



Colorado General Assembly
Joint Budget Committee

Joint Budget Committee Staff

FY 2016-17 Budget Briefing Summary

Department of Education

The Department of Education supports the State Board of Education in its duty to exercise general supervision over public schools, including accrediting public schools and school districts. The Department distributes state and federal funds to school districts, and it administers a variety of education-related programs, including educator licensure, education programs for children with special needs, English language proficiency programs, the Colorado Preschool Program, and a variety of grant programs. The Department develops and maintains state model content standards, and administers associated assessments. The Department also includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind; (2) the State Charter School Institute Board, which is responsible for authorizing and monitoring institute charter schools; and (3) the Public School Capital Construction Assistance Board, which is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization of state financial assistance for school construction projects. The Department's FY 2015-16 appropriation represents 20.6 percent of statewide operating appropriations and 37.2 percent of statewide General Fund appropriations.

FY 2015-16 Appropriation and FY 2016-17 Request

Department of Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
SB 15-234 (Long Bill)	\$5,395,441,471	\$3,542,723,792	\$1,172,310,474	\$29,757,276	\$650,649,929	598.0
SB 15-267 (School Finance)	30,000,000	25,000,000	5,000,000	0	0	0.0
Other Legislation	<u>9,046,311</u>	<u>261,424</u>	<u>8,784,887</u>	<u>0</u>	<u>0</u>	<u>0.8</u>
TOTAL	\$5,434,487,782	\$3,567,985,216	\$1,186,095,361	\$29,757,276	\$650,649,929	598.8
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	\$5,434,487,782	3,567,985,216	\$1,186,095,361	\$29,757,276	\$650,649,929	598.8
R1 Total program increase	115,138,656	223,848,027	(108,709,371)	0	0	0.0
R2 Categorical programs increase	5,149,491	0	5,149,491	0	0	0.0
R3 CPP tax checkoff	72,025	0	0	72,025	0	0.0
R4 CSDB teacher salary adjustment	229,685	229,685	0	0	0	0.0
NP1 Resources for administrative courts	13,081	0	0	13,081	0	0.0
NP2 Annual fleet vehicle request	1,833	1,833	0	0	0	0.0
NP3 FY 2016-17 Secure Colorado	19,694	19,694	0	0	0	0.0
Annualize HB 15-1367 (Retail Marijuana Taxes)	4,000,000	0	4,000,000	0	0	0.0

Department of Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Centrally appropriated line item adjustments	1,550,646	501,479	514,186	(180,012)	714,993	0.0
Annualize prior year legislation	(10,234,398)	(15,573)	(10,218,825)	0	0	(0.2)
Annualize prior year budget actions	<u>(2,193,446)</u>	<u>440,521</u>	<u>(2,609,614)</u>	<u>(16,440)</u>	<u>(7,913)</u>	<u>4.7</u>
TOTAL	\$5,548,235,049	\$3,793,010,882	\$1,074,221,228	\$29,645,930	\$651,357,009	603.3
Increase/(Decrease)	\$113,747,267	\$225,025,666	(\$111,874,133)	(\$111,346)	\$707,080	4.5
Percentage Change	2.1%	6.3%	(9.4%)	(0.4%)	0.1%	0.8%

Summary of Issues Presented to the Joint Budget Committee

School Finance Funding Projections: Current law requires the General Assembly to provide at least enough funding for school finance in FY 2016-17 to maintain the negative factor as a constant dollar amount from FY 2015-16 (no more than \$855.2 million based on the current FY 2015-16 appropriation). Based on current Legislative Council Staff estimates of revenues and pupil counts, maintaining the negative factor at \$855.2 million in FY 2016-17 would require an additional \$127.3 million total state funds (including an increase of \$303.5 million General Fund which is partially offset by reductions from cash fund sources) above the FY 2015-16 appropriation. Barring changes to other appropriations, any reduction in the negative factor for FY 2015-16 would require additional General Fund.

Refusal to Pay Categorical Buyout – Legislative Recommendation: In FY 2014-15, statute required six school districts to pay categorical buyout funds to the Department of Education based on the districts' ability to support district total program funding without state aid. As of December 2015, three of the six school districts have refused to repay the categorical amounts required by statute for FY 2014-15, totaling \$292,210 still unpaid. Statute does not give clear direction to the Department regarding a response to refusal to pay for categorical buyout, and staff recommends sponsoring legislation directing the Department to withhold other state funds from such districts.

Reinstating the Contingency Reserve Fund – Legislative Recommendation: In 2014, the General Assembly enacted H.B. 14-1250, a Joint Budget Committee bill, to provide one-time funding through the Contingency Reserve Fund to school districts impacted by the September 2013 flooding and to a select group of school districts that experienced unanticipated declines in local revenues available for school finance at mid-year in FY 2013-14. In a drafting error, the bill inadvertently repealed the entire Contingency Reserve Fund section of statute as of July 1, 2015. Reinstating the Contingency Reserve Fund will require new legislation in the 2016 Session.

School Finance Funding Case Studies: The school finance formula directs the distribution of total program funding to Colorado school districts based on factors designed to recognize the characteristics of each school district, such as the local cost of living, the district's enrollment, and the number of at-risk students. However, the combination of the negative factor, variations in local property wealth and resulting local revenues, and local mill levy overrides can result in funding levels that may or may not closely resemble the funding

anticipated in the school finance formula. Such variations raise points to consider in discussions of the adequacy and equity of education funding in Colorado.

B.E.S.T. Program Funding and Revenues: The Building Excellent Schools Today (B.E.S.T.) program is the State's primary public school capital construction assistance program. Supported primarily with State Land Board school trust revenues and marijuana excise tax revenues, the program includes two mechanisms to distribute funding for capital construction projects: (1) certificates of participation (COPs), capped at \$40.0 million in state funding for COP payments per year under current law (the program has reached the cap); and (2) cash grants provided to schools and school districts annually (and now also appropriated in the Long Bill). Looking toward the 2016 Session and the FY 2016-17 budget, the General Assembly faces several policy questions related to the B.E.S.T. program.

Federal E.S.E.A. Reauthorization: Congress has passed legislation to reauthorize the federal Elementary and Secondary Education Act. The Every Student Succeeds Act, which will largely take effect for the 2016-17 school year, replaces No Child Left Behind and makes a variety of changes including returning significant autonomy and authority over education policy (particularly with respect to standards and accountability) to the states. The new legislation also makes changes to federal funding available for education. The budgetary impact of the legislation, in terms of both state costs and federal funding, is uncertain.

Educator Licensure Fee Increase: In November 2015, the State Board of Education approved a fee increase for educator licenses to continue to address the Educator Licensure Office's workload. Effective March 2016, Colorado residents' license fees will increase from \$80 per license to \$90 (12.5 percent) while non-resident fees will increase from \$80 to \$110 (37.5 percent). The Department expects the fee increase to generate an additional \$470,382 cash funds revenue in FY 2015-16 and \$788,960 in FY 2016-17, which will increase the State's TABOR revenues by those amounts for each year.

Dwyer v. Colorado Supreme Court Decision: In June 2014, a group of parents of public school students, the Colorado Rural Schools Caucus, the East Central Board of Cooperative Educational Services (BOCES), the Colorado PTA, and five individual school districts filed a complaint in Denver District Court asserting that the negative factor violates Amendment 23 and is therefore unconstitutional. In September 2015, the Colorado Supreme Court issued a decision in favor of the State, ruling that the negative factor does not violate the plain language of Amendment 23 and is constitutional.

For More Information

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To read the entire briefing: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2015-16/edubrf.pdf