), property values in an individual school district may be decreasing. In this situation, property tax revenues for that district will decrease, necessitating an increase in the state share for that district. In addition, the assessed values tend to change in an uneven or "sawtooth" manner, due to the reassessment cycle. Specifically, in odd-numbered years property assessments are updated to include both price appreciation and new construction; in even-numbered years, updates only include new construction. Thus, in recent years, local property tax collections have generally increased by a greater amount in those fiscal years following a reassessment year (e.g., FY 1999-00, FY 2001-02, and FY 2005-06).

Statewide, for FY 2006-07, property taxes are estimated to provide 32.8 percent of total program funding. In addition to property taxes, vehicle registration taxes are collected by counties and shared with school districts. Statewide, for FY 2006-07, specific ownership taxes are estimated to provide 3.6 percent of total program funding.

### **State Funding**

The state share of districts' total program funding is calculated by determining the total cost of funding districts pursuant to the School Finance Act, subtracting the amount available from local property and specific ownership tax revenues, and backfilling the remainder with state funds. To the extent that the reassessment cycle causes local revenues to increase in a "sawtooth" manner, increases in state funds have generally followed a similar pattern with greater increases being provided for non-reassessment years. In general, however, the state share of funding is increasing. Specifically, for FY 2006-07, the state share is estimated to provide 63.6 percent of total program funding. The current [64 percent state: 36 percent local] ratio of funding for districts' total program compares to a ratio of [43 percent state: 57 percent local] in 1988. As discussed in the next section, this shift toward increased state responsibility for total program funding will likely continue.

## Continuing Erosion of the Local Share of Funding for Schools

Two constitutional provisions limit property taxes in Colorado: the Gallagher Amendment and the Taxpayer's Bill of Rights (TABOR). These two provisions have caused property taxes to increase at a slower rate than they otherwise would -- particularly for homeowners. In fact, Colorado residential property taxes are 2nd lowest in the nation<sup>20</sup>.

The **Gallagher Amendment** was part of a property tax reform measure referred by the legislature and approved by the voters in November 1982. This measure included a number of provisions aimed at addressing a lack of uniformity in assessing property for tax purposes as well as potential significant property tax increases resulting from rapidly increasing property values. 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, the "Gallagher amendment", a provision within the measure, 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].

Since 1982 the statewide residential assessment rate has declined from 30.0 percent to 7.96 percent. From 1987 (when the Gallagher amendment first affected the residential assessment rate) to 2005, while actual residential property values more than tripled (an increase of 365 percent), the portion of residential property value that has been taxed has only doubled (an increase of 106 percent). In contrast, the portion of non-residential property values that is taxed increased at a faster rate than actual non-residential values (118 percent compared to 107 percent). These changes are detailed in the following table.

Changes in Actual and Assessed Property Values: 1987 to 2005						
Property Type	Actual Values (\$ millions)			Assessed Values (\$ millions)		
	1987	2005	% Change	1987	2005	% Change
Residential	\$89.3	\$416.0	365.5%	\$16.1	\$33.1	105.7%
Non-residential	<u>57.5</u>	<u>118.9</u>	<u>106.6%</u>	<u>17.2</u>	<u>37.5</u>	<u>118.4%</u>
Total	146.9	534.8	264.1%	33.3	70.6	112.2%

Source: Department of Local Affairs, Division of Property Taxation: 2005 Annual Report, Table 9.

The 1982 property tax measure has shifted the property tax burden from homeowners to businesses. Specifically, while the percentage of *actual* property values attributable to residential property has increased from 53.2 percent in 1983 to 77.8 percent in 2005, the percentage of *assessed* value comprising residential property has remained essentially stable, (46.9 percent of total assessed valuation in 2005)<sup>21</sup>. Based on estimates prepared by the Department of Local

<sup>20</sup> Josh Harwood, Legislative Council Staff, "Colorado's Tax Structure & State Rankings". Presentation to the 2005 Interim Committee on School Finance (August 2, 2005).

<sup>21</sup> The residential share of assessed valuation has increased slightly, from 43.2 percent in 1983 to 46.9 percent in 2005, due to new construction and increased mineral production.

Affairs, Division of Property Taxation, the Gallagher amendment has resulted in property tax savings for homeowners totaling \$10.2 *billion* over 18 years<sup>22</sup>. This figure is calculated based on what homeowners would have paid if the residential assessment rate had remained at 21 percent. Please note, however, that the vast majority of these savings are attributable to years following the adoption of TABOR. Thus, it is important to understand the interaction between TABOR and Gallagher.

Prior to the adoption of the **TABOR** in 1992, local governments could generally collect and spend the same amount of property tax revenue each year. When the total taxable value of property increased substantially, the mill levy would be decreased; when the total taxable value of property decreased, the mill levy would be increased. The mill levy changed each year based on the revenue required to support local services, with a general statutory limit of 5.5 percent on annual increases in property tax revenues. Thus, property taxes provided a stable source of revenue that was not generally affected by changes in economic conditions (unlike sales or income taxes).

Three provisions of TABOR directly affected property taxes:

- TABOR imposed a limit on property taxes equal to inflation in the prior calendar year plus a measure of growth. For schools, growth is measured as the percentage change in student enrollment.
- TABOR prohibited local governments from increasing a mill levy above the prior year's level without voter approval<sup>23</sup>.
- TABOR required 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 it has resulted in a large variation in districts' mill levies. Prior to TABOR, the General Assembly set property taxes for school operations through the School Finance Act (e.g., directing the Department of Education to set a mill levy sufficient to raise a particular dollar amount of property taxes or to target a specified percentage state share or appropriation, or simply establishing a uniform mill levy in statute). With the adoption of TABOR, the General Assembly no longer actively controls the level of property taxes available for schools each year. School districts are now required, under Section 22-54-106, C.R.S., to levy the same number of mills from year to year, unless the mill levy would raise more property taxes than TABOR permits (inflation plus the percentage change in enrollment). In this case, the levy must be reduced to avoid exceeding the property tax revenue limit -- even if a districts' voters have authorized the district to spend revenues which exceed the

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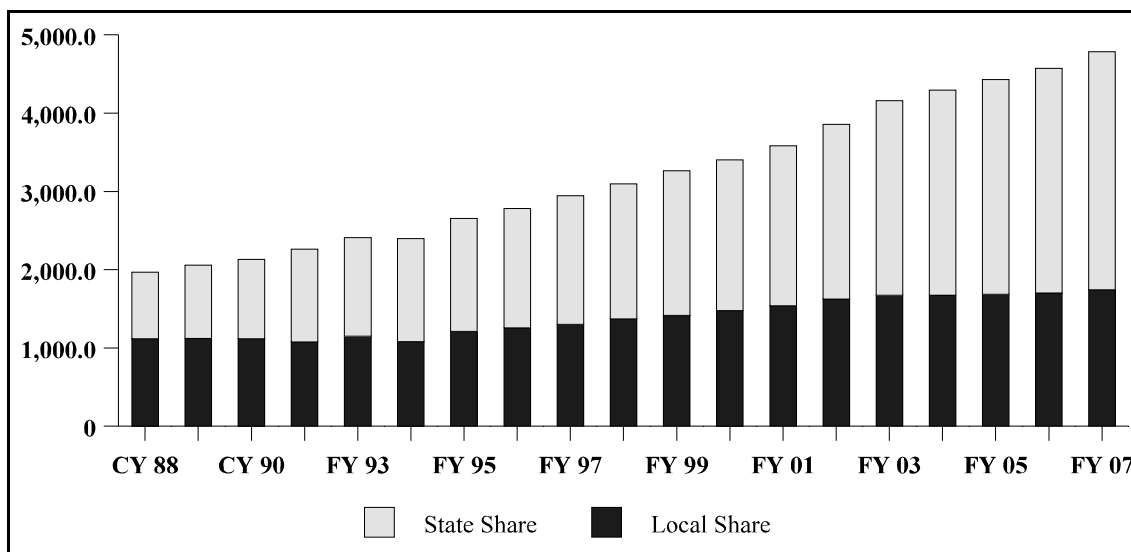
<sup>22</sup> Department of Local Affairs, Division of Property Taxation, 2005 Annual Report, Table 8.

<sup>23</sup> 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.].

TABOR limit. Thus, TABOR restricts the amount that each local government's property taxes may increase each year and requires voter approval for most tax rate increases.

Due to the combined effects of Gallagher and TABOR, mill levies have decreased in areas of the state experiencing rapidly increasing values (generally due to new construction, oil and gas production values, and high housing/commercial demand). The average statewide mill levy for school finance decreased from 38.264 in 1991 to 21.371 in FY 2006-07. Mill levies have also become quite disparate, ranging from 1.571 mills (Las Animas - Primero) to 40.080 mills (Washington - Lone Star). In addition to creating a large variation in districts' mill levies, the current method for determining school district property taxes has caused the local share of funding for public school finance to grow at a slower rate than total program funding, requiring a greater state subsidy each year that does not necessarily relate to districts' wealth. The approval of Amendment 23 in 2000 accelerated this phenomenon by requiring total program funding to grow at a rate that exceeds the TABOR limit. The following figure illustrates the growing disparity in the state and local shares of districts' total program funding. Estimated amounts are provided for FY 2006-07.

**Local and State Shares of Districts' Total Program Funding**



In addition to the overall increase in the state share of districts' total program, it is important to note that increases in the state share of funding for individual districts are not necessarily related to changes in the relative wealth of the district. The following table lists the ten school districts with the lowest 2005 school finance mill levies, along with the percentage of school finance costs paid for by the state in FY 2005-06.



<b>The Ten School Districts With the Lowest Mill Levies</b>		
<b>District</b>	<b>2005 Mill Levy (mills)</b>	<b>FY 2005-06 State Share</b>
Las Animas - Primero	2.347	56.1%
Rio Blanco - Rangely	2.784	69.8%
La Plata - Ignacio	3.322	75.1%
Garfield - Parachute	3.909	75.3%
Gilpin - Gilpin	4.464	55.9%
Pitkin - Aspen	4.885	28.7%
San Miguel - Norwood	5.490	75.7%
San Miguel - Telluride	6.053	21.4%
Garfield - Rifle	6.208	74.5%
La Plata - Durango	7.312	45.3%

Seven of these ten districts receive more than 50 percent of their total program funding from the state, and the state share for five of these districts is higher than the statewide average of 62.8 percent. As recently as FY 1997-98, the Aspen school district was funded almost entirely from local revenues; the state is now paying for more than 25 percent of Aspen's total program funding.

Due to constraints on the amount of local tax revenues that are available for school finance, the state share of funding for districts' total program is projected to continue to increase, rising from its current level of 63.6 percent of districts' total program funding to 67.2 percent in FY 2010-11.

### **Categorical Buyout**

In some districts (Routt - Steamboat Springs in FY 2001-02), local tax revenues more than offset the amount needed for total program funding pursuant to the formula. In these cases, pursuant to Section 22-54-107 (2), C.R.S., the excess tax revenues are used to offset state funding of categorical programs. This is referred to as "categorical buyout". This provision indicates that the excess tax dollars should be applied to the following programs in the order listed: (a) transportation aid; (b) English Language Proficiency Act programs; (c) small attendance center aid; (d) Exceptional Children's Education Act programs. It does not appear likely that any school district will be affected by this provision in the future.

## Business Incentive Agreements

Since 1990<sup>24</sup>, school districts have had the authority to negotiate incentive agreements with new or expanded businesses as a means of promoting economic development<sup>25</sup>. State law allows school districts, as well as cities and counties, to negotiate with taxpayers to forgive up to 50 percent of the property taxes levied on personal property attributable to a new or expanded business facility. A school district that negotiates such an agreement is eligible for additional state aid equal to the property tax revenues which were foregone as part of the agreement.<sup>26</sup> The state "backfill" for foregone property tax revenues for any single facility is limited to ten years.

The annual cost of backfilling for locally-negotiated business incentive agreements has ranged from \$67,250 in FY 1994-95 to \$2,785,645 in FY 2002-03. However, in FY 2002-03, the appropriation fell \$784,157 short of funding the required state aid associated with these agreements. The Department was thus required to reduce the state aid for all districts by the amount of the shortfall. Similar recisions were required in FY 2001-02 (\$244,237) and in FY 2003-04 (\$393). Pursuant to S.B. 05-200, a statewide recision is no longer necessary when the appropriation falls short. Instead, the shortfall only affects those districts that are receiving additional state aid as a result of an incentive agreement. The FY 2005-06 appropriation of \$1,140,015 fell short by \$741,125; and the FY 2006-07 appropriation of \$1.1 million is expected to fall short by about 50 percent.

Pursuant to S.B. 03-248, local school boards may not enter into any new business incentive agreements on or after May 22, 2003. Thus, FY 2012-13 will be the last fiscal year for which the State will be required to "backfill" for such agreements.

***Limitations on Expenditures of Total Program Funds.*** As indicated in Section 22-54-104, C.R.S., each school district has the discretion to determine how to spend its total program funds, with the following exceptions:

- ✓ Each district is required to budget a minimum amount per pupil (\$172 for FY 2006-07) for *instructional supplies and materials* [Section 22-54-105 (1) (b), C.R.S.]. Districts are not required to budget such funding for on-line pupils or for children participating in the Colorado preschool and kindergarten program. A district is allowed to reduce the amount budgeted for this purpose if expenditures exceeded the budgeted amount in the previous budget year.
- ✓ Each district is required to budget a minimum amount per pupil (\$279 for FY 2006-07) for *capital reserves or for insurance reserves/other risk management activities* [Section 22-54-105 (2) (b), C.R.S.]. Districts are not required to budget such funding for pupils enrolled in charter schools, for on-line pupils, or for children participating in the Colorado

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<sup>24</sup> Senate Bill 90-118 (Wells/Arveschoug), "Concerning the Authority of Local Governments to Negotiate Incentive Payments to Taxpayers Who Establish New Business Facilities or Who Expand Existing Business Facilities".

<sup>25</sup> See Section 22-32-110 (1) (ff) and (gg), C.R.S.

<sup>26</sup> See Section 22-54-106 (8), C.R.S.

preschool and kindergarten program. In addition, a district is not required to budget any such funding if its existing capital reserves exceed five times the minimum allocation requirement (\$1,395 per pupil for FY 2006-07).

- ✓ Each district is required to spend at least *75 percent of its at-risk funding* on direct instruction and/or staff development for the educational program of at-risk pupils [Section 22-54-105 (3) (a), C.R.S.]. In addition, Denver Public Schools is required to expend the additional amount of at-risk funding that it receives (pursuant to Section 22-54-104 (5) (f) (II), C.R.S.) on English language proficiency programs [Section 22-54-105 (3) (b)].
- ✓ A district is required to spend 100 percent of the per pupil operating revenues it receives for children participating in the *Colorado preschool and kindergarten program* to pay the costs of providing preschool and kindergarten services.
- ✓ Each district is required to provide 100 percent of the district *per pupil revenues for each pupil enrolled in a charter school* (including per pupil on-line funding), less the actual amount of the charter school's per pupil share of central administrative overhead costs for services actually provided to the charter school [Section 22-30.5-112 (2), C.R.S.]. Central administrative overhead costs are capped at five percent of district per pupil revenues (including revenues for on-line students), except for districts that enroll 500 hundred or fewer students, for which the cap is 15 percent.
- ✓ Pursuant to Sections 22-54-104 (1) (b) and 22-54-115 (1.3), C.R.S., if a district is the "accounting" district of an institute charter school (i.e., such a school is located within the district), the Department withholds the amount of a district's state share of total program that relates to students attending the institute charter school. This amount is not available to or under the control of the accounting district, rather, it is paid to the state charter school institute and it is under the control of the governing board of the institute charter school.

**Department of Education: Federal Grants and Distributions  
State Fiscal Years 2004-05 Through 2007-08**

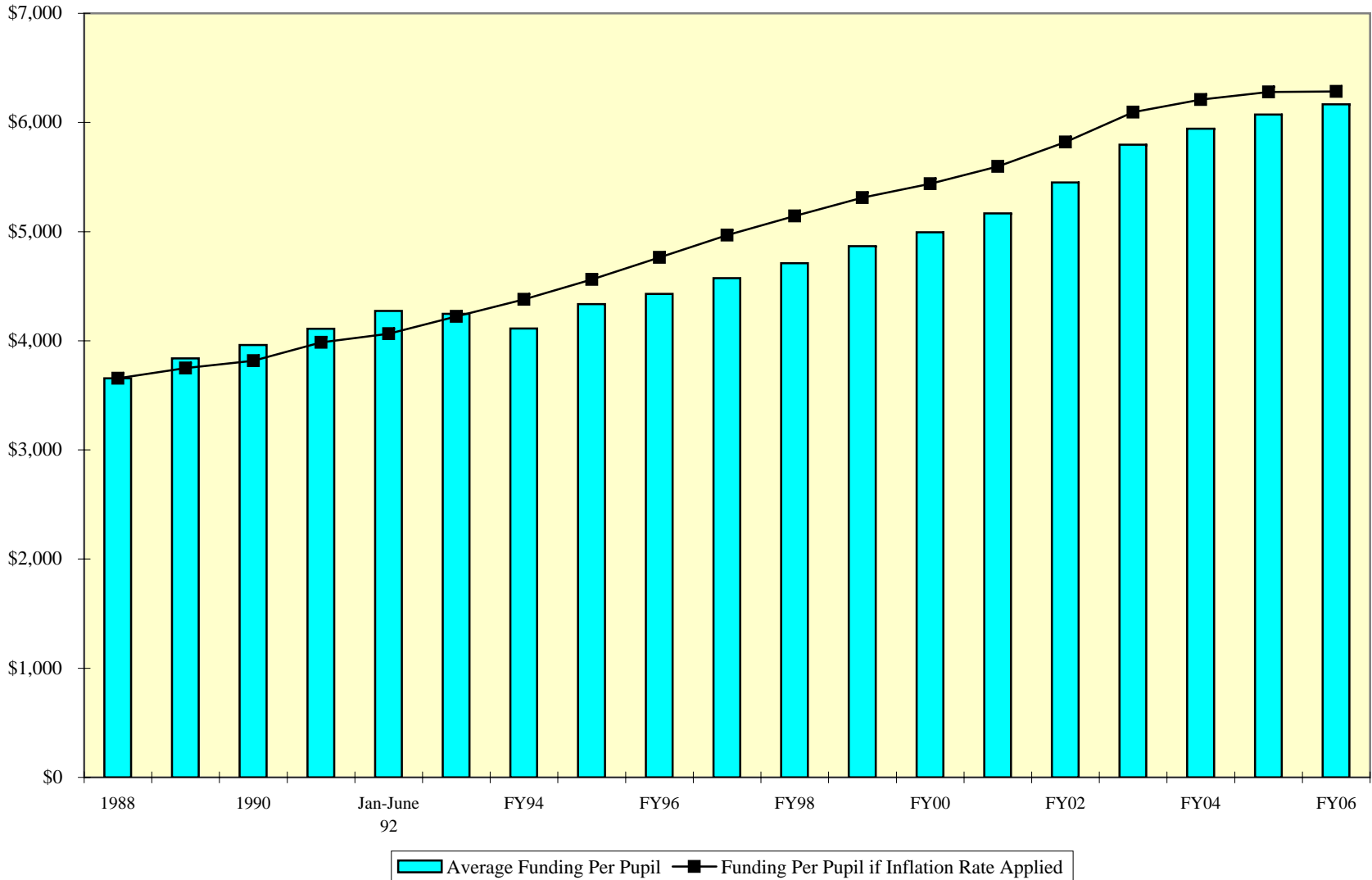
Description	FY 2004-05		FY 2005-06		FY 2006-07 Estimate		Change: FY 05 to FY 07		FY 2007-08 Estimate	
	Funding	FTE	Funding	FTE	Funding	FTE	Funding	%	Funding	FTE
<i>Special Education Programs:</i>										
Special Education - Children with Disabilities	\$132,980,330	55.4	\$126,372,338	54.1	\$152,513,360	54.4	\$19,533,030	14.7%	\$152,513,360	54.4
Special Education Grant for Infants, Toddlers, and Their Families	<u>6,112,410</u>	<u>6.0</u>	<u>7,161,542</u>	<u>5.3</u>	Administered by DHS		<u>(6,112,410)</u>	<u>-100.0%</u>	Administered by DHS	
<b>Subtotal: Special Education Programs</b>	<b>139,092,740</b>	<b>61.4</b>	<b>133,533,880</b>	<b>59.4</b>	<b>152,513,360</b>	<b>54.4</b>	<b>13,420,620</b>	<b>9.6%</b>	<b>152,513,360</b>	<b>54.4</b>
<i>Title I Programs:</i>										
No Child Left Behind Act (Title IA)	107,390,453	8.6	110,726,875	9.9	129,040,079	11.1	21,649,626	20.2%	129,302,912	12.3
Migrant Education (Title IC)	8,188,313	5.0	7,770,115	8.0	7,400,347	8.3	(787,966)	-9.6%	7,400,347	8.3
Comprehensive School Reform Demonstration Program	2,801,842	1.9	3,184,314	1.6	56,578	1.4	(2,745,264)	-98.0%	33,947	0.5
Neglected and Delinquent Children (Title ID)	412,990	0.0	452,945	0.0	507,548	0.0	94,558	22.9%	507,548	0.0
School Improvement Grants	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0%</u>	<u>2,065,786</u>	<u>2.0</u>
<b>Subtotal: Title I Programs</b>	<b>118,793,598</b>	<b>15.5</b>	<b>122,134,249</b>	<b>19.5</b>	<b>137,004,552</b>	<b>20.8</b>	<b>18,210,954</b>	<b>15.3%</b>	<b>139,310,540</b>	<b>23.1</b>
<b>U.S.D.A. Food and Nutrition Services</b>	<b>83,361,518</b>	<b>7.6</b>	<b>92,128,977</b>	<b>8.4</b>	<b>99,339,529</b>	<b>8.4</b>	<b>15,978,011</b>	<b>19.2%</b>	<b>106,550,080</b>	<b>8.4</b>
<i>Title II Programs:</i>										
State Grant for Improving Teacher Quality (Title IIA)	29,782,198	7.3	32,667,499	7.5	31,464,200	8.1	1,682,002	5.6%	31,464,200	8.3
Technology (Title II D)	4,668,078	2.0	4,853,267	2.3	2,619,880	1.5	(2,048,198)	-43.9%	2,619,880	1.5
Mathematics and Science Partnership (Title IIB)	<u>983,473</u>	<u>0.3</u>	<u>1,083,149</u>	<u>0.3</u>	<u>1,867,339</u>	<u>0.3</u>	<u>883,866</u>	<u>89.9%</u>	<u>1,870,213</u>	<u>0.5</u>
<b>Subtotal: Title II Programs</b>	<b>35,433,749</b>	<b>9.6</b>	<b>38,603,915</b>	<b>10.1</b>	<b>35,951,419</b>	<b>9.9</b>	<b>517,670</b>	<b>1.5%</b>	<b>35,954,293</b>	<b>10.3</b>
<b>English Language Proficiency Program (Title III)</b>	<b>5,482,526</b>	<b>3.7</b>	<b>9,854,018</b>	<b>3.4</b>	<b>11,277,872</b>	<b>4.6</b>	<b>5,795,346</b>	<b>105.7%</b>	<b>11,277,872</b>	<b>4.6</b>
<b>Title I Reading First Grant</b>	<b>8,036,311</b>	<b>9.5</b>	<b>15,688,769</b>	<b>8.1</b>	<b>10,878,225</b>	<b>9.0</b>	<b>2,841,914</b>	<b>35.4%</b>	<b>10,878,225</b>	<b>9.0</b>
<b>After School Learning Centers (21st Century)</b>	<b>6,821,136</b>	<b>2.9</b>	<b>9,707,417</b>	<b>2.7</b>	<b>9,051,108</b>	<b>5.6</b>	<b>2,229,972</b>	<b>32.7%</b>	<b>9,545,172</b>	<b>5.6</b>
<b>Grant for State Assessments and Related Activities</b> (including amounts expended for Colorado Student Assessment Program and Academic Growth Program)	<b>5,925,556</b>	<b>10.7</b>	<b>10,098,651</b>	<b>10.2</b>	<b>8,165,951</b>	<b>13.0</b>	<b>2,240,395</b>	<b>37.8%</b>	<b>8,715,129</b>	<b>13.0</b>
<b>Adult Education - Workforce Investment Act</b>	<b>7,305,862</b>	<b>7.8</b>	<b>6,092,329</b>	<b>8.3</b>	<b>6,448,585</b>	<b>7.5</b>	<b>(857,277)</b>	<b>-11.7%</b>	<b>6,450,673</b>	<b>7.8</b>
<i>Other Grants:</i>										
Charter Schools	5,686,674	2.9	4,623,466	3.1	5,525,000	2.5	(161,674)	-2.8%	4,875,000	2.5
Safe and Drug-Free Schools and Communities (Title IVA)	4,240,522	2.8	3,990,243	2.8	3,034,262	2.1	(1,206,260)	-28.4%	2,715,664	1.8
Library Services and Technology Act	2,169,745	20.6	2,646,013	20.1	2,579,074	21.8	409,329	18.9%	2,579,074	21.8
Improving America's Schools Act - Title V	4,477,925	8.5	3,812,492	8.1	1,902,604	6.2	(2,575,321)	-57.5%	1,486,267	6.2
Coordinated School Health / Aids Prevention	925,997	4.7	917,816	4.9	891,735	5.5	(34,262)	-3.7%	897,800	5.5

**Department of Education: Federal Grants and Distributions  
State Fiscal Years 2004-05 Through 2007-08**

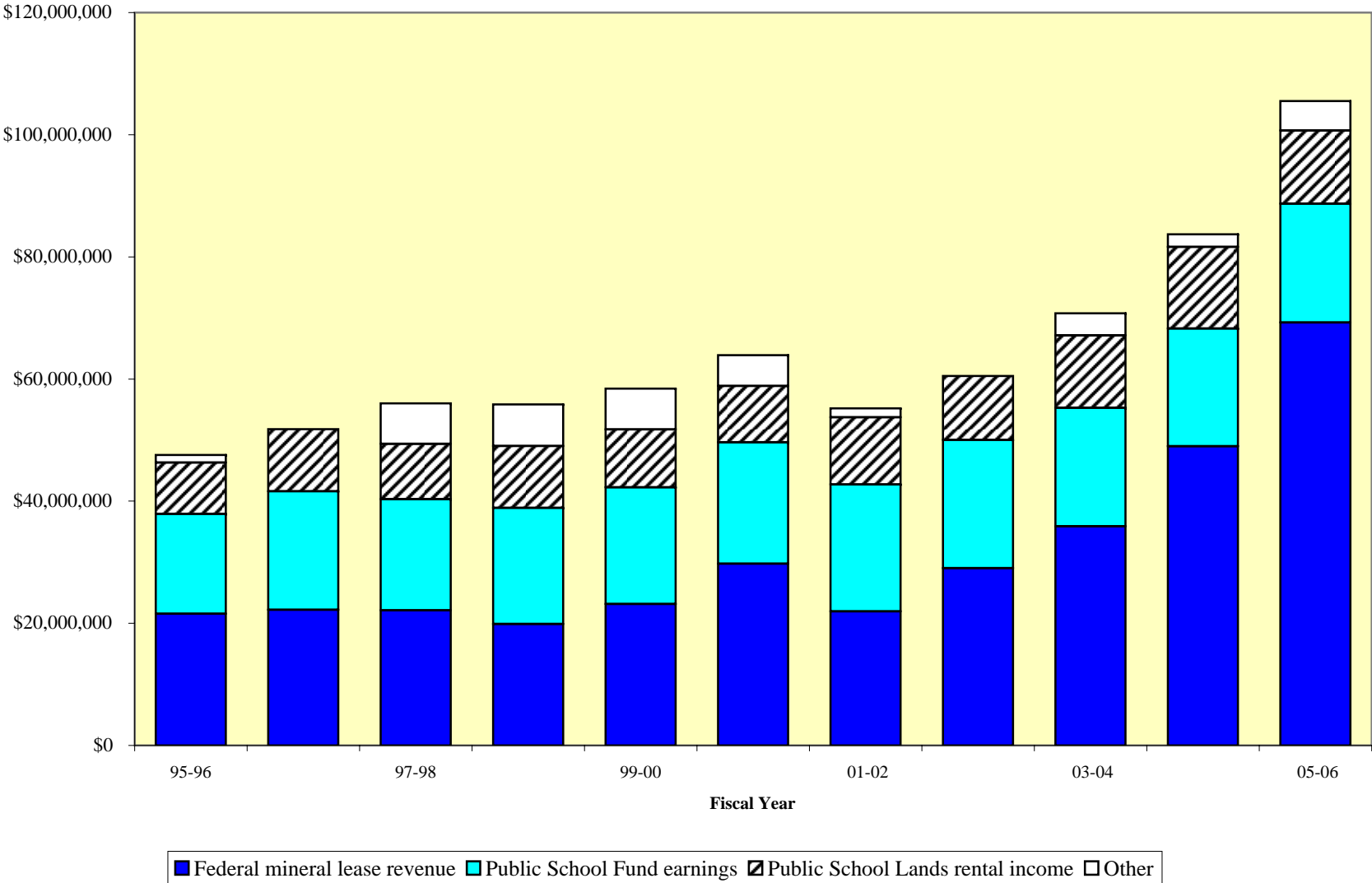
Description	FY 2004-05		FY 2005-06		FY 2006-07 Estimate		Change: FY 05 to FY 07		FY 2007-08 Estimate	
	Funding	FTE	Funding	FTE	Funding	FTE	Funding	%	Funding	FTE
Education of Homeless Children	574,473	1.0	565,248	1.0	620,562	1.3	46,089	8.0%	619,616	1.3
Even Start/ Even Start Family Literacy	2,089,341	1.0	1,481,658	0.9	884,346	1.1	(1,204,995)	-57.7%	619,042	0.8
Rural and Low-income Schools	409,762	0.2	378,292	0.2	350,040	0.2	(59,722)	-14.6%	350,041	0.2
CHESP/YAMC Learn and Serve	2,824,478	0.9	277,293	0.7	350,000	1.1	(2,474,478)	-87.6%	350,000	1.1
Statewide Migrant Education Even Start Consortium	253,906	0.6	280,920	0.8	293,155	0.3	39,249	15.5%	300,292	0.3
National Commission on Community Service	230,902	0.8	277,818	0.4	217,605	1.0	(13,297)	-5.8%	241,677	1.0
NAEP State Administrator	108,653	1.0	117,998	1.0	208,789	1.0	100,136	92.2%	210,000	1.0
Refugee Children School Impact	252,235	0.4	154,543	0.0	206,146	0.0	(46,089)	-18.3%	206,146	0.0
Advanced Placement Incentive Program	412,686	0.0	292,428	0.0	112,050	0.0	(300,636)	-72.8%	143,310	0.0
Javits Gifted Talented	0	0.0	67,190	0.0	133,371	0.0	133,371	100.0%	112,839	0.0
Performance Based Data Management	3,200	0.0	25,469	1.0	50,000	1.0	46,800	1462.5%	50,000	1.0
Teacher Quality Enhancement Grant	3,705,008	2.3	1,979,198	1.5	2,272,847	2.3	(1,432,161)	-38.7%	0	0.0
Byrd Scholarship Program	563,981	0.0	600,313	0.0	616,500	0.0	52,519	9.3%	0	0.0
Katrina Relief	0	0.0	3,090,450	0.0	0	0.0	0	0.0%	0	0.0
Defense - Troops to Teachers	377,987	0.0	443,000	0.0	0	0.0	(377,987)	-100.0%	0	0.0
National Coop. Education Statistical System	5,412	0.0	10,595	0.0	0	0.0	(5,412)	-100.0%	0	0.0
School Repair and Renovation	951,212	0.0	0	0.0	0	0.0	(951,212)	-100.0%	0	0.0
NCES Basic Participation	4,054	0.0	0	0.0	0	0.0	(4,054)	-100.0%	0	0.0
Data Comparability	4,429	0.0	0	0.0	0	0.0	(4,429)	-100.0%	0	0.0
Other	(1)	0.0	0	0.0	0	0.0	1	-100.0%	0	0.0
<b>TOTAL</b>	<b>440,525,577</b>	<b>176.4</b>	<b>463,874,648</b>	<b>176.6</b>	<b>490,878,687</b>	<b>180.6</b>	<b>50,353,110</b>	<b>11.4%</b>	<b>496,952,112</b>	<b>180.7</b>

SOURCE: The Department of Education's FY 2007-08 budget request (schedule 3). In many instances, the amounts reflected for FY 2006-07 differ from those reflected in the FY 2006-07 Long Bill.

Average Per Pupil Revenues Compared to Rate of Inflation



### A History of State Public School Fund Revenues



## SUMMARY OF STATE EDUCATION FUND APPROPRIATIONS

In November 2000, Colorado voters approved Amendment 23, which added Section 17 to Article IX of the Colorado Constitution. This provision requires the General Assembly to provide annual inflationary increases for kindergarten through twelfth grade education. This provision also creates the State Education Fund, consisting of one-third of one percent of income tax revenues and any interest earned on the fund balance. State Education Fund revenues are not subject to the constitutional Taxpayer Bill of Rights (TABOR) limitation on fiscal year spending, and any appropriation from the State Education Fund is not subject to the six percent statutory limitation on state General Fund appropriations. 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.

Table 1, which begins on the following page, provides a summary of appropriations from the State Education Fund for FY 2001-02 through FY 2006-07. To date, \$1.6 billion has been appropriated from the State Education Fund for *public school finance*, representing 87.7 percent of all appropriations from the Fund. Appropriations for *categorical programs* (\$118.8 million to date) and *capital construction programs* (\$71.1 million to date) comprise another 10.2 percent of Fund appropriations. Annual State Education Fund appropriations increased significantly in FY 2002-03, when the General Assembly increased State Education Fund appropriations by \$122.7 million mid-year to: (a) fund a higher than anticipated student enrollment and a higher than anticipated increase in the proportion of at-risk students; (b) offset lower than anticipated local property tax revenues; and (c) offset a \$90.2 million reduction in General Fund appropriations required due to a two-year decline in General Fund revenues. Appropriations from the Fund have remained fairly consistent in subsequent fiscal years, ranging from \$333 million to \$352 million.

As detailed in Table 2, which provides a comparison of annual State Education Fund revenues to annual expenditures, the Fund balance declined from FY 2001-02 through FY 2004-05 because annual expenditures exceeded annual revenues. Although the Fund balance increased in FY 2005-06 and is projected to increase again in FY 2006-07, the projected balance represents less than three-fifths of annual appropriations (57.6 percent for FY 2006-07).



**TABLE 1**

**History of Appropriations from the State Education Fund**

<b>Description</b>	<b>FY 01-02</b>	<b>FY 02-03</b>	<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>	<b>FY 06-07</b>
<b>Public School Finance, State Share of Districts' Total Program Funding:</b>						
Partial funding for required inflationary increases, and funding changes associated with statutory changes (e.g., adding or full-day kindergarten or preschool slots, changing the at-risk factor, increasing minimum per pupil funding, etc.)	\$70,507,812	\$174,204,086	\$305,711,812	\$308,438,356	\$237,849,107	\$308,628,360
Mid-year appropriation adjustments	<u>31,086,493</u>	<u>122,727,527</u>	<u>10,742,837</u>	<u>5,000,000</u>	<u>59,181,158</u>	<u>n/a</u>
<b>Subtotal: School Finance</b>	<b>101,594,305</b>	<b>296,931,613</b>	<b>316,454,649</b>	<b>313,438,356</b>	<b>297,030,265</b>	<b>308,628,360</b>
<i>*Percent of Total Appropriations</i>	65.8%	89.8%	90.0%	90.3%	89.2%	89.3%
<b>Annual Required Increases for Categorical Programs</b> (and continued funding of prior year increases)						
	<b>7,207,141</b>	<b>15,715,680</b>	<b>20,291,334</b>	<b>23,700,826</b>	<b>25,524,255</b>	<b>26,315,507</b>
<i>*Percent of Total Appropriations</i>	4.7%	4.8%	5.8%	6.8%	7.7%	7.6%
<b>School Capital Construction:</b>						
Charter school capital construction	6,471,052	7,813,943	5,000,000	5,000,000	5,000,000	7,800,000
School Capital Construction Expenditures Reserve	6,471,052	6,500,060	5,000,000	2,500,000	5,000,000	0
School Construction and Renovation Fund	0	0	5,000,000	2,500,000	0	0
Charter School Debt Reserve Fund	<u>n/a</u>	<u>1,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Subtotal: Capital Construction</b>	<b>12,942,104</b>	<b>15,314,003</b>	<b>15,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>7,800,000</b>
<i>*Percent of Total Appropriations</i>	8.4%	4.6%	4.3%	2.9%	3.0%	2.3%

**TABLE 1**

**History of Appropriations from the State Education Fund**

<b>Description</b>	<b>FY 01-02</b>	<b>FY 02-03</b>	<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>	<b>FY 06-07</b>
<b>Various Grant Programs:</b>						
Summer School Grant Program	945,800	0	0	0	0	1,000,000
Facility Summer School Grant Program	0	0	0	0	0	500,000
Family Literacy Education Grant Program	n/a	0	0	0	0	200,000
National Credential Fee Assistance	n/a	60,000	0	0	83,000	100,000
Colorado History Day	n/a	n/a	n/a	10,000	10,000	10,000
Teacher Pay Incentive Program	12,630,000	0	0	0	0	0
School Improvement Grant Program	2,675,000	2,675,000	0	0	0	0
Science and Technology Education Center Grant Program	<u>1,400,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Subtotal: Various Grant Programs</b>	<b>17,650,800</b>	<b>2,735,000</b>	<b>0</b>	<b>10,000</b>	<b>93,000</b>	<b>1,810,000</b>
<i>*Percent of Total Appropriations</i>	<i>11.4%</i>	<i>0.8%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.5%</i>
<b>Funding for New Textbooks</b>	<b>14,144,066</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>*Percent of Total Appropriations</i>	<i>9.2%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<b>State Model Content Standards/ Student Assessments / State Accountability Reports:</b>						
Annual review and update of non-English assessments	411,953	0	0	0	0	0
Longitudinal assessment data analyses	388,000	0	0	0	0	0
Modifications to accountability reports	75,000	0	0	0	0	0
Study non-English assessments	50,000	0	0	0	0	0
Study administration of ACT	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Subtotal: Standards/ CSAPs / SARs</b>	<b>974,953</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>*Percent of Total Appropriations</i>	<i>0.6%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

TABLE 1						
History of Appropriations from the State Education Fund						
Description	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
<b>Other:</b>						
Aid for declining enrollment districts with new charter schools	n/a	n/a	n/a	n/a	n/a	1,000,000
Civic education	n/a	n/a	n/a	n/a	200,000	200,000
Financial literacy	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>39,114</u>	<u>39,114</u>	<u>40,000</u>
<b>Subtotal: Other</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,114</b>	<b>239,114</b>	<b>1,240,000</b>
<i>*Percent of Total Appropriations</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.1%</i>	<i>0.4%</i>
<b>TOTAL</b>	<b>\$154,513,369</b>	<b>\$330,696,296</b>	<b>\$351,745,983</b>	<b>\$347,188,296</b>	<b>\$332,886,634</b>	<b>\$345,793,867</b>

\* Figures may not sum to 100 percent due to rounding.

TABLE 2							
Comparison of State Education Fund Revenues and Expenditures/Appropriations (\$ millions)							
Description	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Beginning Fund Balance	\$0.0	\$166.2	\$298.5	\$202.4	\$142.6	\$118.4	\$156.7
Actual/Proj. Revenues*	166.2	286.4	235.9	293.4	323.1	373.7	388.3
Actual Expend./ Approp.**	<u>0.0</u>	<u>(154.1)</u>	<u>(331.9)</u>	<u>(353.3)</u>	<u>(347.3)</u>	<u>(335.4)</u>	<u>(345.8)</u>
<b>Ending Fund Balance</b>	<b>\$166.2</b>	<b>\$298.5</b>	<b>\$202.4</b>	<b>\$142.6</b>	<b>\$118.4</b>	<b>\$156.7</b>	<b>\$199.2</b>

\*Projected State Education Fund revenues for FY 2006-07 are based on the amount of General Fund revenues anticipated to be directed to the Fund in the September 2006 Legislative Council Staff forecast, as well as projections of interest earnings based on the State Education Fund model utilized by Legislative Council and Joint Budget Committee staff.

\*\* Actual expenditures are reflected for FY 2000-01 through FY 2005-06; appropriations are reflected for FY 2006-07.

**Projected Education Funding Requirements for  
School Finance and Categorical Programs (\$ Millions)**

Fiscal Year	Total State and Local Funding for School Finance and		Local Share of Funding for School		State Share of Funding for School Finance and		
	Categorical Programs	Annual % Change	Finance	Annual % Change	Categorical Programs	Annual % Change	Percent State Share
2000-01	\$3,728.8		\$1,536.7		\$2,192.1		58.8%
2001-02	\$4,006.0	7.4%	\$1,626.4	5.8%	\$2,379.5	8.6%	59.4%
2002-03	\$4,317.7	7.8%	\$1,674.2	2.9%	\$2,643.5	11.1%	61.2%
2003-04	\$4,461.4	3.3%	\$1,671.2	-0.2%	\$2,790.2	5.6%	62.5%
2004-05	\$4,598.1	3.1%	\$1,686.4	0.9%	\$2,911.7	4.4%	63.3%
2005-06	\$4,764.8	3.6%	\$1,701.3	0.9%	\$3,063.4	5.2%	64.3%
2006-07	\$4,986.1	4.6%	\$1,743.4	2.5%	\$3,242.7	5.9%	65.0%
2007-08	\$5,266.9	5.6%	\$1,810.7	3.9%	\$3,456.2	6.6%	65.6%
2008-09	\$5,568.9	5.7%	\$1,856.6	2.5%	\$3,712.3	7.4%	66.7%
2009-10	\$5,886.2	5.7%	\$1,907.5	2.7%	\$3,978.7	7.2%	67.6%
2010-11	\$6,211.6	5.5%	\$1,960.6	2.8%	\$4,251.0	6.8%	68.4%
2011-12	\$6,522.3	5.0%	\$2,054.1	4.8%	\$4,468.2	5.1%	68.5%
2012-13	\$6,868.1	5.3%	\$2,114.2	2.9%	\$4,753.9	6.4%	69.2%
2013-14	\$7,233.0	5.3%	\$2,222.4	5.1%	\$5,010.5	5.4%	69.3%
2014-15	\$7,619.8	5.3%	\$2,287.9	2.9%	\$5,331.9	6.4%	70.0%
2015-16	\$8,032.8	5.4%	\$2,405.9	5.2%	\$5,626.9	5.5%	70.0%
2016-17	\$8,471.0	5.5%	\$2,478.2	3.0%	\$5,992.8	6.5%	70.7%
2017-18	\$8,919.2	5.3%	\$2,602.8	5.0%	\$6,316.3	5.4%	70.8%
2018-19	\$9,385.3	5.2%	\$2,677.7	2.9%	\$6,707.6	6.2%	71.5%
2019-20	\$9,833.9	4.8%	\$2,799.3	4.5%	\$7,034.6	4.9%	71.5%
2020-21	\$10,302.6	4.8%	\$2,872.7	2.6%	\$7,429.8	5.6%	72.1%
2021-22	\$10,791.1	4.7%	\$3,002.2	4.5%	\$7,789.0	4.8%	72.2%
2022-23	\$11,309.4	4.8%	\$3,081.5	2.6%	\$8,228.0	5.6%	72.8%
2023-24	\$11,860.8	4.9%	\$3,224.1	4.6%	\$8,636.7	5.0%	72.8%
2024-25	\$12,438.1	4.9%	\$3,310.4	2.7%	\$9,127.7	5.7%	73.4%
2025-26	\$13,045.3	4.9%	\$3,463.9	4.6%	\$9,581.5	5.0%	73.4%

### Annual Increases in the Funded Pupil Count and Base Per Pupil Funding

