

The following file contains two documents:

- A memorandum to the Joint Budget Committee members dated March 19, 2012. This memorandum is an update to the March 7, 2012 memo (below).
- A memorandum to the Joint Budget Committee members dated March 7, 2012. This memorandum provides additional information and a revised recommendation for the State Share of Districts' Total Program Funding.
- A "figure setting" packet dated March 1, 2012, concerning Department of Education's budget request for Public School Finance for FY 2012-13.

MEMORANDUM

TO: Chairman Gerou and Joint Budget Committee Members

FROM: Carolyn Kampman (303-866-4959)

SUBJECT: Staff “Comeback” Concerning School Finance Appropriation

DATE: March 19, 2012

The Joint Budget Committee (JBC) has not yet taken action on the State Share of Districts’ Total Program Funding line item (State Share). **This memorandum provides updated information and a revised staff recommendation for the State Share line item for the Long Bill**, as well as a list of related issues yet to be considered by the JBC.

- First, on March 1, 2012, the Governor signed H.B. 12-1201, which served as the basis for staff’s Long Bill appropriation recommendations.
- Second, staff has adjusted the sources of funds recommended for the State Share line item based on the JBC’s actions on other Education line items as of March 19.
- Third, staff has used Legislative Council staff’s March 2012 revenue estimate to update projected deposits to the SEF. Staff has also increased estimated SEF interest income for FY 2011-12 and FY 2012-13 based on updated rate of return information provided by Legislative Council staff. These revisions increased the amount of SEF available by \$21.1 million. Staff has also modified calculations to result in an estimated SEF balance of exactly \$50.0 million.

As a result of the changes described above, staff has increased the recommended SEF appropriation for the State Share by \$15.8 million, decreased the recommended State Public School Fund appropriation for the State Share by \$6.4 million, and **decreased the recommended General Fund appropriation by \$9.4 million**. The tables on page three detail staff’s revised State Share recommendation, replacing the tables that appear on pages 13, 15, and 16 of the March 1, 2012 figure setting document.

Today, staff requests that the JBC act on staff’s revised recommended Long Bill appropriation for the State Share line item based on current law (detailed in the first table on page three). Based on current law, staff’s recommendation would maintain total state and local funding for districts’ total program funding at its current level. Due to enrollment increases, this funding level is anticipated to reduce funding per pupil by an average of \$70 (1.1 percent).

Staff recommends that the JBC consider the following issues once staff can provide preliminary statewide General Fund appropriation totals for FY 2011-12 and FY 2012-13:

1. **Should the sources of funds appropriated for school finance for FY 2011-12 be adjusted?** Specifically, as part of its FY 2011-12 supplemental request for school finance, the Department proposed a fund source adjustment, increasing the General Fund appropriation by \$19.8 million and decreasing the cash funds appropriation from the State Education Fund (SEF) by \$19.8 million.
2. **Should the JBC sponsor a bill to require the transfer of excess General Fund reserve moneys to the SEF at the end of FY 2011-12? If so, should any of these moneys be appropriated for FY 2012-13 – either to reduce General Fund appropriations or to increase public school funding?** The Governor has proposed transferring General Fund revenues in excess of the statutory reserve required for FY 2011-12 to the SEF. Based on the Office of State Planning and Budgeting's March 2012 revenue forecast, this transfer is estimated to total \$153.3 million.
3. The JBC has previously voted to introduce legislation to cap the "sweep" of state trust land revenues in FY 2012-13 (similar to S.B. 12-145, which caps the FY 2011-12 sweep at \$36.0 million). **At what level should the JBC recommend capping the state trust land revenue sweep in FY 2012-13?** Staff's Long Bill recommendations are based on continuing the cap of \$36.0 million, which is estimated to reduce the sweep by at least \$10.5 million.
4. **Should the JBC establish a "placeholder" amount as part of its FY 2012-13 budget package that would either reduce or increase General Fund appropriations for school finance?** For example, a reduction of \$56.2 million would be required to match the General Fund requested by the Governor as of January 2012 for the State Share line item. An increase of \$57.0 million would be required to maintain statewide average per pupil funding at its current level.

Sources of Funds Appropriated for Public School Finance

Fund Source	Long Bill Recommendation, REVISED per JBC Actions to Date	Change from March 1 figure setting document
Cash Funds (State Public School Fund)	\$189,922,411	(\$6,357,743)
Cash Funds (State Education Fund)	324,464,882	15,775,587
General Fund	<u>2,795,069,877</u>	<u>(9,417,844)</u>
Total State Funds	\$3,309,457,170	\$0

State Public School Fund Revenues and Expenditures

Description	Long Bill Recommendation	
Beginning fund balance	\$81,964,278	
Federal mineral lease revenues	70,304,000	
Interest/investment income on Permanent Fund	11,000,000	
Transfer pursuant to S.B. 11-230 (based on recommended "sweep" cap)	<u>36,000,000</u>	
Total funds projected to be available	199,268,278	
State match for School Lunch Program	(2,472,644)	
Supplemental on-line education programs	(480,000)	
Amount required to publish school laws	(35,480)	
New statewide assessments (from one-time \$67.5M GF transfer pursuant to S.B. 11-230)	<u>(6,357,743)</u>	<u>(6,357,743)</u>
Subtotal: Expenditures for purposes other than the School Finance Act	(9,345,867)	(6,357,743)
Appropriation for the State Share of Districts' Total Program Funding	(189,922,411)	6,357,743
Total expenditures	(199,268,278)	
Ending fund balance	0	

State Education Fund (SEF) Revenues and Expenditures

Description	Long Bill Recommendation	
Beginning fund balance (reflects revised interest earnings)	\$122,422,133	\$14,965,038
General Fund revenues directed to SEF pursuant to Amendment 23	407,400,000	3,800,000
Interest income (reflects revised interest earnings)	<u>2,447,000</u>	<u>2,337,000</u>
Total funds projected to be available	532,269,133	\$21,102,038
Categorical programs	(102,453,788)	
Various other existing programs and functions	(49,043,633)	870,264
Educator Effectiveness (from one-time \$9.2M GF transfer pursuant to S.B. 11-184)	<u>(6,306,830)</u>	<u>(6,306,830)</u>
Subtotal: Expenditures for purposes other than the School Finance Act	(157,804,251)	(5,436,566)
Appropriation for the State Share of Districts' Total Program Funding	(324,464,882)	(15,775,587)
Total expenditures	(482,269,133)	(21,212,153)
Ending fund balance	50,000,000	(110,115)

MEMORANDUM

TO: Chairman Gerou and Joint Budget Committee Members

FROM: Carolyn Kampman (303-866-4959)

SUBJECT: Staff “Comeback” Concerning School Finance Appropriation

DATE: March 7, 2012

The Joint Budget Committee (JBC) has not yet taken action on the State Share of Districts’ Total Program Funding line item (State Share). **This memorandum provides updated information and a revised staff recommendation for the State Share line item.**

First, on March 1, 2012, the Governor signed H.B. 12-1201, which served as the basis for staff’s Long Bill appropriation recommendations.

Second, staff has adjusted the sources of funds recommended for the State Share line item based on the JBC’s March 5 actions on other Education line items. These adjustments increased State Education Fund (SEF) expenditures by \$5.4 million, thereby decreasing the amount of SEF available for the State Share line item by \$5.4 million.

Third, staff has increased estimated SEF interest income for FY 2011-12 and FY 2012-13 based on updated rate of return information provided by Legislative Council Staff. This revision increased the amount of SEF available for the State Share line item by \$5.6 million. Staff has also modified calculations to result in an estimated SEF balance of exactly \$50.0 million.

As a result of the changes described above, staff has increased the recommended SEF appropriation by \$290,534, and reduced the recommended General Fund appropriation by \$290,534. The tables on the next page detail staff’s revised State Share recommendation, replacing the tables that appear on pages 13, 15, and 16 of the March 1, 2012 figure setting document.

Today, staff requests that the JBC act on staff’s revised recommended Long Bill appropriation for the State Share line item (detailed in the first table on the next page). In addition, the JBC can consider taking the following actions today, or delay these decisions until the week of March 19:

- **Determine at what level the JBC will recommend, via legislation, capping the "sweep" of state trust land revenues in FY 2012-13** (staff recommends \$36.0 million).
- **Establish a preliminary "placeholder" amount that will be included as part of the Committee’s FY 2012-13 budget package** (staff now recommends a reduction of \$65.4 million to match the General Fund requested by the Governor for the State Share line item).

Sources of Funds Appropriated for Public School Finance		
Fund Source	Long Bill Recommendation, REVISED per JBC Actions to Date	Change from March 1 figure setting document
Cash Funds (State Public School Fund)	\$196,280,154	
Cash Funds (State Education Fund)	308,979,829	290,534
General Fund	<u>2,804,197,187</u>	<u>(290,534)</u>
Total State Funds	\$3,309,457,170	\$0

State Public School Fund Revenues and Expenditures		
Description	Long Bill Recommendation	
Beginning fund balance	\$81,964,278	
Federal mineral lease revenues	70,304,000	
Interest/investment income on Permanent Fund	11,000,000	
Transfer pursuant to S.B. 11-230 (based on recommended "sweep" cap)	<u>36,000,000</u>	
Total funds projected to be available	199,268,278	
State match for School Lunch Program	(2,472,644)	
Supplemental on-line education programs	(480,000)	
Amount required to public school laws	(35,480)	
New statewide assessments (from one-time \$67.5M GF transfer pursuant to S.B. 11-230)	<u>0</u>	No JBC action yet
Subtotal: Expenditures for purposes other than the School Finance Act	(2,988,124)	
Appropriation for the State Share of Districts' Total Program Funding	(196,280,154)	
Total expenditures	(199,268,278)	
Ending fund balance	0	

State Education Fund (SEF) Revenues and Expenditures		
Description	Long Bill Recommendation	
Beginning fund balance (reflects revised interest earnings)	\$110,757,080	\$3,299,985
General Fund revenues directed to SEF pursuant to Amendment 23	403,600,000	
Interest income (reflects revised interest earnings)	<u>2,427,000</u>	<u>2,317,000</u>
Total funds projected to be available	516,784,080	\$5,616,985
Categorical programs	(102,453,788)	
Various other existing programs and functions	(49,043,633)	870,264
Educator Effectiveness (from one-time \$9.2M GF transfer pursuant to S.B. 11-184)	<u>(6,306,830)</u>	<u>(6,306,830)</u>
Subtotal: Expenditures for purposes other than the School Finance Act	(157,804,251)	(5,436,566)
Appropriation for the State Share of Districts' Total Program Funding	(308,979,829)	(290,534)
Total expenditures	(466,784,080)	(5,727,100)
Ending fund balance	50,000,000	(110,115)

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2012-13 STAFF FIGURE SETTING

DEPARTMENT OF EDUCATION

(Public School Finance subsection)

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

**Prepared By:
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March 1, 2012**

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**DEPARTMENT OF EDUCATION
(Public School Finance subsection only)
FY 2012-13**

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**Fiscal Year 2012-13 Joint Budget Committee Staff Figure Setting
Department of Education
(Public School Finance subsection)**

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Change
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm. (current law) Requests

(2) ASSISTANCE TO PUBLIC SCHOOLS

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

(A) Public School Finance

This subsection provides the State share of funding required pursuant to the statutory school finance formula, as well as funding for other related distributions. This subsection also provides funding for staff who are responsible for administering the formula and conducting related school district audits. Finally, this subsection provides funding for staff who administer the Colorado Preschool Program and full-day kindergarten programs.

Administration	1,332,914	1,452,478	1,473,395	1,501,265	1,474,449
FTE	<u>15.4</u>	<u>15.2</u>	<u>18.5</u>	<u>18.5</u>	<u>17.2</u>
General Fund	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0
Cash Funds (Read-to-Achieve Cash Fund)	0	21,140	20,418	20,418	20,046
FTE	0.0	0.2	0.2	0.2	0.2
Cash Funds (Average Daily Membership Study Fund)	0	43,650	0	0	0
Reappropriated Funds (off-the-top of State Share)	1,332,914	1,387,688	1,452,977	1,480,847	1,454,403
FTE	15.4	15.0	18.3	18.3	17.0
Declining Enrollment Study - CF (State Education Fund)	160,000	0	0	0	0

Fiscal Year 2012-13 Joint Budget Committee Staff Figure Setting
Department of Education
(Public School Finance subsection)

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13		Change	
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm. (current law)	Requests	
Data Related to the Statutory School Finance Formula:							
Funded Pupil Count (FTE)	789,496.6	798,599.5	808,194.5	S	817,184.6	A	817,221.0
<i>Percent Change</i>	1.5%	1.2%	1.2%		1.1%		1.1%
<i>Denver-Boulder Inflation Rate (prior CY)</i>	3.9%	-0.6%	1.9%		3.5%		3.7%
Statewide BASE Per Pupil Funding	\$5,507.68	\$5,529.71	\$5,634.77		\$5,831.99		\$5,843.26
<i>Percent Change</i>	4.9%	0.4%	1.9%		3.5%		3.7%
Total Program Funding (PRIOR TO Negative Factor)	5,717,386,002	5,822,311,212	6,006,861,965	S	6,286,128,485	A	6,302,403,884
<i>Percent Change</i>	6.8%	1.8%	3.2%		4.6%		4.9%
Less: Reversion (FY 2009-10)/ Negative Factor (FY 2010-11+)	(129,620,699)	(597,257,157)	(774,414,342)		(1,102,094,910)	A	(1,068,522,446)
<i>Percent of Total Program Funding</i>	-2.3%	-10.3%	-12.9%		-17.5%		-17.0%
Adjusted Total Program Funding /a,b	5,587,765,303	5,225,054,055	5,232,447,623	S	5,184,033,575	A	5,233,881,438
<i>Percent Change</i>	4.5%	-6.5%	0.1%		-0.9%		0.0%
Statewide AVERAGE Per Pupil Funding (for adjusted total program funding)	\$7,077.63	\$6,542.77	\$6,474.24	S	\$6,343.77	A	\$6,404.49
<i>Percent Change</i>	3.0%	-7.6%	-1.0%		-2.0%		-1.1%
Local Share of Total Program Funding /a	2,068,895,672	2,018,856,003	1,900,525,468	S	1,924,673,855	A	1,924,424,268
<i>Percent Change</i>	5.8%	-2.4%	-5.9%		1.3%		1.3%
<i>For Information Only: Portion of Local Revenues That Districts Must Spend on Categorical Programs</i>							
/a		1,602,337	658,177	S	926,219	A	926,550

Fiscal Year 2012-13 Joint Budget Committee Staff Figure Setting
Department of Education
(Public School Finance subsection)

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13		Change
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm. (current law)	Requests
State Share of Districts' Total Program Funding /b	<u>3,518,869,631</u>	<u>3,206,198,052</u>	<u>3,331,922,155</u> S	<u>3,259,359,720</u>	<u>3,309,457,170</u>	R-1
General Fund	3,076,191,636	2,797,831,709	2,671,845,744 S	2,738,845,744 A	2,804,487,721	
<i>General Fund Exempt Account (included above)</i>	0	161,444,485	284,175,417	284,175,417	<i>Pending</i>	
Cash Funds (State Education Fund)	339,578,055	283,801,647	511,059,768 S	332,709,976	308,689,295	
Cash Funds (State Public School Fund)	103,099,940	124,564,696	149,016,643	187,804,000	196,280,154	
<i>Percent Change in State Share</i>	3.7%	-8.9%	3.9%	-2.2%	-0.7%	
<i>State Share as Percent of Districts' Total Program Funding</i>	63.0%	61.4%	63.7%	62.9%	63.2%	
Hold-harmless On-line Charters [NEW LINE ITEM] - GF	n/a	n/a	n/a	0 A	0	R-1
Hold-harmless Full-day Kindergarten Funding - CF (State Education Fund)	7,698,050	6,925,561	6,913,913 S	6,814,019 A	6,844,486	R-1
District Per Pupil Reimbursements for Juveniles Held in Jail - CF (Read-to-Achieve Cash Fund)	n/a	17,626	100,000	100,000	100,000	
Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA - FF	n/a	49,148,594	0	0	0	
Education Jobs Fund Program - FF	n/a	153,039,578	0	0	0	
State Share Correction for Local Share Overpayments in Prior Fiscal Years - CF (State Public School Fund)	3,684,365	0	0	0	0	

Fiscal Year 2012-13 Joint Budget Committee Staff Figure Setting
Department of Education
(Public School Finance subsection)

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13		Change
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm. (current law)	Requests
Subtotal - Public School Finance	3,531,744,960	3,416,781,889	3,340,409,463	3,267,775,004	3,317,876,105	
FTE	15.4	15.2	18.5	18.5	17.2	
General Fund	3,076,191,636	2,797,831,709	2,671,845,744	2,738,845,744	2,804,487,721	
<i>General Fund Exempt Acct. (incl. above)</i>	0	161,444,485	284,175,417	284,175,417	Pending	
Cash Funds	454,220,410	415,374,320	667,110,742	527,448,413	511,933,981	
FTE	0.0	0.2	0.2	0.2	0.2	
<i>CF (State Education Fund)</i>	347,436,105	290,727,208	517,973,681	339,523,995	315,533,781	
<i>CF (State Public School Fund)</i>	106,784,305	124,564,696	149,016,643	187,804,000	196,280,154	
Reappropriated Funds	1,332,914	1,387,688	1,452,977	1,480,847	1,454,403	
FTE	15.4	15.0	18.3	18.3	17.0	
Federal Funds	0	202,188,172	0	0	0	

a/ House Bill 10-1369 requires certain districts with a relatively high local share of total program funding to use a portion of revenues generated by their total program mill levies to replace any state funding for categorical programs that the district would otherwise be eligible to receive (called "categorical buyout"). These figures include the local funding that is anticipated to be used for such purpose.

b/ Pursuant to Section 22-54-114 (2.3), C.R.S., a portion of this appropriation is used to offset the direct and indirect administrative costs incurred by the Department in implementing the School Finance Act. These figures include amounts that are used for this purpose and thus are not distributed to school districts.

KEY:

A = impacted by a budget amendment submitted after the November 1 request

S = impacted by a supplemental (mid-year) appropriation change

DEPARTMENT OF EDUCATION
(Public School Finance subsection only)
FY 2012-13

Committee of Reference SMART Act Recommendation Letter for the Department

House Education Committee

Received January 31, 2012

Recommendations

The House Education Committee did not provide a recommendation on the Department's FY 2012-13 budget.

Senate Education Committee

Received January 31, 2012

Recommendations

The Senate Education Committee recommended the following changes:

- The Committee recommended that the \$25.9 million requested for new state assessments [by the State Board of Education, not the Governor] be only partially funded, and that the remainder of the \$25.9 million be used for the School Finance Act. Specifically, the Committee recommended that partial funding be provided as follows:
 - Up to \$1 million to fund optional administration of ACCUPLACER assessments for high school students;
 - The necessary amount to fund development of an assessment for financial literacy; and
 - Up to \$2 million to fund development of science and social studies assessments (and the use of multi-state consortia assessments if available). Please note that this recommendation was verbally increased to \$7 million during the Joint Budget Committee's meeting with both Education Committees on February 1, 2012.
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SUMMARY OF RECOMMENDATIONS INCLUDED IN THIS PACKET

The Department's budget request is predicated on legislation that would reduce the amount of state and local funding made available to school districts through the school finance formula by \$48.4 million (0.9 percent). In contrast, staff has recommended appropriations to be included in the FY 2012-13 Long Bill that are based on H.B. 12-1201, and would thus maintain total state and local funding at the current level. These are the figures that are reflected in the staff recommendation column in the numbers pages section of this document.

In addition, staff has included a recommendation to establish a "target" amount of savings to be achieved through the annual school finance bill as part of the Committee's overall budget balancing plan. Consistent with the last two years, the recommended target is based on the General Fund appropriation requested by the Department for FY 2012-13. Staff has also provided additional information that allows the Committee to consider a range of funding levels that exceed the Department's request.

The following table provides a summary of the most significant staff recommendations included in this packet. Detailed recommendations for each line item follow.

Summary of Significant Staff Recommendations in this Packet						
Description	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Recommended Changes from Adjusted FY 2011-12 Appropriation for FY 2012-13:						
State Share of Districts' Total Program Funding:						
Total program funding increase, based on enrollment and inflationary increase in base per pupil funding	\$295,541,919	\$295,541,919	\$0	\$0	\$0	0.0
Decrease based on larger negative factor (consistent with "target" established in H.B. 12-1201)	(294,108,104)	(294,108,104)	0	0	0	0.0
Projected increase in local funds	(23,898,800)	(23,898,800)	0	0	0	0.0
Fund source adjustments	<u>0</u>	<u>155,106,962</u>	<u>(155,106,962)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Subtotal: Long Bill	(22,464,985)	132,641,977	(155,106,962)	0	0	0.0
Less: "Placeholder" for savings to be achieved through the annual school finance bill*	<u>(65,700,000)</u>	<u>(65,700,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Subtotal: School Finance	(88,164,985)	66,941,977	(155,106,962)	0	0	0.0
Change in Hold-harmless Full-day Kindergarten Funding	(69,427)	0	(69,427)	0	0	0.0

* Statutory change required.

(2) ASSISTANCE TO PUBLIC SCHOOLS

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

(A) Public School Finance

This subsection provides the State share of funding required pursuant to the statutory school finance formula, as well as funding for other related distributions. This subsection also provides funding for staff who are responsible for administering the formula and conducting related school district audits. Finally, this subsection provides funding for staff who administer the Colorado Preschool Program and full-day kindergarten programs.

Administration.

Description. This line item includes funding to support Department staff who administer the School Finance Act, the Colorado Preschool Program, and full-day kindergarten programs. This unit oversees the Financial Policy and Procedures Advisory Committee, and provides technical assistance to school districts related to preschool and full-day kindergarten programs, as well as statutory and regulatory budgetary, accounting, and reporting requirements. This unit works with the State Treasurer's Office to intercept charter school debt payments, and with the Department of Human Services to withhold School to Work Alliance Program matching funds for vocational rehabilitation. This unit also distributes funding for other programs, including facility school funding, transportation reimbursements, small attendance center aid, grant writing funds for boards of cooperative services, and concurrent enrollment funding.

This line item also supports an audit team to ensure compliance related to funds that districts receive for school finance, public school transportation, and English language proficiency programs, as well as funds that facility schools and state agencies receive for education programs. The following table provides a staffing summary for this line item.

Public School Finance, Administration: Staffing Summary				
Position Description	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.
School Finance	5.1	6.0	6.0	6.0
Colorado Preschool Program and Full-day Kindergarten Programs	5.6	7.0	7.0	6.0
School District Audits	4.3	5.0	5.0	5.0
Reimbursements for Juveniles Held in Jail	0.2	0.2	0.2	0.2
ASCENT Program	<u>0.0</u>	<u>0.3</u>	<u>0.3</u>	<u>0.0</u>
Total	15.2	18.5	18.5	17.2

As authorized by S.B. 09-215, this line item is supported by "off-the-top" funding from the State Share of Districts' Total Program Funding line item. This funding mechanism was reinstated to reduce General Fund expenditures and maintain critical Department functions.

Request. The Department requests continuation level funding of \$1,501,265 reappropriated funds and 18.5 FTE for FY 2012-13.

Recommendation. **Staff recommends appropriating \$1,474,449 and 17.2 FTE for FY 2012-13,** as detailed in the following table. The recommendation is \$26,816 lower than the request, due to the application of a 2.0 percent base personal services reduction. In addition, staff recommends reducing the associated FTE from 18.5 FTE to 17.2 FTE to better reflect the staffing of this unit.

Summary of Recommendation for Public School Finance Administration						
	GF	CF	RF	FF	TOTAL	FTE
Personal Services:						
FY 2011-12 Long Bill	\$0	\$20,418	\$1,374,117	\$0	\$1,394,535	18.5
S.B. 11-076	<u>0</u>	<u>0</u>	<u>(27,870)</u>	<u>0</u>	<u>(27,870)</u>	<u>0.0</u>
Subtotal: FY 2011-12 Appropriation	0	20,418	1,346,247	0	1,366,665	18.5
Reinstate FY 2011-12 reduction in employer's PERA contribution (S.B. 11-076)	0	0	27,870	0	27,870	0.0
Salary Survey awarded in FY 2011-12	0	0	0	0	0	0.0
80% of Performance-based Pay awarded in FY 2011-12	0	0	0	0	0	0.0
Adjustment to better reflect staffing	0	0	0	0	0	(1.3)
Base reduction (2.0%)	<u>0</u>	<u>(372)</u>	<u>(26,444)</u>	<u>0</u>	<u>(26,816)</u>	<u>0.0</u>
Subtotal: Personal Services	0	20,046	1,347,673	0	1,367,719	17.2
Operating Expenses:						
FY 2011-12 Long Bill	0	0	106,730	0	106,730	
Staff Recommendation	\$0	\$20,046	\$1,454,403	\$0	\$1,474,449	17.2

Declining Enrollment Study.

This line item provided a one-time appropriation from the State Education Fund for the Department to contract with a private entity to conduct a study to evaluate how declining pupil enrollment in school districts impacts students and to recommend possible remedies [see Section 22-54-132, C.R.S.]. The Department submitted the required report summarizing the study findings and recommendations, prepared by Pacey Economics Group, in March 2010. This study is available through the Department's web site.

State Share of Districts' Total Program Funding.

General Note - JBC Decisions Related to This Line Item. While the next several pages of this document pertain to a single line item, there are five decisions that the Committee will be asked to consider prior to finalizing the FY 2011-12 and FY 2012-13 budgets. **Staff assumes that the Committee will delay two of these decisions until the week of March 19:**

- 1. Should the sources of funds appropriated for school finance for FY 2011-12 be adjusted?** Specifically, as part of its FY 2011-12 supplemental request for school finance, the Department proposed a fund source adjustment, increasing the General Fund appropriation by \$19.8 million and decreasing the cash funds appropriation from the State Education Fund by \$19.8 million.

- 2. Should the Committee sponsor a bill to require the transfer of excess General Fund reserve moneys to the State Education Fund at the end of FY 2011-12** (and utilize at least a portion of these moneys to support appropriations for FY 2012-13)? Specifically, in his letter to the Committee dated January 3, 2012, the Governor recommended that \$107.0 million of available General Fund revenue above the four percent statutory reserve be transferred to the State Education Fund at the end of FY 2011-12.

On January 20, staff recommended that the Committee delay the above decisions until late March, when the next quarterly revenue forecasts are available and the Committee is finalizing its budget proposals for both FY 2011-12 and FY 2012-13.

Staff has included recommendations for the remaining three decisions in this packet:

- 3. At what level should the Committee recommend, via legislation, capping the "sweep" of state trust land revenues to the State Public School Fund in FY 2012-13** (and what amount should be appropriated through the FY 2012-13 Long Bill)?

- 4. What total amount of state funds should be appropriated in the FY 2012-13 Long Bill for the State Share of districts' total program funding** (based on current law)?

- 5. What "placeholder" amount, if any, should be included as part of the Committee's FY 2012-13 budget package** to reflect a General Fund reduction (or increase) to be accomplished through school finance bill?

Background Information - Statutory School Finance Formula. 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. Pursuant to Section 17 of Article IX of the State Constitution, the General Assembly is required to provide annual inflationary increases in base per pupil funding. For FY 2012-13, base per pupil funding will need to increase from \$5,634.77 to \$5,843.26 (3.7 percent), based on the actual change in the Denver-Boulder consumer price index (CPI) in CY 2011.

The formula then increases this statewide 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. These factors currently add funding for: (a) districts with a higher cost of living; (b) the presence of 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); and (c) districts with a lower enrollment to recognize the economies of scale experienced by larger school districts. In addition, the school finance formula establishes a minimum level of per pupil funding, regardless of the impact of the cost of living, at-risk, and size factors described above.

The School Finance Act also provides a flat rate of funding per pupil (estimated at \$5,847¹ for FY 2012-13) for two types of students:

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

Finally, the formula includes a "negative" factor designed to reduce districts' total program funding to a specified amount. For FY 2012-13, based on H.B. 12-1201, this factor is estimated to be 17.0%, requiring a statewide reduction of \$1,068.5 million. Thus, the Department will calculate total program funding for each district based on the formula described above, and will then reduce each district's total program funding by 17.0 percent². This new factor has the effect of reducing the funding attributed to the other formula factors.

Each individual district's per pupil funding is multiplied by its funded pupil count to determine its "total program" 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 tax rate (the mill levy) and the portion of property value that is taxable (the assessment rate). Specific ownership taxes are paid when a registering motor vehicle. For FY 2012-13, local property taxes and specific ownership taxes are projected to increase by 1.3 percent.

¹ This amount is after the application of the negative factor.

² Please note that for some districts, this reduction exceeds the state share of total program funding. In this case, the reduction in total program funding is limited to the state share of funding.

Description. The State Share of Districts' Total Program Funding line item provides for the State's share of funding under the statutory school finance formula; the local share of funding is not reflected in annual appropriations.

Request. The Department's request for school finance for FY 2012-13 is based on earlier projections of: the funded pupil count, the annual change in the CPI for CY 2011, and available local revenues. The request is also predicated on a statutory change that would reduce adjusted total program funding (after application of the state budget stabilization factor) by \$48.4 million (0.9 percent), to \$5,184.0 million. This reduction would in turn, reduce the amount of state funding required by a similar amount.

1. Staff Recommendation for Long Bill, Based on Current Law. Staff's recommendation for the FY 2012-13 Long Bill is based on current law³. The following table summarizes the key components of the Department's request and staff's recommendation; for purposes of comparison, FY 2011-12 data is provided as well. [Appendix A-3 provides a comparison of the FY 2012-13 request and the Long Bill recommendation, calculating the differences between the two.]

Total Program Funding Recommendation for Long Bill				
	FY 2011-12 Actual	FY 2012-13		
		Request	Staff Recomm.	Annual Change
Funded Pupil Count /1,2	808,194.5	817,184.6	817,221.0	9,026.5
<i>Annual Percent Change</i>	<i>1.2%</i>	<i>1.1%</i>	<i>1.1%</i>	
Statewide <u>Base</u> Per Pupil Funding /3	\$5,634.77	\$5,831.99	\$5,843.26	\$208.49
<i>Annual Percent Change</i>	<i>1.9%</i>	<i>3.5%</i>	<i>3.7%</i>	
Total Program Funding PRIOR TO Negative Factor /1	\$6,006,861,965	\$6,286,128,485	\$6,302,403,884	\$295,541,919
LESS: Negative Factor Reduction /1	(\$774,414,342)	(\$1,102,094,910)	(\$1,068,522,446)	(\$294,108,104)
<i>Negative Factor as % of Total Program</i>	<i>-12.9%</i>	<i>-17.5%</i>	<i>-17.0%</i>	
EQUALS: Adjusted Total Program Funding /4	\$5,232,447,623	\$5,184,033,575	\$5,233,881,438	\$1,433,815
<i>Annual Percent Change</i>	<i>0.1%</i>	<i>-0.9%</i>	<i>0.0%</i>	
Statewide Average Per Pupil Funding (for adjusted total program funding)	\$6,474.24	\$6,343.77	\$6,404.49	(\$69.76)
<i>Annual Percent Change</i>	<i>-1.0%</i>	<i>-2.0%</i>	<i>-1.1%</i>	

³ Staff assumes that the Governor will sign H.B. 12-1201.

Total Program Funding Recommendation for Long Bill				
	FY 2011-12 Actual	FY 2012-13		
		Request	Staff Recomm.	Annual Change
<u>Local Share</u> of Districts' Total Program Funding	\$1,900,525,468	\$1,924,673,855	\$1,924,424,268	\$23,898,800
Property Tax Revenue /1	\$1,771,660,759	\$1,791,666,136	\$1,791,693,618	\$20,032,859
Specific Ownership Tax Revenue /1	\$128,864,709	\$133,007,719	\$132,730,650	\$3,865,941
<i>Annual Percent Change on Total</i>	-5.9%	1.3%	1.3%	
State Share of Districts' Total Program Funding	\$3,331,922,155	\$3,259,359,720	\$3,309,457,170	(\$22,464,985)
<i>Annual Percent Change</i>	3.9%	-2.2%	-0.7%	
<i>State Share as Percent of Districts' Total Program</i>	63.7%	62.9%	63.2%	

1/ The recommendation is based on Legislative Council Staff projection or calculation.

2/ The recommended funded pupil count includes: 10,080 FTE to serve 20,160 at-risk children through a half-day preschool program; 5,386 FTE to serve 10,772 students through a full-day kindergarten program; and 205 FTE to allow 205 students to participate in the ASCENT Program (discussed further below).

3/ The recommendation is based on the actual change in the Denver-Boulder consumer price index for CY 2011.

4/ Consistent with General Assembly action since FY 2010-11, the recommendation is \$4,321,092 higher than the statutory total program funding floor based on the amount of the negative factor reduction that cannot be absorbed by school districts that receive little or no state funding.

Please note the following in relation to the FY 2012-13 recommended figures above:

- Staff's recommendation is based on Legislative Council Staff's calculation of total program funding, which includes the adjustments that are required based on the results of the most recent biennial cost-of-living study.
- The Department's request reflects 205 FTE participants in the Accelerating Students Through Concurrent Enrollment (ASCENT) Program based on the actual pupil count for the current fiscal year. Last September, districts indicated that up to 1,231 students could participate in the ASCENT Program in FY 2012-13. Given the significant disparity between the September estimates and the actual student count in the first two fiscal years of the program (detailed in the table below), the request appears reasonable. Based on a rate of \$5,846.58/FTE, staff's recommendation includes a total of \$1,198,549 for ASCENT participants.

ASCENT Program Participation			
Fiscal Year	Estimate from Previous September	Update from Previous February	Actual October Pupil Count
FY 2010-11	675	277	99
FY 2011-12	2,481	753	205
FY 2012-13	1,231		

Staff recommends appropriating a total of \$3,309,457,170 in the Long Bill for the State Share of Districts' Total Program Funding for FY 2012-13. Staff's recommendation is based on the existing school finance formula. The following table summarizes staff's recommendation, by fund source, in relation to both the request and existing appropriations. Staff has provided a discussion of each funding source following the table.

Sources of Funds Appropriated for Public School Finance				
Fund Source	FY 2011-12	Request	FY 2012-13	
			Recomm. Long Bill Approp.	Annual Change
Cash Funds (State Public School Fund)	\$149,016,643	\$187,804,000	\$196,280,154	\$47,263,511
<i>Annual Percent Change</i>		26.0%	31.7%	
Cash Funds (State Education Fund)	511,059,768	332,709,976	308,689,295	(202,370,473)
<i>Annual Percent Change</i>		-34.9%	-39.6%	
General Fund	2,671,845,744	2,738,845,744	2,804,487,721	132,641,977
<i>Annual Percent Change</i>		2.5%	5.0%	
Total State Funds	\$3,331,922,155	\$3,259,359,720	\$3,309,457,170	(\$22,464,985)
<i>Annual Percent Change</i>		-2.2%	-0.7%	

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

1. Federal Mineral Lease Revenues. A portion of 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 federal mineral lease (FML) revenues are primarily derived from coal, gas, and oil, and most revenues are earned from federal lands on the Western Slope. Due to production

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

and price changes, federal mineral lease revenues can vary significantly from year to year, and are therefore difficult to project. However, pursuant to S.B. 08-218, the amount of FML credited to the SPSF annually is capped [see Section 34-63-102 (5.4) (a), C.R.S].

2. Interest and Investment Income Earned on Public School ("Permanent") Fund. The first \$11.0 million of any interest or income earned on the investment of moneys in the Permanent Fund is credited to the SPSF [see Section 22-41-102 (3) (a), C.R.S.].
3. District Audit Recoveries. The balance of annual revenues to the SPSF come from amounts recovered by the Department pursuant to school district audits. The time period over which a district may pay back overpayments to the Department is equivalent to the number of years covered by the audit [see Section 22-2-113 (1) (g), C.R.S.]. The Department offsets a large portion of its accounts receivable from districts (an asset) with deferred revenue equal to those amounts that are not anticipated to be received within the following fiscal year (a liability). Thus, the SPSF balance reflects only that portion of accounts receivable that the Department actually anticipates receiving within the following fiscal year.

In addition, the General Assembly has authorized several time-limited transfers of other moneys to the SPSF. First, three bills⁵ have authorized transfers of certain moneys to the SPSF that would otherwise be credited to the Public School ("Permanent") Fund. Specifically, for fiscal years 2008-09 through 2012-13, these moneys include interest and investment income earned on the Permanent Fund in excess of the first \$11.0 million, as well as rental, bonus, and royalty income earned on state education trust lands that is not required by the Land Board or for the Building Excellent Schools Today (BEST) Program. The revenues made available through these acts are detailed below by fiscal year:

FY 2008-09 (actual)	\$26,660,794	(effective for portion of fiscal year)
FY 2009-10 (actual)	43,360,289	
FY 2010-11 (actual)	66,173,317	
FY 2011-12 (estimate)	54,500,000	(S.B. 12-145 would limit transfer to \$36.0 million)
FY 2012-13 (estimate)	<u>46,500,000</u>	<u>(potential capped amount yet to be determined)</u>
Total	\$237,194,400	

Please note that the Committee has already voted to introduce legislation to cap the amount of these transfers for FY 2011-12 and FY 2012-13. Senate Bill 12-145 caps the FY 2011-12 transfer at \$36.0 million (based on current appropriations); the Committee has not yet determined the level at which to cap the FY 2012-13 transfer. **Staff's recommendation assumes that the FY 2012-13 transfer will be capped at \$36.0 million**, consistent with the Legislative Council Staff fiscal note for S.B. 11-230. If the Committee chooses to introduce a bill with a higher or lower cap amount, staff will adjust the General Fund portion of the Long Bill appropriation and the placeholder figure accordingly.

⁵ Legislation authorizing these transfers include: S.B. 09-260, S.B. 10-150, and S.B. 11-230.

Second, through S.B. 11-230, the General Assembly required that \$67.5 million of General Fund moneys in excess of the statutorily required reserve be transferred to the SPSF.

The following table details the calculations underlying staff's FY 2012-13 recommended appropriation from the SPSF, as well as comparable information for FY 2011-12.

State Public School Fund Revenues and Expenditures: FY 2011-12 and FY 2012-13		
Description	FY 2011-12 Appropriation	Recommended FY 2012-13 Appropriation
Beginning fund balance /1	\$51,869,045	\$81,964,278
Transfer of excess General Fund reserve pursuant to S.B. 11-230 /2	67,500,000	n/a
Federal mineral lease revenues /3	67,600,000	70,304,000
Interest/investment income on Permanent Fund /3	11,000,000	11,000,000
Transfer pursuant to S.B. 11-230 /4	<u>36,000,000</u>	<u>36,000,000</u>
Total funds projected to be available	233,969,045	199,268,278
State match for School Lunch Program [pursuant to Section 22-54-123, C.R.S.]	(2,472,644)	(2,472,644)
Supplemental on-line education programs [pursuant to Sections 22-2-130 and 22-5-119, C.R.S.]	(480,000)	(480,000)
Amount required to public school laws [pursuant to Section 22-2-112 (1) (i), C.R.S.]	<u>(35,480)</u>	<u>(35,480)</u>
Subtotal: Expenditures for purposes other than the School Finance Act	(2,988,124)	(2,988,124)
Appropriation for the State Share of Districts' Total Program Funding	(149,016,643)	(196,280,154)
Ending fund balance	81,964,278	0

1/ District audit recoveries anticipated to collected each fiscal year are reflected in beginning fund balance.

2/ This transfer of moneys was intended to be available for appropriation during FY 2011-12 for any necessary mid-year changes in school finance appropriations. As no state funding was required for such purpose, these moneys remain available for other education-related purposes.

3/ For both fiscal years, the statutory capped amounts are reflected.

4/ Reflects S.B. 12-145 cap for FY 2011-12, and an assumed cap of \$36.0 million for FY 2012-13.

For purposes of this document, staff assumes that the Committee will continue the three appropriations identified above, and will not appropriate moneys from this fund for other purposes for FY 2012-13. If the Committee approves appropriations from the SPSF that are higher (or lower) than the amounts assumed by staff, staff requests permission to adjust the cash funds and General Fund appropriations in this line item accordingly.

State Education Fund. The State Education Fund (SEF) consists of one-third of one percent of income tax revenues, plus any interest earned on the fund balance. The General Assembly may annually appropriate moneys from the SEF for a number of education-related purposes, including complying with the requirement to annually increase base per pupil funding. SEF revenues are not

subject to the constitutional limitation on fiscal year spending, and any appropriation from the SEF is not subject to the statutory limitation on state General Fund appropriations.

The following table details the calculations underlying staff's FY 2012-13 recommended appropriation from the SEF, as well as comparable information for FY 2011-12. **Staff's recommendation is predicated on maintaining a minimum SEF balance of at least \$50 million.** The General Assembly is now in the position of relying on *projected* income tax revenues to support current year appropriations from the SEF. Given the nature of income tax revenues, staff believes that it is prudent to plan for a forecast error rate of ten to 15 percent; \$50 million would provide for a 12.4 percent forecast error.

State Education Fund (SEF) Revenues and Expenditures: FY 2011-12 and FY 2012-13		
Description	FY 2011-12 Appropriation	Recommended FY 2012-13 Appropriation
Beginning fund balance	\$141,561,754	\$107,457,095
Transfer of excess General Fund reserve pursuant to S.B. 11-156 /1	221,857,054	0
Transfer of General Fund revenues pursuant to S.B. 11-184 /2	9,221,247	n/a
General Fund revenues directed to SEF pursuant to Amendment 23 /3	387,600,000	403,600,000
Interest income /4	<u>1,474,000</u>	<u>110,000</u>
Total funds projected to be available	761,714,055	511,167,095
Categorical programs /5	(93,740,082)	(102,453,788)
Various other existing programs and functions /6	<u>(49,457,110)</u>	<u>(49,913,897)</u>
Subtotal: Expenditures for purposes other than the School Finance Act	(143,197,192)	(152,367,685)
Appropriation for the State Share of Districts' Total Program Funding	(511,059,768)	(308,689,295)
Ending fund balance	107,457,095	50,110,115

1/ Senate Bill 11-156 reduced the statutory General Fund reserve for FY 2010-11 from 4.0 percent to 2.3 percent, and required that General Fund moneys in excess of the reserve requirement be transferred to the SEF. Subsequently, S.B. 11-230 required that the first \$67.5 million of this excess General Fund reserve instead be transferred to the State Public School Fund. The amount reflected is the amount transferred to the SEF as of February 1, 2012, which will be booked for accounting purposes as a FY 2010-11 transfer.

2/ Reflects total transfers of tax amnesty revenues to the SEF as of February 23, 2012.

3/ Reflects estimates included in Legislative Council Staff's December 2011 revenue forecast.

4/ Amounts are estimated by Joint Budget Committee staff. Please note that FY 2011-12 estimate includes \$1.4 million in long-term investment earnings; all long-term investments are scheduled to be sold by April 2012.

5/ Assumes that the full increase in state funding required for FY 2012-13 will be appropriated from the SEF, as requested.

6/ Assumes continuation of existing appropriations, which primarily include: \$15.9 million for statewide assessments; \$14.2 million for facility school funding; \$6.9 million for hold-harmless full-day kindergarten; \$5.0 million for charter school facilities; \$5.0 million for the School Counselor Corps Grant Program; and \$850,000 for the School Lunch Protection Program.

For purposes of this document, staff assumes that the Committee will appropriate the full required inflationary increase in state funding for categorical programs from the SEF, and will continue appropriating moneys from the SEF for programs other than school finance at levels comparable to

FY 2011-12. If the Committee approves appropriations from the SEF that are higher (or lower) than the amounts assumed by staff, staff requests permission to adjust the cash funds and General Fund appropriations in this line item accordingly.

General Fund. Although moneys available in the SPSF and the SEF may be used to provide a portion of the funding required for districts' total program funding, 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 about 80 percent of the *state* funding for districts' total program funding; if the \$231.1 million General Fund moneys that have been transferred to the SEF are taken into account, the General Fund share of support is actually 87 percent.

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 2.79 percent for the eleven years following the passage of Amendment 23 (FY 2001-02 through FY 2011-12).

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 State Funds	Annual % Change
1994-95	\$1,393,562,842		\$34,016,762	-36.87%	\$1,427,579,604	
1995-96	1,469,655,920	5.5%	56,613,541	66.43%	1,526,269,461	6.91%
1996-97	1,594,123,930	8.5%	53,580,360	-5.36%	1,647,704,290	7.96%
1997-98	1,689,946,178	6.0%	35,647,023	-33.47%	1,725,593,201	4.73%
1998-99	1,776,015,806	5.1%	74,830,202	109.92%	1,850,846,008	7.26%
1999-00	1,887,449,285	6.3%	42,685,306	-42.96%	1,930,134,591	4.28%
2000-01	1,974,673,211	4.6%	73,400,663	71.96%	2,048,073,874	6.11%
Passage of Amendment 23						
2001-02	2,073,406,872	5.0%	156,629,363	113.39%	2,230,036,235	8.88%
2002-03	2,137,582,405	3.1%	346,960,158	121.52%	2,484,542,563	11.41%
2003-04	2,247,917,791	5.2%	379,156,261	9.28%	2,627,074,052	5.74%
2004-05	2,342,782,148	4.2%	401,122,658	5.79%	2,743,904,806	4.45%
2005-06	2,480,460,455	5.9%	390,768,821	-2.58%	2,871,229,276	4.64%
2006-07	2,657,663,684	7.1%	403,505,151	3.26%	3,061,168,835	6.62%
2007-08	2,790,546,868	5.0%	362,163,909	-10.25%	3,152,710,777	2.99%

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 State Funds	Annual % Change
2008-09	2,930,074,211	5.0%	462,870,995	27.81%	3,392,945,206	7.62%
2009-10	3,076,277,922	5.0%	442,677,995	-1.55%	3,518,955,917	3.71%
2010-11	2,797,831,709	-9.1%	408,557,173	-7.71%	3,206,388,882	-8.88%
2011-12*	2,671,845,744	-4.5%	660,076,411	61.56%	3,331,922,155	3.92%

* The appropriation from the SEF includes \$231.1 million General Fund that was transferred to the SEF pursuant to S.B. 11-156 and S.B. 11-184. Thus, the General Fund appropriation for FY 2011-12 is likely lower than it would have been absent these transfers.

Staff's recommended appropriation from the General Fund for the FY 2012-13 Long Bill is equal to the difference between the State Share of Districts' Total Program Funding based on the existing school finance formula, less moneys available from the State Public School Fund and the SEF. This amount represents an increase of \$132.6 million (5.0 percent) compared to the adjusted FY 2011-12 appropriation.

Please note that staff's recommended General Fund appropriation is predicated on Committee actions concerning appropriations from the SEF and the SPSF for other line items that are not included in this packet. If the Committee approves appropriations from these cash funds that are higher (or lower) than the amounts assumed by staff, staff requests permission to adjust the cash funds and General Fund appropriations in this line item accordingly.

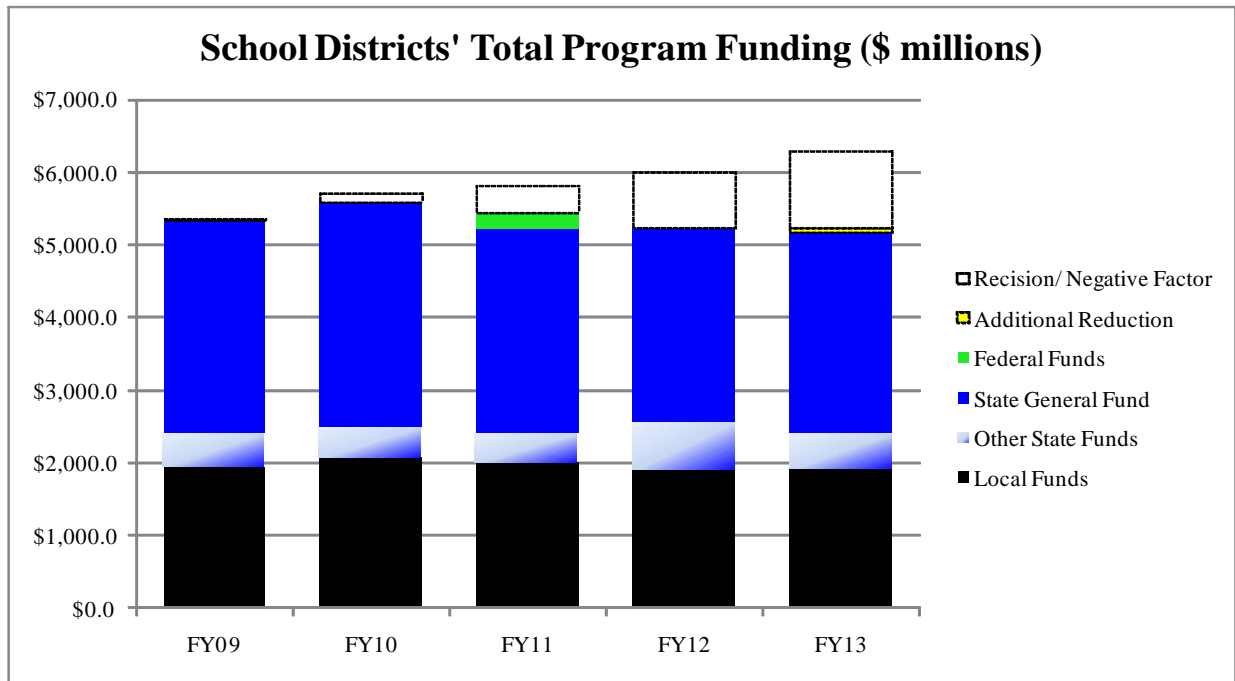
Finally, staff's recommendations are based on Legislative Council Staff's December 2011 revenue forecast. If the March 2012 forecast significantly changes projected income tax revenues credited to the SEF, staff will bring information back to the Committee to potentially adjust the fund sources appropriated for this line item.

Non-Supplantation Requirement. Article IX, Section 17 (5) of the State Constitution states that moneys appropriated from the SEF 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 General Fund appropriation for the State Share of Districts' Total Program Funding on December 28, 2000 was \$1,982,638,862. Thus, the FY 2012-13 General Fund appropriation must exceed this amount.

2. Staff Recommendation for Budget Balancing Plan. Staff's recommendation for the Long Bill, above, is based on current law. **In light of the General Fund revenue shortfall, staff further recommends that the Committee establish a "target" amount of savings to be achieved through the annual school finance bill as part of the Committee's overall budget balancing plan. For now, staff recommends that the Committee establish a target based on the General Fund appropriation requested by the Department. Specifically, staff recommends a target of \$65.7 million, calculated as follows:**

\$2,738.8 million FY 2012-13 General Fund appropriation requested by Department
2,804.5 million Less: General Fund appropriation recommended for FY 2012-13 Long
 Bill based on current law
 (65.7 million) Target for General Fund reductions to be achieved through annual school
 finance bill

To put this potential \$65.7 million reduction in context, the following graphic depicts districts' total program funding for the last three fiscal years, the current fiscal year, and staff's recommendation for FY 2012-13. [A similar graphic is provided in Appendix B, but the Appendix includes data from FY 2000-01 through FY 2012-13.] The underlying data for the graphic is provided in the table that follows.



School Districts' Total Program Funding					FY 12-13 Budget Package Recomm.
Fund Source	FY 08-09	FY 09-10	FY 10-11	FY 11-12	
<i>Funded Pupil Count</i>	778,136	789,511	798,677	808,195	817,221
LocaFunds	\$1,955,868,681	\$2,068,616,086	\$2,018,856,003	\$1,900,525,468	\$1,924,424,268
State Education Fund (SEF)/ State Public School Fund (SPSF) a/	462,870,995	442,677,995	408,557,173	660,076,411	504,969,449
General Fund b/	2,930,074,211	3,076,277,922	2,797,831,709	2,671,845,744	2,738,787,721
Federal Funds c/	0	0	216,358,164	0	0
Subtotal: Available Funding	5,348,813,887	5,587,572,003	5,441,603,049	5,232,447,623	5,168,181,438
<i>Available Funding/ Funded Pupil Count</i>	\$6,874	\$7,077	\$6,813	\$6,474	\$6,324
<i>Annual Percent Change</i>	3.2%	3.2%	-3.7%	-5.0%	-2.3%
Additional reduction to be accomplished through school finance bill d/	0	0	0	0	65,700,000
Recision/ Negative Factor e/	6,247,730	129,813,999	381,211,101	774,414,342	1,068,522,446
Subtotal: Funding Not Provided	6,247,730	129,813,999	381,211,101	774,414,342	1,134,222,446
TOTAL	5,355,061,617	5,717,386,002	5,822,814,150	6,006,861,965	6,302,403,884
a/ For FY 2012-13, reflects staff's recommendation. Please note that unlike the request, staff's recommendation does not include the transfer of \$107.0 million from the General Fund to the State Education Fund.					
b/ For FY 2012-13, reflects recommended Long Bill General Fund appropriation, less the amount of the additional reduction to be accomplished through the school finance bill.					
c/ This amount includes \$60,026,613 in Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA and \$156,331,551 from the Education Jobs Fund Program. While these moneys are not included within the calculation of Total Program Funding, they were distributed to districts in a similar manner.					
d/ This amount reflects the difference between requested and recommended General Fund appropriations.					
e/ Recision amounts exclude "off-the-top" funding for School Finance Unit or Cost-of-Living Study.					

As indicated in the shaded row of the above table, if the \$65.7 million General Fund reduction were to be accomplished solely through an increase in the size of the negative factor, the amount of average per pupil funding would decrease to \$6,324. This level of per pupil funding is just below the level that was provided in FY 2006-07, and a 2.3 percent reduction compared to the funding available per pupil in the current fiscal year.

Additional "Target" Funding Level Options. As indicated above, the Committee could also choose to increase funding for public schools above current funding levels. Staff has prepared Appendix A-4 to identify a range of options for the Committee's consideration. These options, and the associated funding levels, are summarized in the following table.

State Funding Required for FY 2012-13 Under Four Scenarios			
Description	Incremental Annual Change in State Funding	Cumulative Annual Change in State Funding	State Funding Required Above Department's Request
Maintain FY 2011-12 total program funding (staff's Long Bill recommendation)	(\$22,464,985)	(\$22,464,985)	\$50,097,450
Fund enrollment increase, thereby maintaining FY 2011-12 per pupil funding	57,005,940	34,540,955	107,103,390
Increase FY 2011-12 per pupil funding by inflation (3.7%)	195,762,741	230,303,696	302,866,131
Eliminate negative factor	815,753,765	1,046,057,461	1,118,619,896

Other Line Items in the Public School Finance Subsection:

Hold-harmless On-line Charters [NEW LINE ITEM].

This new line item was proposed by the Department in its November 1, 2011 request. This line item was intended to ensure that the per pupil funding amount for students who attend full-time multi-district on-line charter schools does not fall below the base per pupil funding amount. The Department subsequently acknowledged that this request likely should have included funding for all multi-district on-line students and for students participating in the ASCENT Program. Through a January 2012 budget amendment, **the Department has withdrawn this request.**

Please note the Department initially asserted that this request was necessary to comply with Amendment 23: "This is the first time the application of the negative factor has caused on-line funding to fall below the base per pupil funding required by Article IX, Section 17." While it is not clear to staff that this action would be *constitutionally* required, it would be statutorily required if the negative factor is large enough to reduce a per pupil funding amount below base per pupil funding. Specifically, the School Finance Act currently specifies that in a year when the negative factor applies, a district's on-line funding shall be the greater of: (a) a district's on-line funding amount minus the negative factor reduction; or (b) base per pupil funding [see Section 22-54-104 (4.5) (c) (III), C.R.S.]. In addition, the Act requires that a district's total program funding provide at least base per pupil funding multiplied by its funded pupil count [see Section 22-54-104 (g) (III), C.R.S.]. Thus, this issue may need to be revisited if the annual school finance bill increases the negative factor to a level that would reduce a per pupil funding amount below \$5,843.26.

Hold-harmless Full-day Kindergarten Funding.

Description. Under current law [Section 22-28-104 (2) (a) (III), C.R.S.], a total of 20,160 half-day preschool slots are authorized for the Colorado Preschool Program (CPP) for FY 2012-13. Pursuant to H.B. 08-1388, CPP slots can no longer be used to provide full-day kindergarten. For those districts that had previously elected to use CPP slots to provide full-day kindergarten, this act included a "hold harmless" provision [Section 22-54-130, C.R.S.]. Thus, these 60 districts receive 0.58 FTE funding for all kindergarten students, plus an additional amount of per pupil funding (0.42 FTE) based on the number of kindergarten students previously served through CPP.

Request. The Department's request reflects \$6,814,019 cash funds from the State Education Fund for this purpose for FY 2012-13 (based on the proposed change to the school finance formula).

Recommendation. **Staff recommends appropriating \$6,844,486 cash funds from the State Education Fund for FY 2012-13.** This appropriation is consistent with current law.

District Per Pupil Reimbursements for Juveniles Held in Jail.

Description. Pursuant to S.B. 10-054 [Section 22-32-141, C.R.S.], the General Assembly is required to appropriate moneys to reimburse school districts for educational services provided to juveniles held in jails. This act authorized the appropriation of moneys from the Read-to-Achieve Cash Fund for such purpose. This line item provides funding for two types of expenses:

- Funding for all juveniles receiving educational services in jail (whether or not they were included in a district's pupil enrollment): The district providing educational services receives the daily rate established for facility schools for each day of service (recognizing that they are only required to provide only four hours of educational services per week).
- Funding for juveniles who were not included in a district's pupil enrollment: The district providing educational services can receive reimbursement for costs incurred up to state average per pupil revenue, prorated for the period services are provided.

Please note that Read-to-Achieve Cash Fund moneys are also included in the Administration line item, above, to cover the Department's administrative costs related to collecting data from sheriffs and reimbursing school districts.

Request. The Department requests a continuation level of funding (\$100,000 cash funds from the Read-to-Achieve Cash Fund) for school district reimbursements for FY 2012-13.

Recommendation. **Staff recommends approving the request.** Based on the implementation of this program to date, it is likely that expenditures will continue to increase as sheriff's offices and school districts become familiar with the reimbursement process. In addition, to date, the Department has not made any per pupil funding reimbursements for juveniles who were not included in a district's funded pupil count (the second bulleted item above). If and when these juveniles are identified (likely through the Department's process of auditing districts' pupil counts), the Department will need adequate spending authority to make the associated reimbursements. While it is difficult to

project the number of youth who will be held in jail, and the number of youth who will actually receive educational services, \$100,000 appears to be sufficient to cover potential reimbursements to districts for FY 2012-13.

In FY 2010-11, the Department received educational service reports from six sheriffs' offices that reported a total of 25 incarcerated juveniles; 13 of the juveniles received educational services. In the first seven months of the current fiscal year, the Department received reports from four sheriffs' offices that reported a total of 11 incarcerated juveniles; four of the juveniles received educational services. The Department indicates that in most cases, juveniles did not receive services because the student refused. The following table details the number of incarcerated juveniles and the number who received educational services, as reported to the Department of Education. The last row identifies the total reimbursements paid by the Department.

District Per Pupil Reimbursements for Juveniles Held in Jail					
		FY 2010-11		FY 2011-12 (through January)	
County	School District	Incarcerated Juveniles	Juveniles Who Received Educational Services	Incarcerated Juveniles	Juveniles Who Received Educational Services
Adams	Brighton 27J	8	2		
Denver	Denver			4	0
El Paso	Colorado Springs 11	7	3	3	0
Jefferson	Jefferson	1	0		
Pueblo	Pueblo 60	5	5	3	3
Rio Grande	Del Norte C-7	1	1		
Weld	Greeley 6	3	2	1	1
Total Juveniles		25	13	11	4
Total Reimbursements			\$17,626		\$17,283

All of the reimbursements paid by the Department to date reflect the daily rate established for facility schools. The Department has not yet paid any per pupil funding reimbursements for juveniles who were not included in a district's funded pupil count.

Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA and Education Jobs Fund Program.

These two appropriation were included in S.B. 11-157 to reflect the availability of two sources of federal funds. These funds are no longer available.

State Share Correction for Local Share Overpayments in Prior Fiscal Years.

This line item provided a one-time appropriation for FY 2009-10 from the State Public School Fund (from school district audit recoveries) to provide additional state funding to Steamboat Springs RE-2

School District due to an erroneous over-collection of local revenues in the last two fiscal years. This error resulted in the state share of the district's total program expenses being understated.

LONG BILL FOOTNOTES

Staff recommends that the following footnotes be continued or continued as amended:

- 7 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding** -- PURSUANT TO SECTION 22-35-108 (2) (a), C.R.S., THE PURPOSE OF THIS FOOTNOTE IS TO SPECIFY WHAT PORTION OF THIS APPROPRIATION IS INTENDED TO BE AVAILABLE FOR THE ACCELERATING STUDENTS THROUGH CONCURRENT ENROLLMENT (ASCENT) PROGRAM FOR FY 2012-13. It is the intent of the General Assembly that the Department of Education be authorized to utilize up to ~~\$4,433,980~~ \$1,198,549 of this appropriation to fund qualified students designated as ~~Accelerating Students Through Concurrent Enrollment (ASCENT)~~ ASCENT Program participants ~~as authorized pursuant to Section 22-35-108, C.R.S.~~ This amount is calculated based on an estimated ~~753~~ 205 participants funded at a rate of ~~\$5,888.42~~ \$5,846.58 per FTE pursuant to Section 22-54-104 (4.7), C.R.S.

The Governor vetoed this footnote, but he directed the Department to comply with its intent. The Governor indicates that this footnote violates the separation of powers in Article III of the Colorado Constitution by attempting to administer the appropriation.

Background Information. House Bill 09-1319⁶ created the ASCENT Program for students who voluntarily extend their high school education beyond 12th grade in order to attend college courses ("fifth year" students). The stated objectives of the program include the following:

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

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

⁶ See Section 22-35-108, C.R.S.

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

In order to inform the General Assembly of the level of interest in the ASCENT Program, on September 1 local education providers submit an estimate of the number of current grade 12 seniors who will seek to be designated as ASCENT Program participants in the following fiscal year. The Department is required to report this data as part of its annual budget request. The Department has also requested that districts provide updated numbers in February, and these updated figures are provided to the Joint Budget Committee for purposes of preparing a budget proposal for the following fiscal year. Ultimately, the State Board of Education is charged with determining how many qualified students may be designated as ASCENT Program participants for the following school year, based on available appropriations and guidelines established by the State Board.

In the current fiscal year, a total of 205 12th graders are participating in the ASCENT Program. The Department has provided district-reported data indicating that a total of 1,231 12th graders may participate in ASCENT in FY 2012-13. However, the Department's budget request assumes that the appropriation will support 205 students.

Staff recommends eliminating the following footnote:

8 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding -- Of the amount appropriated for this line item, a portion, not to exceed \$250,000 for fiscal year 2011-12, shall be transferred to the Legislative Council for the purpose of funding the biennial cost of living analysis pursuant to Section 22-54-104 (5) (c) (III) (B), C.R.S.

The Governor vetoed this footnote, but he directed the Department to comply with its intent. The Governor indicates that this footnote violates the separation of powers in Article III of the Colorado Constitution by attempting to administer the appropriation.

Pursuant to Section 22-54-104 (5) (c) (III) (A), C.R.S., the Legislative Council staff is required to conduct a biennial study concerning the relative cost of living in each school district. The results of the study are then to be used to adjust each school district's cost of living factor for purposes of calculating per pupil funding for the following two fiscal years. Thus, the results of the current study will impact funding requirements for FY 2012-13 and FY 2013-14. This footnote will not be required until the FY 2013-14 Long Bill.

REQUESTS FOR INFORMATION

Staff recommends that the following information requests be continued or continued as amended. The priority order for all Education-related requests for information requests will be reflected in Craig Harper's figure setting packet dated March 5, 2012:

1. Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding -- The Department is requested to provide to the Joint Budget Committee, on or before November 1, ~~2011~~ 2012, information concerning the Colorado Preschool Program. The information provided is requested to include the following for fiscal year ~~2010-11~~ 2011-12: (a) data reflecting the ratio of the total funded ~~pupil~~ HEAD count for the Program to the total funded ~~pupil~~ HEAD count for kindergarten; (b) data indicating the number of three-year-old children who participated in the Program; (c) data indicating the number of children who participated in the Program for a full-day rather than a half-day; and (d) the state and local shares of total program funding that is attributable to the Program.

Funding for the Colorado Preschool Program (CPP) is included in the State Share of Districts' Total Program Funding line item. This request provides the Joint Budget Committee with data related to CPP, including the costs of the program, how many existing slots are being used to serve three-year old children or to provide a full day of preschool to an individual child, and the adequacy of the number of authorized slots.

TABLE 1
Comparison of Governor's Request and Legislative Action: Funding for Public School Finance for FY 2011-12

Description	Governor's Request			Legislative Action				2012 Mid-year Adjustments (HB 12-1201)	Final Appropriation
	November 2010 Request	February 2011 Budget Amendment	Final Request 1/	Long Bill (S.B. 11-209)	School Finance Bill (S.B. 11 -230)	Other 2011 Legislation 2/	Subtotal		
Funded Pupil Count	808,471.6	(853.0)	807,618.6	805,890.6			805,890.6	2,303.9	808,194.5
Statewide Base Per-Pupil Funding <i>Denver-Boulder Inflation Rate for Prior CY 3/</i>	\$5,585.01 <i>1.0%</i>		\$5,585.01 <i>1.0%</i>	\$5,634.77 <i>1.9%</i>			\$5,634.77 <i>1.9%</i>		\$5,634.77 <i>1.9%</i>
Total Program Funding (Prior to Negative Factor)	\$5,941,982,442	\$3,442,548	\$5,945,424,990	\$5,987,109,016			\$5,987,109,016	\$19,752,949	\$6,006,861,965
LESS: Negative Factor Reduction	<u>(457,565,893)</u>	<u>(378,442,548)</u>	<u>(836,008,441)</u>	<u>(547,983,762)</u>	<u>(226,430,580)</u>		<u>(774,414,342)</u>	<u>0</u>	<u>(774,414,342)</u>
EQUALS: Adjusted Total Program Funding	\$5,484,416,549	(\$375,000,000)	\$5,109,416,549	\$5,439,125,254	(\$226,430,580)	\$0	\$5,212,694,674	\$19,752,949	\$5,232,447,623
<i>Negative Factor reduction as percent of "full" funding</i>	<i>-7.7%</i>		<i>-14.1%</i>	<i>-9.2%</i>			<i>-12.9%</i>		<i>-12.9%</i>
Statewide Average Per Pupil Funding <i>Annual percent change</i>	\$6,783.68 <i>-2.5%</i>	(\$457.16)	\$6,326.52 <i>-2.0%</i>	\$6,749.21	(\$280.97)		\$6,468.24	\$6.00	\$6,474.24
Local Share of Districts' Total Program Funding	\$1,993,399,512	(\$117,119,899)	\$1,876,279,613	\$1,876,349,509	\$0	(\$2,509)	\$1,876,347,000	\$24,178,468	\$1,900,525,468
State Share of Districts' Total Program Funding	\$3,491,017,037	(\$257,880,101)	\$3,233,136,936	\$3,562,775,745	(\$226,430,580)	\$2,509	\$3,336,347,674	(\$4,425,519)	\$3,331,922,155

1/ These figures represent the Governor's final budget request, prior to legislative action in the 2011 Session. These figures exclude the Governor's January 2012 request for mid-year appropriation adjustments.

2/ These figures reflect appropriation adjustments in H.B. 11-1010 and H.B. 11-1241.

3/ The Governor's budget request was based on the OSPB projection of the inflation rate for calendar 2010; legislative action was based on the actual inflation rate (released in February 2011).

TABLE 2
Comparison of Governor's Request for FY 2012-13 and Appropriations for FY 2011-12

Description	Governor's November 2011 Request			Governor's Amended Request		
	FY 2011-12 Appropriations as of May 2011	FY 2012-13 Request as of November 2011	Year-over-year Change	Adjusted FY 2011- 12 Appropriations (HB 12-1201)	FY 2012-13 Request as of January 2012	Year-over-year Change
Funded Pupil Count	805,890.6	812,589.0	6,698.4	808,194.5	817,184.6	8,990.1
Statewide Base Per-Pupil Funding	\$5,634.77	\$5,831.99	\$197.22	\$5,634.77	\$5,831.99	\$197.22
<i>Denver-Boulder Inflation Rate for Prior CY 1/</i>	<i>1.9%</i>	<i>3.5%</i>		<i>1.9%</i>	<i>3.5%</i>	
Total Program Funding (Prior to Negative Factor)	\$5,987,109,016	\$6,248,516,540	\$261,407,524	\$6,006,861,965	\$6,286,128,485	\$279,266,520
LESS: Negative Factor Reduction	<u>(774,414,342)</u>	<u>(1,123,773,467)</u>	<u>(349,359,125)</u>	<u>(774,414,342)</u>	<u>(1,102,094,910)</u>	<u>(327,680,568)</u>
EQUALS: Adjusted Total Program Funding	\$5,212,694,674	\$5,124,743,073	(\$87,951,601)	\$5,232,447,623	\$5,184,033,575	(\$48,414,048)
<i>Negative Factor reduction as percent of "full" funding</i>	<i>-12.9%</i>	<i>-18.0%</i>		<i>-12.9%</i>	<i>-17.5%</i>	
Statewide Average Per Pupil Funding	\$6,468.24	\$6,306.69	(\$161.56)	\$6,474.24	\$6,343.77	(\$130.47)
Local Share of Districts' Total Program Funding	\$1,876,347,000	\$1,932,383,353	\$56,036,353	\$1,900,525,468	\$1,924,673,855	\$24,148,387
State Share of Districts' Total Program Funding	\$3,336,347,674	\$3,192,359,720	(\$143,987,954)	\$3,331,922,155	\$3,259,359,720	(\$72,562,435)

1/ The Governor's budget request is based on the OSPB projection of the inflation rate for calendar 2011; legislative action will be based on the actual inflation rate (released in February each year).

TABLE 3
Comparison of Governor's Request and Staff Recommendations: Funding for Public School Finance for FY 2012-13

Description	Governor's Request			Staff Recommendation for Long Bill	Difference
	November 2011 Request	January 2012 Budget Amendment	Final Request		
Funded Pupil Count	812,589.0	4,595.6	817,184.6	817,221.0	36.4
Statewide Base Per-Pupil Funding	\$5,831.99		\$5,831.99	\$5,843.26	\$11.27
<i>Denver-Boulder Inflation Rate for Prior CY 2/</i>	<i>3.5%</i>		<i>3.5%</i>	<i>3.7%</i>	
Total Program Funding (Prior to Negative Factor)	\$6,248,516,540	\$37,611,945	\$6,286,128,485	\$6,302,403,884	\$16,275,399
LESS: Negative Factor Reduction	<u>(1,123,773,467)</u>	<u>21,678,557</u>	<u>(1,102,094,910)</u>	<u>(1,068,522,446)</u>	<u>33,572,464</u>
EQUALS: Adjusted Total Program Funding	\$5,124,743,073	\$59,290,502	\$5,184,033,575	\$5,233,881,438	\$49,847,863
<i>Negative Factor reduction as percent of "full" funding</i>	<i>-18.0%</i>		<i>-17.5%</i>	<i>-17.0%</i>	
Statewide Average Per Pupil Funding	\$6,306.69	\$37.09	\$6,343.77	\$6,404.49	\$60.71
<i>Annual percent change</i>	<i>-2.5%</i>		<i>-2.0%</i>	<i>-1.1%</i>	
Local Share of Districts' Total Program Funding	\$1,932,383,353	(\$7,709,498)	\$1,924,673,855	\$1,924,424,268	(\$249,587)
State Share of Districts' Total Program Funding	<u>\$3,192,359,720</u>	<u>\$67,000,000</u>	<u>\$3,259,359,720</u>	<u>\$3,309,457,170</u>	<u>\$50,097,450</u>
General Fund	2,671,845,744	67,000,000	2,738,845,744	2,804,487,721	65,641,977
Cash Funds (State Education Fund)	332,709,976	0	332,709,976	308,689,295	(24,020,681)
Cash Funds (State Public School Fund)	187,804,000	0	187,804,000	196,280,154	8,476,154

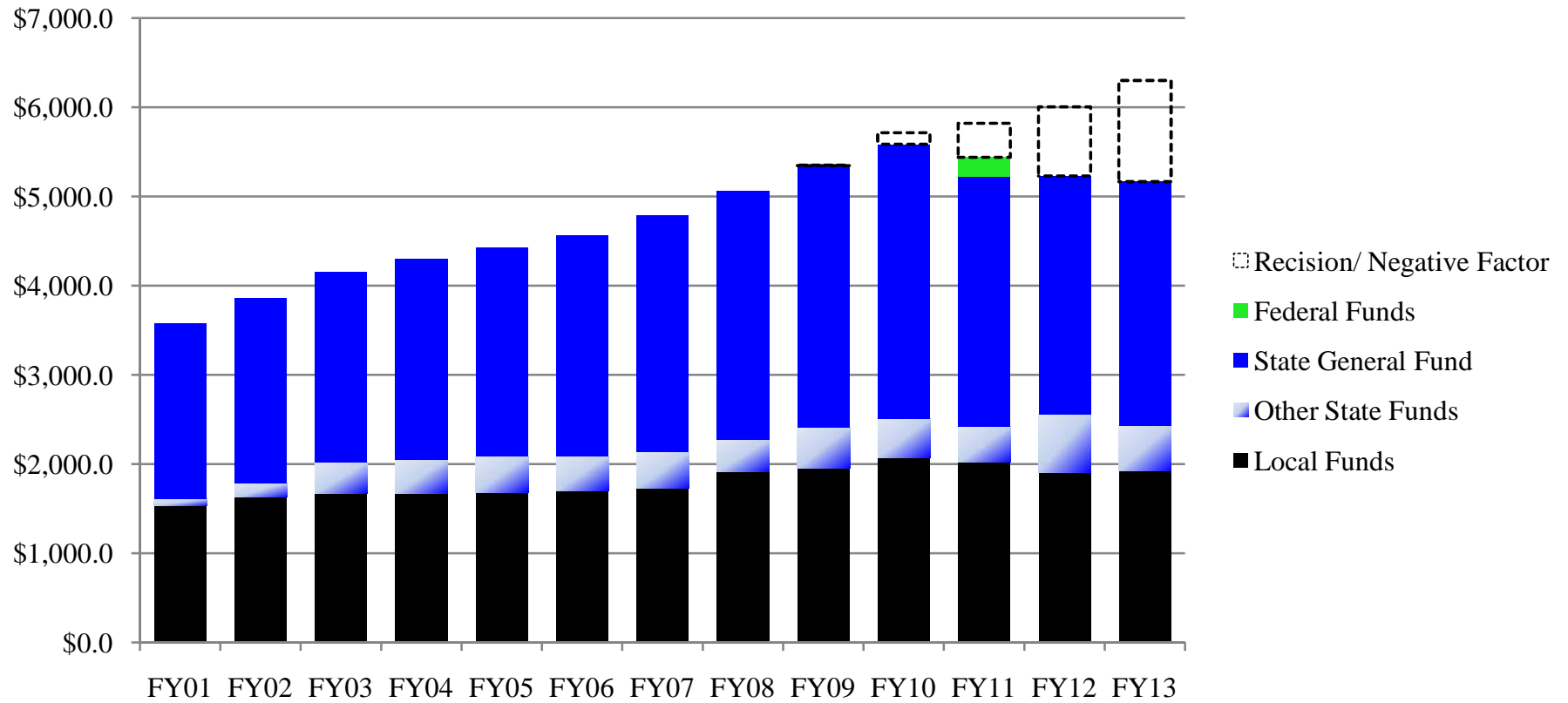
TABLE 4
State Funding Required for FY 2012-13 Under Four Scenarios

Description	Adjusted FY 2011-12 Appropriations (HB 12-1201)	Incremental Funding Changes for FY 2012-13 1/			
		Maintain FY 11-12 Total Program Funding	Fund Enrollment Increase and Maintain FY 11-12 Per Pupil Funding	Increase FY 11-12 Average Per Pupil Funding by Inflation (3.7%)	Eliminate Negative Factor
Funded Pupil Count	808,194.5	817,221.0	817,221.0	817,221.0	817,221.0
Adjusted Total Program Funding	\$5,232,447,623	\$5,233,881,438	\$5,290,887,378	\$5,486,650,119	\$6,302,403,884
<i>Incremental funding change for each scenario</i>		\$1,433,815	\$57,005,940	\$195,762,741	\$815,753,765
<i>Cumulative funding change for each scenario</i>		<i>\$1,433,815</i>	<i>\$58,439,755</i>	<i>\$254,202,496</i>	<i>\$1,069,956,261</i>
Statewide Average Per Pupil Funding	\$6,474.24	\$6,404.49	\$6,474.24	\$6,713.79	\$7,711.99
<i>Annual change in per pupil funding</i>		<i>(\$69.76)</i>	<i>\$0.00</i>	<i>\$239.55</i>	<i>\$1,237.75</i>
Local Share of Districts' Total Program Funding	\$1,900,525,468	\$1,924,424,268	\$1,924,424,268	\$1,924,424,268	\$1,924,424,268
State Share of Districts' Total Program Funding	\$3,331,922,155	\$3,309,457,170	\$3,366,463,110	\$3,562,225,851	\$4,377,979,616
Required Annual Change in State Funding		(\$22,464,985)	\$34,540,955	\$230,303,696	\$1,046,057,461
State Funding Required Above Governor's Amended FY 2012-13 Request 2/		\$50,097,450	\$107,103,390	\$302,866,131	\$1,118,619,896

1/ Calculations are based on Legislative Council Staff's projections of the funded pupil count and local tax revenues, and the actual inflation rate for CY 2011.

2/ The Governor's amended request for FY 2012-13 reflects a \$72.6 million reduction in state funding.

School Districts' Total Program Funding (\$ millions)



School Districts' Total Program Funding

Fund Source	Appropriations												Recomm.
	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13
<i>Funded Pupil Count</i>	693,659	707,218	717,749	723,230	729,417	741,403	753,338	760,917	778,136	789,511	798,677	808,195	817,221
Local Funds	\$1,536,700,976	\$1,629,607,478	\$1,674,245,902	\$1,671,197,347	\$1,686,434,918	\$1,701,325,166	\$1,729,248,571	\$1,915,779,555	\$1,955,868,681	\$2,068,616,086	\$2,018,856,003	\$1,900,525,468	\$1,924,424,268
State Education Fund (SEF)/ State Public School Fund (SPSF)	73,400,663	156,629,363	346,961,158	379,156,261	401,122,658	390,768,821	403,505,151	362,163,909	462,870,995	442,677,995	408,557,173	660,076,411	504,969,449
General Fund	1,974,673,211	2,073,406,872	2,137,582,405	2,247,917,791	2,342,782,148	2,480,460,455	2,657,663,684	2,790,546,868	2,930,074,211	3,076,277,922	2,797,831,709	2,671,845,744	2,738,787,721
Federal Funds a/	0	0	0	0	0	0	0	0	0	0	216,358,164	0	0
SUBTOTAL: AVAILABLE FUNDING	3,584,774,850	3,859,643,713	4,158,789,465	4,298,271,399	4,430,339,724	4,572,554,442	4,790,417,406	5,068,490,332	5,348,813,887	5,587,572,003	5,441,603,049	5,232,447,623	5,168,181,438
<i>Available Funding/ Funded Pupil Count</i>	\$5,168	\$5,458	\$5,794	\$5,943	\$6,074	\$6,167	\$6,359	\$6,661	\$6,874	\$7,077	\$6,813	\$6,474	\$6,324
Recision/ Negative Factor b/	0	0	0	0	0	0	0	0	6,247,730	129,813,999	381,211,101	774,414,342	1,134,222,446
SUBTOTAL: FUNDING NOT PROVIDED	0	0	0	0	0	0	0	0	6,247,730	129,813,999	381,211,101	774,414,342	1,134,222,446
TOTAL	3,584,774,850	3,859,643,713	4,158,789,465	4,298,271,399	4,430,339,724	4,572,554,442	4,790,417,406	5,068,490,332	5,355,061,617	5,717,386,002	5,822,814,150	6,006,861,965	6,302,403,884

a/ This amount includes \$60,026,613 in Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA and \$156,331,551 from the Education Jobs Fund Program. While these moneys are not included within the calculation of Total Program Funding, they were distributed to districts in a similar manner

b/ Recision amounts exclude "off-the-top" funding for School Finance Unit or Cost-of-Living Study.