

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2009-10 STAFF FIGURE SETTING

DEPARTMENT OF EDUCATION

**(Public School Finance; Categorical Programs; Capital Construction Programs;
and Facility Schools *only*)**

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

**Prepared By:
Carolyn Kampman, JBC Staff
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For Further Information Contact:

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

**DEPARTMENT OF EDUCATION:
(School Finance, Categorical Programs, Capital Construction, and Facility Schools only)
FY 2009-10**

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Department of Education (School Finance, Categorical Programs, Capital Construction, and Facility Schools only)

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests #
	Actual	Actual	Appropriation *	OSPB Request †	Recommendation	
DEPARTMENT OF EDUCATION						
Commissioner: Dwight D. Jones						
(2) ASSISTANCE TO PUBLIC SCHOOLS						
This section provides funding that is distributed to public schools and school districts, as well as funding for Department staff who administer this funding or who provide direct support to schools and school districts.						
(A) Public School Finance						
Administration			1,482,010 S	1,591,763	1,501,773	
FTE	Included in General Department		18.0 S	19.0	18.0	
General Fund	and Program Administration line item, above		0 S	0 A	0	BA #13
FTE			0.0 S	0.0 A	0.0	BA #13
Cash Funds (State Education Fund)			0 S	406,886 A	0	
FTE			0.0 S	6.0 A	0.0	
Reappropriated Funds (transferred from State Share)			1,482,010 S	1,184,877 A	1,501,773	BA #13
FTE			18.0 S	13.0 A	18.0	BA #13
Declining Enrollment Study - CF (SEF)	n/a	n/a	0 S	0	200,000	
Funded Pupil Count (FTE) a/	753,065.2	760,884.2	778,135.9 S	785,099.9 A	788,648.3	√; BA #16, 17
Percent Change	1.6%	1.0%	2.3%	0.9%	1.4%	
Denver-Boulder Inflation Rate (prior CY)	2.1%	3.6%	2.2%	3.7%	3.9%	
Statewide BASE Per Pupil Funding	\$ 4,863.87	\$ 5,087.61	\$ 5,250.41 S	\$ 5,497.18	\$ 5,507.68	
Percent Change	3.1%	4.6%	3.2%	4.7%	4.9%	
Statewide AVERAGE Per Pupil Funding	\$ 6,359.16	\$ 6,661.05	\$ 6,881.84 S	\$ 7,202.58	\$ 7,225.40	√
Percent Change	3.1%	4.7%	3.3%	4.7%	5.0%	
Total Program	4,788,862,198	5,068,284,706	5,355,007,072 S	5,654,742,599	5,698,295,823	√
Percent Change	4.7%	5.8%	5.7%	5.6%	6.4%	

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests #
	Actual	Actual	Appropriation *	OSPB Request †	Recommendation	
Local Share of Total Program Funding b/ <i>Percent Change</i>	1,730,267,009 1.6%	1,915,971,895 10.7%	1,955,868,682 S 2.1%	2,099,804,106 7.4%	2,002,007,038 2.4%	√
Rescission due to Shortfall in State Share	0	0	6,193,184 S	0	0	
State Share of Districts' Total Program Funding c/	<u>3,058,595,189</u>	<u>3,152,312,811</u> d/	<u>3,392,945,206</u>	<u>3,554,938,493</u>	<u>3,696,288,785</u>	√; DI #1; BA #16, 17, 19
General Fund	2,575,695,304	2,790,148,902	2,930,074,211 S	3,076,577,922	3,076,577,922	
<i>General Fund Exempt Account (included above)</i>	<i>425,068,380</i>	<i>327,600,000</i>	<i>369,000,000</i>	<i>369,000,000</i>	<i>369,000,000</i>	
Cash Funds (State Education Fund)			386,823,212 S	388,568,695 A	531,748,987	√
Cash Funds (State Public School Fund)	9,491,876	9,491,876	76,047,783	89,791,876	87,961,876	
Cash Funds Exempt (State Education Fund)	299,779,516	259,063,033				
Cash Funds Exempt (State Public School Fund)	173,628,493	93,609,000				
<i>Items paid from the State Share line item, above by reducing payments to school districts [shown for information only]:</i>						
<i>Off-the-top funding for Legislative Council staff to conduct biennial cost-of-living study</i>	<i>0</i>	<i>250,000</i>	<i>0</i>	<i>0</i>	<i>250,000</i>	
<i>Off-the-top funding for department's costs of administering school finance programs</i>	<i>0</i>	<i>0</i>	<i>1,682,010</i>	<i>0</i>	<i>1,701,773</i>	
Additional State Aid Related to Locally Negotiated Business Incentive Agreements (BIAs) - GF e/	904,942	0	0 S	0	0	
General Fund Appropriation to the State Education Fund	0	0	0	26,265,104 A	0	
Military Dependent Supplemental Pupil Enrollment Aid - GF	n/a	1,818,517	1,818,517 S	0 A	0	BA #4
Hold-harmless Full-day Kindergarten Funding - CF (SEF)	n/a	n/a	7,356,409	6,902,069	7,705,498	√

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests #
	Actual	Actual	Appropriation *	OSPB Request †	Recommendation	
Aid for Declining Enrollment Districts with New Charter Schools						
See Grant Pgms., Distributions, and Other Assistance subsection						
General Fund				0	0	
Cash Funds (State Education Fund)				0	0	
Subtotal - Public School Finance	3,059,500,131	3,152,312,811	3,403,602,142	3,589,697,429	3,705,696,056	
FTE	0.0	0.0	18.0	19.0	18.0	
General Fund	2,576,600,246	2,790,148,902	2,931,892,728	3,102,843,026	3,076,577,922	
<i>General Fund Exempt Account (included above)</i>	425,068,380	327,600,000	369,000,000	369,000,000	369,000,000	
FTE	0.0	0.0	0.0	0.0	0.0	
Cash Funds	9,491,876	9,491,876	470,227,404	485,669,526	627,616,361	
FTE	0.0	0.0	0.0	6.0	0.0	
<i>CF - State Education Fund (included above)</i>	0	0	394,179,621	395,877,650	539,654,485	
<i>CF - State Public School Fund (included above)</i>	9,491,876	9,491,876	76,047,783	89,791,876	87,961,876	
Cash Funds Exempt/ Reappropriated Funds	473,408,009	352,672,033	1,482,010	1,184,877	1,501,773	
FTE			18.0	13.0	18.0	
<i>CFE - State Education Fund (included above)</i>	299,779,516	259,063,033				
<i>CFE - State Public School Fund (incl. above)</i>	173,628,493	93,609,000				
<i>Change in State Share Appropriation</i>	6.6%	3.0%	7.6%	4.8%	8.9%	
<i>Change in General Fund Portion of State Share Appropriation</i>	7.1%	5.0%	5.0%	5.0%	5.0%	
<i>State Aid as Percent of Districts' Total Program Funding</i>	63.9%	62.2%	63.4%	62.9%	64.9%	

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

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

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

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests #
	Actual	Actual	Appropriation *	OSPB Request †	Recommendation	
d/ Actual state share payments totaled \$3,152,408,981 for FY 2007-08. Pursuant to Section 22-54-114 (3) and (4), C.R.S., the difference between actual payments and the amount appropriated (\$301,796) does not revert to the General Fund. Instead, 50 percent (\$150,898) is transferred to the Comprehensive Health Education Fund and 50 percent remains available in the State Public School Fund.						
e/ Actual expenditures reflect the actual amounts paid to school districts related to these agreements. In both FY 2006-07 and FY 2007-08, appropriations fell short of the full amount districts were eligible to receive (by \$845,430 in FY 2006-07 and by \$450,112 in FY 2007-08). The Department estimates that districts will be eligible to receive \$418,016 and \$332,847 for FY 2008-09 and FY 2009-10, respectively, if the General Assembly appropriates funding for such purpose.						
(B) Categorical Programs						
(I) District Programs Required by Statute						
Special Education - Children with Disabilities	271,411,950	282,426,975	280,169,837	281,017,133	377,620,446	DI #2, BA #2, 18
FTE	<u>62.7</u>	<u>56.7</u>	<u>64.5</u>	<u>64.5</u>	<u>64.5</u>	
General Fund a/	99,572,375	99,011,021	71,572,347 S	71,572,347 A	71,572,347	
Cash Funds (State Education Fund)			55,789,778 S	56,457,218 A	55,789,778	
Cash Funds (local funds) a/		561,355	not appropriated	not appropriated	not appropriated	
Cash Funds Exempt (State Education Fund)	16,380,950	22,408,062				
Cash Funds Exempt/ Reappropriated Funds	105,416	153,010	98,768	101,812	101,812	
FTE	0.5	0.5	0.5	0.5	0.5	
Federal Funds	155,353,209	160,293,527	152,708,944	152,885,756	250,156,509	
FTE	62.2	56.2	64.0	64.0	64.0	
State Funding Portion of Appropriation	115,953,325	121,419,083	127,362,125	128,029,565	127,362,125	
Annual Change in State Funding	5.2%	4.7%	4.9%	0.5%	0.0%	
English Language Proficiency Program	16,769,779	20,462,733	19,901,227	21,640,331	23,421,597	DI #2, BA #2
FTE	<u>4.2</u>	<u>4.6</u>	<u>4.6</u>	<u>4.6</u>	<u>4.6</u>	
General Fund a/	4,657,644	4,643,799	3,101,598 S	3,101,598 A	3,101,598	
Cash Funds (State Education Fund)			5,510,459 S	7,238,336 A	9,019,602	
Cash Funds (local funds) a/		13,845	not appropriated	not appropriated	not appropriated	
Cash Funds Exempt (State Education Fund)	1,475,253	2,561,953				
Federal Funds	10,636,882	13,243,136	11,289,170	11,300,397	11,300,397	
FTE	4.2	4.6	4.6	4.6	4.6	
State Funding Portion of Appropriation	6,132,897	7,205,752	8,612,057	10,339,934	12,121,200	
Annual Change in State Funding	51.7%	17.5%	19.5%	20.1%	40.7%	

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	Actual	Actual	Appropriation *	OSPB Request †	Recommendation	
(II) Other Categorical Programs						
Federal Special Education Grant for Infants, Toddlers, and Their Families - FF	664,643		Appropriated to the Department of Human Services			
FTE	1.1					
Public School Transportation	42,932,056	45,329,830	45,858,842	49,937,267	49,659,638	DI #2, BA #2
FTE	<u>0.0</u>	<u>0.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	
General Fund	38,142,072	38,744,438	36,922,227 S	36,927,957 A	36,922,227	
FTE	0.0	0.0	2.0	2.0	2.0	
Cash Funds (State Education Fund)			8,486,615 S	12,559,310 A	12,287,411	
Cash Funds (Public School Transportation Fund)			450,000	450,000	450,000	
Cash Funds Exempt (Public School Transportation Fund)	0	450,000				
Cash Funds Exempt (State Education Fund)	4,789,984	6,135,392				
State Funding Portion of Appropriation	42,932,056	44,879,830	45,408,842	49,487,267	49,209,638	
Annual Change in State Funding	3.2%	4.5%	1.2%	9.0%	8.4%	
Transfer to the Department of Higher Education for Distribution of State Assistance for Vocational Education	<u>20,635,922</u>	<u>21,208,319</u>	<u>21,672,472</u>	<u>22,419,294</u>	<u>23,189,191</u>	DI #2, BA #2
General Fund	18,349,048	18,349,048	17,792,850 S	17,792,850 A	17,792,850	
Cash Funds (State Education Fund)			3,879,622 S	4,626,444 A	5,396,341	
Cash Funds Exempt (State Education Fund)	2,286,874	2,859,271				
Annual Change in State Funding	3.2%	2.8%	2.2%	3.4%	7.0%	
Special Education - Gifted and Talented Children	<u>7,808,035</u>	<u>7,997,177</u>	<u>8,396,099</u>	<u>8,694,992</u>	<u>9,003,120</u>	DI #2, BA #2
General Fund a/	7,049,291	7,027,087	5,500,000 S	5,500,000 A	5,500,000	
Cash Funds (State Education Fund)			2,896,099 S	3,194,992 A	3,503,120	
Cash Funds (local funds) a/		22,913	not appropriated	not appropriated	not appropriated	
Cash Funds Exempt (State Education Fund)	758,744	947,177				
State Funding Portion of Appropriation	7,808,035	7,974,264	8,396,099	8,694,992	9,003,120	
Annual Change in State Funding	0.0%	2.1%	5.3%	3.6%	7.2%	

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests #
	Actual	Actual	Appropriation *	OSPB Request †	Recommendation	
Expelled and At-risk Student Services Grant Program	6,254,571	6,329,236	6,340,676	6,843,560	7,343,560	DI #2, BA #2
FTE	0.0	0.8	1.0	1.0	1.0	
General Fund	5,787,158	5,832,872	5,788,807 S	5,791,691 A	5,788,807	
FTE	0.0	0.8	1.0	1.0	1.0	
Cash Funds (State Education Fund)			551,869 S	1,051,869 A	1,554,753	
Cash Funds Exempt (State Education Fund)	467,413	496,364				
Annual Change in State Funding	-0.5%	1.2%	0.2%	7.9%	15.8%	
Small Attendance Center Aid	961,817	943,333	943,333	943,333	959,379	DI #2, BA #2
General Fund a/	834,479	767,755	787,645 S	787,645 A	787,645	
Cash Funds (State Education Fund)			155,688 S	155,688 A	171,734	
Cash Funds (local funds) a/		66,724	not appropriated	not appropriated	not appropriated	
Cash Funds Exempt (State Education Fund)	127,338	108,854				
State Funding Portion of Appropriation	961,817	876,609	943,333	943,333	959,379	
Annual Change in State Funding	8.1%	-8.9%	7.6%	0.0%	1.7%	
Comprehensive Health Education	599,688	599,347	705,396	1,005,396	1,005,396	DI #2, BA #2
FTE	0.1	0.0	1.0	1.0	1.0	
General Fund	300,000	300,000	0 S	0 A	0	
Cash Funds (State Education Fund)			105,396	705,396 A	805,396	
Cash Funds (Comprehensive Health Education Fund)			600,000 S	300,000	200,000	
FTE			1.0	1.0	1.0	
Cash Funds Exempt (Comprehensive Health Education Fund)	299,688	299,347				
FTE	0.1	0.0				
Annual Change in State Funding	-0.1%	-0.1%	17.7%	42.5%	42.5%	
Minimum Inflationary Increase for Categorical Programs Required by Section 17 of Article IX of the State Constitution				\$8,313,727 included in above line items	\$10,752,609 included in above line items	

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests #
	Actual	Actual	Appropriation *	OSPB Request †	Recommendation	
Subtotal - Categorical Programs	368,038,461	385,296,950	383,987,882	392,501,306	492,202,327	
FTE	68.1	62.1	73.1	73.1	73.1	
General Fund	174,692,067	174,676,020	141,465,474	141,474,088	141,465,474	
FTE	0.0	0.8	3.0	3.0	3.0	
Cash Funds	0	664,837	78,425,526	86,739,253	89,178,135	
FTE	0.0	0.0	1.0	1.0	1.0	
<i>CF - State Education Fund (included above)</i>			77,375,526	85,989,253	88,528,135	
Cash Funds Exempt/ Reappropriated Funds	26,691,660	36,419,430	98,768	101,812	101,812	
FTE	0.6	0.5	0.5	0.5	0.5	
<i>CFE - State Education Fund (included above)</i>	26,286,556	35,517,073				
Federal Funds	166,654,734	173,536,663	163,998,114	164,186,153	261,456,906	
FTE	67.5	60.8	68.6	68.6	68.6	
<i>State Funding for Categorical Programs</i>	201,278,311	210,492,440	219,441,000	227,763,341	230,193,609	
<i>Annual Change in State Funding</i>	5.1%	4.6%	4.3%	3.8%	4.9%	

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

(C) Grant Programs, Distributions, and Other Assistance

(II) Capital Construction

Public School Capital Construction Assistance Board -
 Lease Payments - CF (Public School Capital
 Construction Assistance Fund)

n/a	n/a	10,000,000	20,000,000	20,000,000
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Division of Public School Capital Construction
 Assistance - CF (Public School Capital Construction
 Assistance Fund)

n/a	n/a	537,545	913,592	921,702
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FTE		5.0	9.0	9.0
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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests #
	Actual	Actual	Appropriation *	OSPB Request †	Recommendation	
Financial Assistance Priority Assessment - CF (Public School Capital Construction Assistance Fund)	n/a	n/a	12,300,000	0	7,850,000	
Full-day Kindergarten Facility Capital Construction Fund - CF (SEF)	n/a	n/a	0 S	0	0	
School Capital Construction Expenditures Reserve Fund	15,979,479	19,500,815	0	n/a	n/a	
FTE	<u>1.9</u>	<u>2.0</u>	<u>0.0</u>			
General Fund	7,500,000	10,000,000	0			
Cash Funds Exempt/ Reappropriated Funds b/	8,479,479	9,500,815	0			
FTE	1.9	2.0	0.0			
School Construction and Renovation Fund	<u>15,114,255</u>	<u>23,862,723</u>	<u>0</u>	n/a	n/a	
General Fund	7,500,000	10,000,000	0			
Cash Funds Exempt/ Reappropriated Funds	7,614,255	13,862,723	0			
Charter School Capital Construction	<u>7,800,000</u>	<u>5,000,000</u>	<u>6,635,000</u>	<u>2,500,000</u>	<u>5,000,000</u>	BA #3
General Fund	0	0	1,500,000 S	0	0	
Cash Funds (State Education Fund)	0	0	5,135,000 S	2,500,000 A	5,000,000	
Cash Funds Exempt (State Education Fund)	7,800,000	5,000,000	0	0	0	
(VI) Facility Schools [NEW SUBSECTION HEADER]						
Facility Schools Unit and Facility Schools Board	n/a	n/a	523,568	261,403	261,403	
FTE			<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	
Cash Funds (State Education Fund)			523,568	261,403	0	
FTE			3.0	3.0	0.0	
Reappropriated Funds			0	0	261,403	
FTE			0.0	0.0	3.0	
Facility School Funding - CF (SEF)	n/a	n/a	18,475,256	19,269,692	20,817,769	
Hold-harmless Facility School Student Funding - CF (SEF)	n/a	n/a	587,504	0	0	

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Requests #
	Actual	Actual	Appropriation *	OSPB Request †	Recommendation	
Subtotal - Grant Programs, Distributions, and Other Assistance (Capital Construction and Facility Schools only)	38,893,734	48,363,538	49,058,873	42,944,687	54,850,874	
FTE	<u>1.9</u>	<u>2.0</u>	<u>8.0</u>	<u>12.0</u>	<u>12.0</u>	
General Fund	15,000,000	20,000,000	1,500,000	0	0	
Cash Funds	0	0	47,558,873	42,944,687	54,589,471	
FTE	0.0	0.0	8.0	12.0	9.0	
<i>CF - State Education Fund (included above)</i>			24,721,328	22,031,095	25,817,769	
Cash Funds Exempt/ Reappropriated Funds	23,893,734	28,363,538	0	0	261,403	
FTE	1.9	2.0	0.0	0.0	3.0	
<i>CFE - State Education Fund (included above)</i>	7,800,000	5,000,000				
SUBTOTAL - ASSISTANCE TO PUBLIC SCHOOLS (above programs only)	3,466,432,326	3,585,973,299	3,836,648,897	4,025,143,422	4,252,749,257	
FTE	<u>70.0</u>	<u>64.1</u>	<u>81.1</u>	<u>91.1</u>	<u>85.1</u>	
General Fund	2,766,292,313	2,984,824,922	3,074,858,202	3,244,317,114	3,218,043,396	
<i>General Fund Exempt Account (included above)</i>	425,068,380	327,600,000	369,000,000	369,000,000	369,000,000	
FTE	0.0	0.8	3.0	3.0	3.0	
Cash Funds	9,491,876	10,156,713	596,211,803	615,353,466	771,383,967	
FTE	0.0	0.0	9.0	19.0	10.0	
<i>CF - State Education Fund (included above)</i>			496,276,475	503,897,998	654,000,389	
<i>CF - State Public School Fund (included above)</i>	9,491,876	9,491,876	76,047,783	89,791,876	87,961,876	
Cash Funds Exempt/ Reappropriated Funds	523,993,403	417,455,001	1,580,778	1,286,689	1,864,988	
FTE	2.5	2.5	0.5	0.5	3.5	
<i>CFE - State Education Fund (included above)</i>	333,866,072	299,580,106				
<i>CFE - State Public School Fund (incl. above)</i>	173,628,493	93,609,000				
Federal Funds	166,654,734	173,536,663	163,998,114	164,186,153	261,456,906	
FTE	67.5	60.8	68.6	68.6	68.6	

* "S" indicates that the FY 2008-09 Appropriation amount reflects a supplemental funding adjustment approved by the Committee.

† "A" indicates that the amount requested for FY 2009-10 has been amended since the original November 1, 2008 budget submittal.

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

√ The amount reflected in the FY 09-10 recommendation column is based on current law. However, staff recommends a statutory change which would modify this appropriation.

JBC WORKING DOCUMENT - ALL DECISIONS SUBJECT TO CHANGE
Staff Recommendation Does Not Represent Committee Decision

DEPARTMENT OF EDUCATION:
(School Finance, Categorical Programs, Capital Construction, and Facility Schools only)
FY 2009-10

SUMMARY OF RECOMMENDATIONS INCLUDED IN THIS PACKET

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.	Federal Funds	FTE
<i>Recommended Changes from Adjusted FY 2008-09 Appropriation for FY 2009-10:</i>						
State Share of Districts' Total Program Funding (includes funding to maintain kindergarten funding at 0.58 FTE*)	303,343,579	146,503,711	156,839,868	0	0	0.0
Eliminate fifth year of enrollment averaging*	(9,338,910)	0	(9,338,910)	0	0	0.0
Reduce Hold-harmless Full-day Kindergarten Funding*	<u>(6,305,800)</u>	<u>0</u>	<u>(6,305,800)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Subtotal: School Finance	287,698,869	146,503,711	141,195,158	0	0	0.0
Categorical programs	108,214,445	0	10,752,609	3,044	97,458,792	0.0
Public School Capital Construction Assistance Board - Lease Payments (HB 08-1335)	10,000,000	0	10,000,000	0	0	0.0
Facility School Funding (HB 08-1388)	2,342,513	0	2,342,513	0	0	0.0
Division of Public School Capital Construction Assistance (HB 08-1335)	384,157	0	384,157	0	0	4.0
Declining Enrollment Study	200,000	0	200,000	0	0	0.0
Facility School Unit and Board (HB 08-1204)	(262,165)	0	(523,568)	261,403	0	0.0
Eliminate Hold-harmless Facility School Student Funding (HB 08-1388)	(587,504)	0	(587,504)	0	0	0.0
Charter School Capital Construction	(1,635,000)	(1,500,000)	(135,000)	0	0	0.0

Summary of Significant Staff Recommendations in this Packet						
Description	Total Funds	General Fund	Cash Funds	Reapprop.	Federal Funds	FTE
Eliminate Military Dependent Supplemental Pupil Enrollment Aid	(1,818,517)	(1,818,517)	0	0	0	0.0
Financial Assistance Priority Assessment (HB 08-1335)	(4,450,000)	0	(4,450,000)	0	0	0.0
Other	368,852	0	349,089	19,763	0	0.0
Total Recommended Changes	400,455,650	143,185,194	159,527,454	284,210	97,458,792	4.0

* Statutory change required.

(2) ASSISTANCE TO PUBLIC SCHOOLS

(A) Public School Finance

Administration. First included in the FY 2008-09 Long Bill, this line item includes funding to support Department staff who administer the School Finance Act and the Colorado Preschool Program, provide technical assistance to school districts related to full-day kindergarten programs, and audit school districts to ensure compliance with the federal school lunch program, public school transportation, and English language proficiency programs. The following table provides a staffing summary for this line item.

Public School Finance, Administration: Staffing Summary				
Position Description	FY 2007-08 Actual	FY 2008-09 Approp.	FY 2009-10 Request	FY 2009-10 Recomm.
School Finance	6.0	6.0	6.0	6.0
Colorado Preschool Program and Full-day Kindergarten Programs	2.0	7.0	7.0	7.0
Full-day Kindergarten Facility Capital Construction Grant Program	0.0	0.0	1.0	0.0
School District Audits	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Total	13.0	18.0	19.0	18.0

Recent Legislation Affecting This Line Item. House Bill 08-1388 expanded both the Colorado Preschool Program and full-day kindergarten funding. The act included a provision requiring the Department, upon a district's request, to provide related technical assistance. The act included an appropriation of \$348,071 cash funds from the State Education Fund and 5.0 FTE for the Department to provide such technical assistance and to administer the expanding Colorado Preschool Program.

Finally, this act included an appropriation of \$82,545 cash funds from the State Education Fund and 1.0 FTE to administer the Full-day Kindergarten Facility Capital Construction Grant Program (created through the act).

Senate Bill 09-215 reinstates a statutory provision authorizing "off-the-top" funding of the school finance unit in order to reduce General Fund expenditures, maintain critical Department functions, and comply with constitutional funding requirements. In addition, S.B. 09-215 eliminates funding for the 1.0 FTE (\$82,545) that was added through H.B. 08-1388 to administer the Full-day Kindergarten Capital Construction Grant Program. This program was frozen by the Governor last Fall, so the Department has not filled this position.

Department Request. The Department requests \$1,591,763 and 19.0 FTE for this line item for FY 2009-10. The request includes \$406,886 cash funds from the State Education Fund and \$1,184,877 reappropriated funds transferred from the State Share of Districts' Total Program Funding line item ("off-the-top" funding authorized through S.B. 09-215).

Staff Recommendation. **Consistent with the Committee's recent actions concerning the financing of this line item**, as well as Committee policies related to the calculation of Personal Services and Operating Expenses, **staff recommends appropriating a total of \$1,501,773 reappropriated funds** (transferred from the State Share of Districts' Total Program Funding line item) **and 18.0 FTE for FY 2009-10**. The following table details the calculations underlying staff's recommendation.

Summary of Recommendation: Public School Finance, Administration					
Description	Total Funds	General Fund	Cash Funds	Reapp. Funds	FTE
Personal services portion of FY 08-09 Long Bill appropriation	\$1,060,459	\$1,060,459	\$0	\$0	13.0
H.B. 08-1388 (Colorado Preschool Program and full-day kindergarten programs)	377,691	0	377,691	0	6.0
FY 2008-09 Supplemental (S.B. 09-215)	(82,545)	(1,060,459)	(377,691)	1,355,605	(1.0)
Salary survey awarded in FY 08-09	29,156	29,156	0	0	0.0
80% of Performance-based pay awarded in FY 08-09	10,282	10,282	0	0	0.0
Base reduction (0.0% for lines with 20.0+ FTE)	0	0	0	0	0.0
Fund source adjustment	<u>0</u>	<u>(39,438)</u>	<u>0</u>	<u>39,438</u>	<u>0.0</u>
Subtotal: Personal Services	1,395,043	0	0	1,395,043	18.0
Operating expenses and travel portion of FY 08-09 Long Bill appropriation	84,980	84,980	0	0	
H.B. 08-1388 (Colorado Preschool Program and full-day kindergarten programs)	41,425	0	41,425	0	

Summary of Recommendation: Public School Finance, Administration					
Description	Total Funds	General Fund	Cash Funds	Reapp. Funds	FTE
FY 2008-09 Supplemental (S.B. 09-215)	0	(84,980)	(41,425)	126,405	
Eliminate one-time funding provided in H.B. 08-1388 (for capital outlay)	(19,675)	0	0	(19,675)	
Fund source adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Subtotal: Operating, Travel, and Capital Outlay Expenses	106,730	0	0	106,730	0.0
Recommended FY 09-10 appropriation	1,501,773	0	0	1,501,773	18.0

There are two primary differences between staff's recommendation and the request. First, the request assumes that the 6.0 FTE added through H.B. 08-1388 will continue to be supported by the State Education Fund. Consistent with S.B. 09-215, staff recommends funding all staff supported by this line item in the same manner. Second, consistent with S.B. 09-215, staff's recommendation excludes 1.0 FTE added through H.B. 08-1388 to administer the Full-day Kindergarten Facility Capital Construction Grants program.

Declining Enrollment Study. House Bill 08-1388 included a provision [see Section 22-54-132, C.R.S.] requiring 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. Among other issues, the study is to examine the effects of existing provisions of the School Finance Act and school choice on districts experiencing declining enrollment, as well as the barriers to and incentives for district consolidation. This provision required the Department to submit a report summarizing the study findings and recommendations to both Education Committees and the Joint Budget Committee on or before March 15, 2009.

The Department's budget request assumed that this study would have been completed in FY 2008-09, so it does not include funding for FY 2009-10. However, S.B. 09-215 delays the requirements of this provision by one year. Thus, **staff recommends appropriating \$200,000 cash funds from the State Education Fund for FY 2009-10 to allow the Department to complete the study as required.** If the General Assembly is interested in encouraging school districts to consolidate or enter into cooperative agreements in order to maximize their efficiency and effectiveness, it is possible that the study could provide useful information and recommendations to facilitate such a process.

State Share of Districts' Total Program Funding.

Background Information. The primary source of funding for public schools in Colorado is provided pursuant to the Public School Finance Act of 1994, which establishes a per pupil-based formula for determining the "total program" funding level for each school district. The formula provides the same *base* amount of funding per pupil for every district. Pursuant to Section 17 of Article IX of the

Colorado Constitution, the General Assembly is required to provide annual inflationary increases in base per pupil funding. Specifically, for FY 2001-02 through FY 2010-11, the base per pupil funding amount must increase annually by at least the rate of inflation plus one percent; for FY 2011-12 and each fiscal year thereafter, the base per pupil funding amount must increase annually by at least the rate of inflation.

For FY 2009-10, base per pupil funding will need to increase from \$5,250.41 to \$5,507.68 (4.9 percent), based on an actual inflation rate of 3.9 percent in CY 2008. Please note that this calculation is predicated on S.B. 09-215 being enacted, as this bill eliminated from the statewide base per pupil funding the additional \$19.72 per pupil that was added through H.B. 08-1388, but was not constitutionally required.

The formula increases base per pupil funding for each district based on factors that affect districts' costs of providing educational services. The formula also provides additional funding for districts with students who may be at risk of failing or dropping out of school. Thus, actual per pupil funding varies for each district. The Department provided information indicating that, on average, districts will receive per pupil funding of \$7,225.40 in FY 2009-10 (an increase of 5.0 percent). Each individual district's per pupil funding is multiplied by its funded pupil count to determine its "total program" funding.

Local property and specific ownership taxes provide the first source of revenue for districts' total program funding, and the remainder is covered by state funds. Property taxes are based on each district's mill levy and the assessed (taxable) value of property in each district. Specific ownership taxes are paid on motor vehicles. State funds are then appropriated to fund the balance of districts' total program funding. For FY 2009-10, local property taxes and specific ownership taxes are projected to increase by 2.4 percent.

Department Request. The Department's request for school finance for FY 2009-10 is based earlier projections of the funded pupil count, the inflation rate for CY 2008, and available local revenues. The Department has submitted several budget amendments to adjust the financing of this line item. The request provides for a 5.0 percent increase in the *General Fund portion* of school finance appropriations for FY 2009-10. The following table summarizes the key components of the Department's request and staff's recommendation.

School Finance: Total Program	FY 08-09	FY 09-10	
	Adjusted Approp.	Request	Recomm.
Funded Pupil Count	778,135.9	785,099.9	788,648.3
<i>Annual Percent Change</i>		0.9%	1.4%
Statewide <u>Base</u> Per Pupil Funding	\$5,250.41	\$5,497.18	\$5,507.68
<i>Annual Percent Change</i>		4.7%	4.9%

School Finance: Total Program	FY 08-09	FY 09-10	
	Adjusted Approp.	Request	Recomm.
Statewide <u>Average</u> Per Pupil Funding	\$6,881.84	\$7,202.58	\$7,225.40
<i>Annual Percent Change</i>		4.7%	5.0%
Total Program Funding	\$5,355,007,072	\$5,654,742,599	\$5,698,295,823
<i>Annual Percent Change</i>		5.6%	6.4%
<u>Local Share</u> of Districts' Total Program Funding	\$1,955,868,682	\$2,099,804,106	\$2,002,007,038
Less: Local taxes foregone as a result of locally negotiated business incentive agreements	\$0	\$0	\$0
Net local share	\$1,955,868,682	\$2,099,804,106	\$2,002,007,038
<i>Annual Percent Change</i>		7.4%	2.4%
Rescission due to shortfall in State Share	\$6,193,184	\$0	\$0
<u>State Share</u> of Districts' Total Program Funding (<u>including</u> amount related to BIAs)	\$3,392,945,206	\$3,554,938,493	\$3,696,288,785
<i>Annual Percent Change</i>		4.8%	8.9%
<i>State Share as % of Districts' Total Program</i>	63.4%	62.9%	64.9%

Please note that pursuant to H.B. 08-1388, districts are currently receiving *supplemental kindergarten enrollment funding* to expand full-day kindergarten programs. This funding is determined by allowing districts to count kindergarten students as 0.58 FTE rather than 0.50 FTE. However, H.B. 08-1388 only specified this calculation for FY 2008-09; current law is silent with regard to the factor to apply for FY 2009-10. House Bill 08-1388 did include a provision specifying that the General Assembly intends to annually increase the appropriation for full-day kindergarten programs, beginning with an increase of \$20 million in FY 2009-10. In light of the General Fund revenue shortfall, **the Department's request is based on the assumption that the General Assembly will maintain the 0.58 kindergarten funding factor for FY 2009-10.**

Staff's recommendation is consistent with this assumption, and staff recommends including the associated funding in the Long Bill. Alternatively, the Committee could choose to exclude funding related to supplemental kindergarten enrollment in the Long Bill, and instead include the associated funding in a bill which specifies this factor for FY 2009-10.

Please note that **H.B. 08-1388 allows a district experiencing declining enrollment to average up to five (rather than four) years of enrollment for funding purposes. The Department's request is based on repealing this change,** and only allowing up to four (rather than five) years of averaging. **Staff's recommendation for the Long Bill is based on current law, and thus includes the five-year averaging provision.** Staff has included a recommendation related to this statutory change later in this section.

For FY 2009-10, staff recommends providing a total of \$3,696,288,785 state funding for school finance. Staff's recommendation is based on current law, and the most recent projections provided

by Department Staff. [Please note that the annual appropriation for school finance is based on estimates of pupil counts and local property tax revenues. Thus, the annual appropriation typically requires a mid-year adjustment once the actual data is available.] The following table summarizes staff's recommendation, by fund source, in relation to the request. Staff has provided a discussion of each funding source following the table.

Sources of Funds Appropriated for Public School Finance				
Fund Source	FY 08-09	FY 2009-10		
		Request	Recomm. Approp.	Annual Change
General Fund	\$2,930,074,211	\$3,076,577,922	\$3,076,577,922	\$146,503,711
<i>Annual Percent Change</i>		5.0%	5.0%	
Cash Funds: State Public School Fund (federal mineral lease revenues, rental income earned on public school lands, and audit recoveries)	76,047,783	89,791,876	87,961,876	11,914,093
<i>Annual Percent Change</i>		18.1%	15.7%	
Cash Funds: State Education Fund	386,823,212	388,568,695	531,748,987	144,925,775
<i>Annual Percent Change</i>		0.5%	37.5%	
Total State Funds	3,392,945,206	3,554,938,493	3,696,288,785	303,343,579
<i>Annual Percent Change</i>		4.8%	8.9%	

State Public School Fund. The State Public School Fund (SPSF) is the smallest source of revenue available for public school finance. The SPSF currently receives revenues from three primary sources¹, 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 and price changes, federal mineral lease revenues can vary significantly from year to year, and are therefore difficult to project. However, S.B. 08-218 modified the allocation of these revenues, effective July 1, 2008. For fiscal years 2008-09 through 2010-11, the lesser of 48.3 percent of FML revenues (excluding bonus payments) or \$65,000,000 will be transferred to

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

the SPSF; for subsequent fiscal years, this \$65.0 million cap will be increased by 4.0 percent annually.

2. *Rental Income Earned on Public School Lands.* A portion of rental income earned on public school lands, including mineral royalties, grazing fees, land sales, timber sales, and interest earnings, is credited to the SPSF. A portion of rental income is also appropriated to support the State Land Board, a portion is credited to the Public School Capital Construction Assistance Fund, and the remainder is transferred to the Public School Fund. Pursuant to H.B. 08-1335, the amount transferred to the SPSF is limited to \$11.0 million.

3. *District Audit Recoveries.* The balance of annual revenues to the SPSF come from amounts recovered by the Department pursuant to school district audits (prior to FY 1997-98, these amounts were simply deposited into the General Fund). Pursuant to S.B. 07-199, the time period over which a district may pay back overpayments to the Department was extended so that it is equivalent to the number of years covered by the audit [see Section 22-2-113 (1) (g), C.R.S.]. As a result, overpayments are no longer paid back soon after they are identified. The Department is now offsetting 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 that portion of accounts receivable that the Department actually anticipates receiving within the following fiscal year.

Based on the most recent projections of the above-described revenue sources, **staff's recommendation is based on the following projected revenues to the State Public School Fund for FY 2009-10:**

Projections of Moneys Available in the State Public School Fund: FY 2009-10	
Description	Amount
Projected year-end fund balance, FY 08-09	\$15,015,101
Federal mineral lease revenues (capped statutorily)	65,000,000
Rental income earned on public school lands (capped statutorily)	11,000,000
District audit recoveries (portion anticipated to be collected in FY 08-09 is reflected in fund balance, above)	<u>0</u>
Total funds projected to be available	91,015,101

Projections of Moneys Available in the State Public School Fund: FY 2009-10	
Description	Amount
Amount required to public school laws [pursuant to Section 22-2-112 (1) (i), C.R.S.]	(35,480)
State match for School Lunch Program [pursuant to Section 22-54-123, C.R.S.]	(2,472,644)
Supplemental on-line education programs [pursuant to Sections 22-2-130 and 22-5-119]	(530,000)
Subtotal: Expenditures for purposes other than the School Finance Act	(3,038,124)
Recommended appropriation from State Public School Fund for the State Share of Districts' Total Program Funding for FY 09-10	87,961,876
Projected fund balance for FY 2008-09 (based on current accounts receivable)	15,101

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 for public school finance. SEF revenues are not subject to the Taxpayer Bill of Rights (TABOR) limitation on fiscal year spending, and any appropriation from the SEF is not subject to the six percent statutory limitation on state General Fund appropriations.

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

"In enacting legislation to implement section 17 of article IX of the state constitution, it is the duty, intent, and legislative prerogative of the general assembly to mitigate any adverse impact that the state education funding requirements of said section 17 of article IX may have on the financial condition of the state and other state programs and services by *ensuring that moneys are credited to the state education fund, invested while in the fund, and expended from the fund in a manner that will ensure that the fund remains viable and that fund moneys will always be available to meet a significant portion of the long-term state education funding requirements* of said section 17 of article IX." (emphasis added) [Section 22-55-101 (3) (c), C.R.S.]

Staff recommends appropriating a total of \$531,748,987 from the SEF for this line item, which is simply the difference between the total recommended appropriation for this line item and the amounts available from other available fund sources. Staff has included a discussion of the SEF solvency later in this section.

General Fund. Although moneys available in the State Public School Fund and the SEF may be used to provide a portion of the funding required for districts' total program and for categorical programs, the state General Fund has always been and will continue to be the primary source of funding for this purpose. Currently, the General Fund provides over 86 percent of the *state* funding for districts' total program funding.

For purposes of providing a historical perspective, the following table summarizes annual appropriations for the *state share* of school districts' total program funding since FY 1994-95 (when the current School Finance Act was adopted). From FY 1994-95 to FY 2000-01, the compound annual growth rate in General Fund appropriations for districts' total program funding was 6.13 percent. This compares to a compound annual growth rate of 5.06 percent for the eight years following the passage of Amendment 23 (FY 2001-02 through FY 2008-09).

Recent History of Appropriations for the State Share of Districts' Total Program Funding						
Fiscal Year	General Fund	Annual % Change	State Public School Fund/ State Education Fund	Annual % Change	Total Funds	Annual % Change
1994-95	\$1,393,562,842		\$34,016,762	-36.87%	\$1,427,579,604	
1995-96	1,469,655,920	5.5%	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%
2008-09	2,930,074,211	5.0%	462,870,995	27.81%	3,392,945,206	7.62%
2009-10	3,076,577,922	5.0%	619,710,863	33.88%	3,696,288,785	8.94%

Maintenance of Effort Requirement. Section 17 of Article IX of the Colorado Constitution requires the General Assembly to annually increase the General Fund appropriation for the state share of districts' total program by at least five percent annually through FY 2010-11. This "maintenance of effort" requirement, however, does not apply in any fiscal year in which Colorado personal income grows less than 4.5 percent between the two previous calendar years². The maintenance of effort requirement did not apply for FY 2002-03 through FY 2004-05. Based on actual personal income growth of 6.0 percent in CY 2007, the MOE does apply for FY 2008-09; the Legislative Council Staff's December 2008 forecast indicates that it will apply for FY 2009-10, but not for FY 2010-11.

Other Legal Requirements. In addition to the General Fund maintenance of effort requirement, two other provisions place legal limits on the General Assembly's authority to set the level of General Fund appropriations for total program and categorical programs. First, Article IX, Section 17 (5) of the Colorado Constitution states that moneys appropriated from the 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 Assembly recently approved a request to reduce General Fund appropriations for categorical programs to the minimum level allowed under Amendment 23.]

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

Following the adoption of Amendment 23, the Pacey Economics Group prepared a report at the request of the Legislative Audit Committee concerning the implementation of Amendment 23³. This report described the model that Pacey developed to project future funding requirements for education. The model was designed to allow policymakers to determine the future impact of decisions about: (a) the level of General Fund appropriation for education; and (b) the level of appropriations from the SEF for discretionary purposes. This report included a variety of funding scenarios, using different economic assumptions; the primary scenarios are described below:

- *5.0 Percent Annual General Fund Increases.* The model predicted that if General Fund appropriations for school finance only increased by 5.0 percent annually, the SEF would become insolvent (by FY 2015-16) even if no moneys were appropriated from the SEF for discretionary purposes.

² The determination of whether the maintenance of effort provision applies to a particular fiscal year is based on the Colorado personal income data that is released in December of that same fiscal year.

³ Pacey Economics Group, "Amendment 23: Economic Modeling for Decision Makers", (February 2001).

- *5.6 Percent Annual General Fund Increases.* The model predicted that if General Fund appropriations for school finance increased by 5.6 percent annually, the SEF would remain solvent unless there was a significant economic slowdown. In addition, the General Assembly could spend up to \$50 million per year from the SEF for discretionary purposes without adversely impacting the solvency of the SEF (unless there was a significant economic slowdown).
- *6.0 Percent Annual General Fund Increases.* The model predicted that if General Fund appropriations for school finance increased by 6.0 percent annually, the SEF would remain solvent even if there was a significant economic slowdown. In addition, given this level of General Fund support, the General Assembly could spend up to \$50 million per year from the SEF for discretionary purposes without adversely impacting the solvency of the SEF.

Thus, prior to the first economic downturn, it was clear that the General Assembly would need to increase the General Fund appropriation for school finance by more than 5.0 percent to ensure it is capable of providing the required funding increases over the long-term. During the economic downturn, the General Assembly relied heavily on the SEF to comply with constitutional funding requirements and mitigate the need for even greater cuts in General Fund support for other program areas. These actions required a reduction in discretionary spending from the SEF, and more significant increases in General Fund appropriations in FY 2005-06 and FY 2006-07.

Last Session the General Assembly, largely in response to the impact of S.B. 07-199 on local property tax revenues, reduced the General Fund appropriation for FY 2007-08 to the minimum required level (a 5.0 percent increase). The General Assembly recently approved a request to reduce the FY 2008-09 General Fund appropriation to the minimum level required. **The Governor's Office has proposed increasing the appropriation by 5.0 percent in FY 2009-10, plus appropriating an additional \$26.3 million General Fund to the SEF in FY 2009-10.** This action would improve the solvency of the SEF, while maximizing the General Assembly's flexibility to modify the General Fund appropriation for school finance in both FY 2009-10 and FY 2010-11.

Solvency of the SEF. Staff has updated the model originally developed by Pacey Economics Group to estimate the impact of staff's recommendations on the solvency of the SEF. Since staff's presentation last December, staff has updated the model to reflect Legislative Council Staff's December 2008 revenue forecast, actual student enrollment and local tax revenue data for FY 2008-09, the actual inflation rate for CY 2008, as well as more recent Legislative Council Staff projections of the funded pupil count and local tax revenues.

The updated model provides an outlook that is markedly different from last Spring. This change is primarily due to a significant decrease in Legislative Council Staff's projections of local tax revenues. As detailed in the following table, current projections of local tax revenues that will be available in fiscal years 2008-09 through 2012-13 are \$902 million lower than those prepared last Spring.

Changes in Legislative Council Staff's Projections of Local Tax Revenues				
Fiscal Year	May 2008	January 2009	Change	Cum. Change
2008-09	\$1,965,055,671	\$1,955,868,682	(\$9,186,989)	(\$9,186,989)
2009-10	2,116,261,070	2,009,791,383	(106,469,687)	(115,656,676)
2010-11	2,209,786,442	2,014,849,162	(194,937,280)	(310,593,956)
2011-12	2,437,475,525	2,158,298,041	(279,177,484)	(589,771,440)
2012-13	2,537,074,438	2,224,752,805	(312,321,633)	(902,093,073)

As the State provides whatever funding is required under the School Finance Act that is not available through local tax revenues, this new forecast indicates that an additional \$900 million in state funds will be required through FY 2012-13. While the SEF can support a portion of this additional need, the SEF balance and revenues will not be sufficient to cover the full amount.

In light of the revenue shortfall, staff recommends increasing the General Fund appropriation by 5.0 percent in FY 2009-10. Further, please note that staff's recommendation reflects the same level of appropriation from the General Fund Exempt Account as in FY 2008-09. Staff will ultimately reflect whatever amount the Committee approves (following release of Legislative Council Staff's March revenue forecast).

The Committee should understand, however, that approval of this recommendation will need to be accompanied by statutory changes to address the near-term insolvency of the SEF. Based on the level of funding required for school finance and categorical programs under current law, the discretionary SEF spending requested by the Department for FY 2009-10, and assuming the General Fund appropriation for the State Share increases by 5.0 percent in FY 2009-10, **staff projects that the SEF will essentially be spent down in FY 2009-10** (staff projects a balance \$43 million by fiscal year-end). **This, in turn, would require the General Fund appropriation for school finance to increase by 12 percent (\$368 million) in FY 2010-11.**

In consideration of these alarming projections, staff has estimated the magnitude of the changes that will be required to restore the solvency of the SEF. Staff's estimate is based on current law, plus the following assumptions:

- The General Assembly will increase the General Fund appropriation for the State Share by 5.0 percent in both FY 2009-10 and FY 2010-11.
- Beginning in FY 2011-12, the General Assembly will increase the General Fund appropriation by 5.6 percent annually (the mid-level scenario by Pacey).
- The General Assembly will continue to fund kindergarten students at 0.58 FTE in future fiscal years.

Staff estimates that in order to maintain the solvency of the SEF and ensure the General Assembly is capable of complying with constitutional funding requirements in future fiscal years, the General Assembly will need to take actions to reduce annual spending from the SEF by \$125 million, beginning in FY 2009-10. Please note that this is not a reduction in spending compared to FY 2008-09. Rather, it is a reduction in the level of spending that would otherwise occur. For example, if the General Assembly were to take actions to modify the school finance formula so that total program funding were to grow by \$218 million (4.1 percent) in FY 2009-10 rather than \$343 million (6.4 percent), staff projects that the SEF would remain solvent. This would result in per pupil funding increasing by 2.7 percent in FY 2009-10, rather than 5.0 percent. **This reduction of \$125 million could be accomplished through changes to the School Finance Act, reductions in discretionary SEF spending, or a combination.**

- ☛ The Department submitted one specific request for a statutory change to reduce the cost of the School Finance Act. **Staff recommends approving the Department's request to modify the School Finance Act to allow up to four (rather than five) years of enrollment averaging.** This change is estimated to reduce total program funding by \$9,403,814, including \$9,338,910 state funds and \$64,904 local funds. Districts would still receive \$24.5 million in additional funding based on averaging up to four years of pupil enrollment.

Additional State Aid Related to Locally Negotiated Business Incentive Agreements. Since 1990⁴, school districts have had the authority to negotiate incentive agreements with new or expanded businesses as a means of promoting economic development⁵. State law allows school districts, as well as cities and counties, to negotiate with taxpayers to forgive up to 50 percent of the property taxes levied on personal property attributable to a new or expanded business facility. A school district that negotiates such an agreement is eligible for additional state aid equal to the property tax revenues which are foregone as part of the agreement.⁶ The state "backfill" for foregone property tax revenues for any single facility is limited to ten years. Pursuant to S.B. 03-248, however, local school boards have not been allowed to enter into any new business incentive agreements since May 22, 2003.

The annual cost of backfilling for locally-negotiated business incentive agreements has ranged from \$67,250 in FY 1994-95 to \$2,785,645 in FY 2002-03. However, in FY 2002-03, the appropriation fell \$784,157 short of funding the required state aid associated with these agreements. The Department was thus required to reduce the state aid for all districts by the amount of the shortfall.

⁴ Senate Bill 90-118 (Wells/Arveschoug), "Concerning the Authority of Local Governments to Negotiate Incentive Payments to Taxpayers Who Establish New Business Facilities or Who Expand Existing Business Facilities".

⁵ See Section 22-32-110 (1) (ff) and (gg), C.R.S.

⁶ See Section 22-54-106 (8), C.R.S.

Similar recisions were required in FY 2001-02 (\$244,237), and in FY 2003-04 (\$393). Pursuant to S.B. 05-200, however, a statewide recision is no longer necessary when the appropriation falls short. Instead, the shortfall only affects those districts that are receiving additional state aid as a result of an incentive agreement. The FY 2005-06 appropriation fell short by \$757,126 (39.9 percent), the FY 2006-07 appropriation fell short by \$845,430 (48.3 percent). No funds were appropriated for this purpose for FY 2007-08, and S.B. 09-185 eliminates funding for FY 2008-09.

The Department has not requested an appropriation for FY 2009-10 for the additional state aid required to “backfill” existing agreements. Consistent with the Committee's recent actions, staff recommends approving the request.

Military Dependent Supplemental Pupil Enrollment Aid.

House Bill 07-1232 (Section 22-54-128, C.R.S.) established a process to provide mid-year funding increases to school districts that are impacted by military troop movements. For FY 2007-08 through FY 2010-11, districts may request additional funding for pupils who are dependents of full-time active-duty members of the military and who enroll after the annual October pupil count. Districts may receive additional funding if the number of eligible students, counted in February, represents an increase of at least 1.0 percent or 25 pupils. The Department is required to request a supplemental appropriation by March 1 each year sufficient to provide each eligible district with one-half of its per pupil revenues for each eligible pupil.

The following table details the six districts eligible for supplemental funding in FY 2007-08 and FY 2008-09.

Military Dependent Supplemental Pupil Enrollment Aid						
District (all in El Paso County)	FY 2007-08			FY 2008-09		
	Actual Count	Per Pupil Revenue	Funding	Actual Count	Per Pupil Revenue	Funding
Harrison	45.0	\$6,791	\$152,795	51.5	\$7,032	\$181,068
Widefield	57.0	6,279	178,950	104.5	6,530	341,180
Fountain	300.0	6,279	941,844	343.5	6,530	1,121,486
Colorado Springs	54.5	6,509	177,383	88.0	6,740	296,579
Academy 20	76.0	6,285	238,825	66.5	6,530	217,115
Falcon	41.0	6,279	128,719	52.0	6,530	169,774
Total	2,580.5		1,818,517	2,714.0		2,327,202

The FY 2008-09 Long Bill included an appropriation of \$1,818,517 General Fund for this program based on the amount districts were eligible to receive in FY 2007-08. The Department submitted a supplemental request and budget amendment in January to eliminate funding for this program in

FY 2008-09 and FY 2009-10. The Committee approved this request, and introduced a supplemental bill (S.B. 09-185) to eliminate this line item for FY 2008-09. This funding was restored in the Senate, offset by a one-time transfer from the Hazardous Substance Response Fund.

Based on information submitted by school districts, the Department provided staff with data indicating that six districts were eligible to receive up to a total of \$2,327,202 in FY 2008-09. Section 22-54-128 (7), C.R.S., indicates that funding for the program is "subject to available appropriations". As the appropriation remains at \$1,818,517, the Department will reduce each district's funding proportionately.

In light of the revenue shortfall, **staff recommends that the Committee approve the request to eliminate this line item for FY 2009-10.** Please note that these districts do receive funding for students who enroll after the October pupil count in the following school year (if the student remains in school). In addition, please note that H.B. 08-1317 directed the Governor to enter into a compact on educational opportunity for military children with other states to remove barriers to educational success due to moves and deployment of their parents. This act created the Interstate Commission on Educational Opportunity for Military Children to administer the compact and facilitate interstate activities. Finally, this act appropriated \$32,185 cash funds from the State Education Fund to the Department for FY 2008-09 to cover the costs of membership to the new Commission.

Alternatively, the Committee could choose to partially fund this line item for FY 2009-10. Staff has provided various funding level alternatives for the Committee's consideration in the following table. The FY 2008-09 appropriation provides 78.1 percent of the maximum amount of funding districts are eligible to receive.

Military Dependent Supplemental Pupil Enrollment Aid	
Percent of Estimated Maximum Funding	FY 2009-10 General Fund Appropriation
10.0%	\$232,720
25.0%	581,801
50.0%	1,163,601
75.0%	1,745,402
100.0%	2,327,202

Hold-harmless Full-day Kindergarten Funding

House Bill 08-1388 added 300 half-day preschool slots for the Colorado Preschool and Kindergarten Program" (renamed the Colorado Preschool Program or CPP) for FY 2008-09, for a total of 20,160. This act eliminated the option for districts to provide a full day of kindergarten to children through the CPP. For those districts that had previously elected to use CPP slots to provide full-day kindergarten, this act included a "hold harmless" provision. Thus, these 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. An appropriation from the State Education Fund (\$7,356,409) was provided for FY 2008-09.

The Department has provided data indicating that this line item will require \$7,705,498 for FY 2009-10. Appendix B details the school districts that receive additional funding through this line item, along with the estimated payments for FY 2009-10. **Staff recommends including an appropriation of \$7,705,498 cash funds from the State Education Fund in the FY 2009-10 Long Bill based on current law.**

- **However**, in light of the State revenue shortfall and the near-term projected insolvency of the State Education Fund, **staff recommends that the Committee introduce legislation to modify this hold-harmless funding, beginning in FY 2009-10.** Of the 60 districts receiving funding through this line item, 30 are currently are projected to receive supplemental kindergarten funding that will support more FTE than the district previously supported using CPP slots; for the remaining 30 districts, supplemental kindergarten funding is projected to support fewer FTE than the district previously supported using CPP slots. **Staff recommends modifying the hold harmless funding provision, limiting funding to simply ensure that these districts receive sufficient funding to provide full-day kindergarten programs to the same number of kindergarten students that were supported through CPP funding in FY 2007-08.** This proposal would reduce hold harmless funding by \$6,654,889 for FY 2009-10 (from \$7,705,498 to \$1,050,609).

For example, Adams - Commerce City is anticipated to have 652 kindergarten students in FY 2009-10. This district previously utilized CPP slots to provide full-day kindergarten for 111 students (17 percent). Under current law, this district is anticipated to receive the following for FY 2009-10:

- CPP funding for 600 preschool students (approximately 92 percent of students entering kindergarten the following school year);
- half-day kindergarten funding for all 652 students;
- supplemental kindergarten funding to provide full-day kindergarten for 104 students; and
- hold harmless funding to provide full-day kindergarten for another 93 students.

Staff's recommendation would reduce the additional funding for full-day kindergarten from a level that supports 197 students (30 percent of kindergarten students) to a level that supports 104 students (16 percent of students). The district would then receive hold harmless funding to provide full-day kindergarten for seven students, so that the district is able to provide full-day kindergarten for the same number of students as in FY 2007-08 (111).

Aid for Declining Enrollment Districts with New Charter Schools

House Bill 06-1375 included a provision that provides additional state aid for school districts with declining enrollment for the first year of operation of a new charter school [see Section 22-54-126, C.R.S.]. The act included an appropriation totaling \$1,283,377, including \$1,000,000 from the State Education Fund and \$283,377 General Fund, for such purpose. Subsequently, S.B. 07-199 set a \$300,000 cap for the total amount of aid that a declining enrollment district in which a new district charter school opens may receive in the fiscal year in which the new charter school opens.

The General Assembly did not appropriate any funds for this purpose for FY 2007-08 or FY 2008-09, and the Department has not requested any funding for this purpose for FY 2009-10. **Staff recommends approving the request for \$0.**

LONG BILL FOOTNOTES

Staff recommends continuing the following footnote, as amended:

- 6 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding** -- The minimum state aid for fiscal year ~~2008-09~~ 2009-10 is established at ~~\$119.01~~ \$96.37 per student.

The Public School Finance Act of 1994 indicates that “no district shall receive less in state aid than an amount established by the general assembly in the annual general appropriation act based upon the amount of school lands and mineral lease moneys received pursuant to the provisions of article 41 of [Title 22] and section 34-63-102 (2), C.R.S., multiplied by the district's funded pupil count” [see Section 22-54-106 (1) (b), C.R.S.]. [Please note that this is different than the *minimum per pupil funding* referenced in Section 22-54-104 (2) (a), C.R.S.]

The minimum per pupil state aid amount identified in this footnote is used by both the Department of Education and Legislative Council staff in calculating the amount of state aid for which each district is eligible based upon annual public school finance legislation. Staff calculated the *minimum per pupil state aid* for FY 2009-10 as follows:

Interest/investment earnings on the Public School Fund that are credited to the State Public School Fund	\$0
Rental income earned on state public school lands that is credited to the State Public School Fund	11,000,000
Mineral lease moneys allocated to State Public School Fund	<u>65,000,000</u>
Total estimated revenues	\$76,000,000
Divided by: Projected statewide funded pupil count (Long Bill)	<u>788,648.3</u>
Minimum per pupil state aid	\$96.37

Pursuant to H.B. 08-1335, interest and investment income earned on the Public School ("Permanent") Fund is no longer credited to the State Public School Fund. Thus, staff has reflected \$0 from this funding source above. Further, pursuant to S.B. 08-218, the amount of federal mineral lease revenues credited to the State Public School Fund is now capped; the applicable cap for FY 2009-10 is \$65.0 million.

Finally, please note that staff has included rental income that is earned on state public school lands in the above calculation for a number of years. Staff notes that the statutory provision concerning minimum per pupil state aid does not reference the statutory section that allocates (up to \$11 million in) rental income earned on state public school lands to the State Public Income Fund [Section 36-1-116, C.R.S.]. However, given that the above statutory provision references "school lands and mineral lease moneys", staff assumes that it is appropriate to continue to include the rental income earned on state public school lands that is available for appropriation.

Staff recommends adding the following footnote:

N 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 2009-10, 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.

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 study that will be conducted in 2009 will impact funding requirements for FY 2010-11 and FY 2011-12. Under current law, the costs of the study are supported by "off-the-top" funding from the State Share. The Legislative section of the FY 2009-10 Long Bill will include spending authority for the Legislative Council Staff to receive and spend these moneys.

Staff recommends continuing the following request for information, as amended:

Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding -- The Department is requested to provide to the Joint Budget Committee, on or before November 1, ~~2008~~, 2009, information concerning the Colorado Preschool ~~and Kindergarten~~ Program. The information provided is requested to include the following for fiscal year ~~2007-08~~ 2008-09: (a) data reflecting the ratio of the total funded pupil count for the Program to the total funded pupil count for kindergarten; (b) data indicating the number of three-year-old children who participated in the Program; (c) data indicating the number of children who participated in the Program for a full-day rather than a half-day; (d) ~~data indicating the number of Program FTE used to provide a full-day kindergarten~~

component; and (e) (d) the state and local shares of total program funding that is attributable to the Program.

(2) ASSISTANCE TO PUBLIC SCHOOLS

(B) Categorical Programs

Description / Constitutional Funding Requirement. Programs designed to serve particular groups of students (e.g., students with limited proficiency in English) or particular student needs (e.g., transportation) have traditionally been referred to as "categorical" programs. Unlike public school finance funding, there is no legal requirement that the General Assembly increase funding commensurate with the number of students eligible for any particular categorical program. However, Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase *total state funding* for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, based on the actual inflation rate for calendar year 2008 (3.9 percent), the General Assembly is required to increase state funding for categorical programs by at least \$10.7 million (4.9 percent) for FY 2009-10.

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

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

Pursuant to Section 22-55-107 (3), C.R.S., for FY 2008-09 budget year and each budget year thereafter, on or before February 15, "the education committees of the house of representatives and senate, or any successor committees, may submit to the joint budget committee of the general assembly a joint recommendation regarding the allocation of the increase in total state funding for

all categorical programs as required by subsection (1) of this section for the next budget year. The joint budget committee shall consider but shall not be bound by any joint recommendations made pursuant to this subsection (3) when developing the annual general appropriation bill for the budget year for which the joint recommendation is made". However, staff is not aware of any recommendations made by either Committee.

A description of each categorical program line item is provided below, including a description of the funds available -- other than state funds -- for each program. A discussion and recommendations related to the constitutionally required funding increase for this group of programs for FY 2009-10 follows, with the recommended allocations summarized on page 42.

(I) District Programs Required by Statute

Special Education - Children with Disabilities. Pursuant to the federal *Individuals with Disabilities Education Act (IDEA)* and the state *Exceptional Children's Educational Act* [Article 20 of Title 22, C.R.S.], school districts are required to provide free educational services to children, ages three to 21, who by reason of one or more conditions are unable to receive reasonable benefit from ordinary educational services. Districts are also required to provide free educational services to children "whose presence in the ordinary educational program is detrimental to the education of others and who must therefore receive modified or supplementary assistance and services in order to function and learn". Services provided must be individualized and appropriate for the specific needs of the child, and, to the extent possible, be provided in the least restrictive environment. Federal and state law require administrative units (usually a school district or a board of cooperative service) to provide all necessary services to children identified as having a disability regardless of the cost or other district needs and priorities.

In addition to total program funds districts receive to provide educational services to children with disabilities (including three- and four-year-old children⁷), districts are statutorily eligible to receive reimbursement for additional costs incurred in providing educational services to school-age children with disabilities. These reimbursements are subject to available appropriations. For FY 2007-08, the Department allocated the following amounts to administrative units and state-operated programs:

State Funding	\$ 117,119,975
Federal IDEA, Part B Grant	127,206,476
Federal IDEA, Part B, Section 619 Grant (Preschool)	<u>3,726,919</u>
Total: SFY 2007-08	248,053,370

Federal funds are generally allocated based on the total number of elementary and secondary students within the boundaries of each administrative unit, with a portion of the funding allocated based on the number of children living in poverty.

⁷ Pursuant to Section 22-54-103(10)(d), C.R.S., three- and four-year-old children with disabilities are counted as half-day pupils.

Pursuant to Sections 22-20-114 and 114.5, C.R.S., the Department allocated *state funds* among units as follows:

- "Tier A": Administrative units received **\$1,250 for each child with a disability** who was reported on the December 2006 (prior year) special education count. In FY 2007-08, a total of \$104.0 million was allocated for a total of 83,226 children.
- "Tier B": Administrative units received an additional **\$6,000 per student for a percentage of the children** reported on the December 2006 count **with the following disabilities**: significant limited intellectual capacity, significant identifiable emotional disability, hearing disability, vision disability, deaf-blind, autism, traumatic brain injury, and multiple disabilities. The percentage is determined by the appropriation. For FY 2007-08, \$13.1 million in state funding covered 2,198 (11.8 percent) of the 18,520 eligible children.
- "Tier C": Administrative units received **grants for reimbursement of high costs** incurred in providing special education services to a child in the preceding fiscal year (e.g., costs incurred for one student in excess of \$25,000). These grants were distributed based on recommendations from the Colorado Special Education Fiscal Advisory Committee, taking into consideration the magnitude of the high costs incurred by a unit in relation to its budget. For FY 2007-08, \$2.0 million was allocated for this purpose. Beginning in FY 2008-09, a total of \$4.0 million will be allocated for this purpose, including \$2 million for costs incurred to serve students within the school district, and \$2 million for costs incurred to serve students outside the district.
- "Child Find": Administrative units receive funds to offset the costs incurred in conducting **child find activities under Part C of IDEA** for children who are less than three years of age (e.g., screening and evaluation of children with disabilities from birth through two years of age). For FY 2007-08, \$2,200,000 was allocated among units based on the number of children under age three who were evaluated by the unit in FY 2005-06. The total dollar amount allocated for this purpose increases each year based on the lesser of the rate of inflation or the annual percentage change in state funding for special education services, and the number of children evaluated by administrative units in the preceding budget year.
- "Educational Orphans": Up to \$500,000 is used to reimburse administrative units for **excess costs paid to eligible facilities** within the unit's boundaries for "**educational orphans**", those students with disabilities: (a) for whom parental rights have been relinquished or terminated; (b) the parents of whom are incarcerated or cannot be located; (c) the parents of whom reside out of the state but the Department of Human Services has placed such children within the administrative unit; or (d) who are legally emancipated. For FY 2007-08, these costs totaled \$707,344; 15 administrative units thus received reimbursement for about 71 percent of the costs incurred.

The Department's \$281.0 million request represents a .05 percent increase in state funding when compared to the FY 2008-09 appropriation. Please note that this request is predicated on a statutory change to eliminate the \$2 million that was added in FY 2008-09 for high cost grants. The Department's request includes \$71.6 million General Fund, \$56.5 million from the State Education Fund, and \$101,812 reappropriated funds and 0.5 FTE funded from a transfer from the Department of Human Services, Division of Vocational Rehabilitation. The request also includes \$152.7 million in federal funds that are anticipated to be available to reimburse administrative units and support 64.0 federally-funded Department FTE.

Staff recommends appropriating a total of \$377,620,446 and 64.5 FTE for FY 2009-10. This recommendation includes no change in either the General Fund or State Education Fund appropriations, the requested increase in reappropriated funds, and \$250,156,509 in federal funds. Colorado is anticipated to receive a total of \$154,012,026 federal IDEA Part B funds pursuant to the American Recovery and Reinvestment Act (ARRA). Staff's recommendation includes 12/19 of this additional amount, assuming that moneys will be expended evenly from March 2009 through September 2010. **Given the magnitude of the increase in federal funding, staff is not recommending any increase in state funding for FY 2009-10.**

English Language Proficiency Program. Pursuant to the federal *No Child Left Behind Act* [Title III - Language Instruction for Limited English Proficient and Immigrant Students], the federal *Civil Rights Act of 1964* [Title VI], and the English Language Proficiency Act [Article 24 of Title 22, C.R.S.], districts are required to identify and provide programs for students whose dominant language is not English. The Department previously provided data detailing the number of students eligible for state funding as well as the number receiving English language learner (ELL) services who are not eligible for state funding, by grade level. This data indicated that the largest numbers of students are receiving ELL services in preschool through third grade (46 percent).

Some federal funding is available for such programs (an estimated \$11.3 million for FY 2008-09), and the State provides assistance to districts through two mechanisms. First, districts receive "at-risk" funding through the School Finance Act for students whose dominant language is not English. Second, districts receive funding through the English Language Proficiency Act (ELPA) for students whose dominant language is not English. This ELPA funding, however, is limited to a maximum of two years per student.

The Department is required to allocate state funding in two parts:

- Three-quarters of the amount appropriated is to be used to provide funding to districts serving students who: (a) speak languages other than English and do not comprehend or speak English; or (b) students who comprehend or speak limited English, but whose predominant language is not English. Annual per eligible student funding for these types of students may not exceed \$400 or 20 percent of the state average per pupil operating revenues for the preceding year, whichever is greater.

- The remaining 25 percent of the appropriated is to be distributed to districts that serve students whose dominant language is difficult to determine as they speak and comprehend limited English and at least one other language. Annual per eligible student funding for these types of students may not exceed \$200 or 10 percent of the state average per pupil operating revenues for the preceding year, whichever is greater.

The Department's \$21.6 million request represents an 8.7 percent increase in total funding. The Department's request includes \$3.1 million General Fund, and \$7.2 million from the State Education Fund. The request also includes \$11.3 million in federal funds that are anticipated to be available and would support 4.6 FTE.

Staff recommends approving the Department's request with respect to federal funds and Department staff. As described more fully at the end of this section, staff's recommendation includes a \$3.5 million increase in state funding.

(II) Other Categorical Programs

Public School Transportation. Pursuant to Section 22-32-113, C.R.S., a school district may provide transportation for students to and from school. However, a school district must provide transportation for students who fall under the federal *Individuals with Disabilities Education Act* or Section 504 of the federal *Rehabilitation Act of 1973*, as well as homeless students. The Department indicates that with the exception of one district (San Juan - Silverton), all districts provide transportation services. Statewide, over 40 percent of students are transported. School districts employ a fleet of over 6,200 buses and small vehicles traveling approximately 50 million miles each year.

State funding is provided to reimburse school districts for a portion of the costs incurred to transport students. Pursuant to Section 22-51-104, C.R.S., and subject to available appropriations, each district is eligible to receive reimbursement equal to \$0.3787 per-mile-traveled plus 33.87 percent of its total transportation-related costs (excluding capital outlay expenses) in excess of the per-mile-traveled reimbursement. Districts are authorized to generate additional local revenues to support their transportation programs via an additional mill levy or a transportation user fee. While voter approval is required to levy additional taxes, as of FY 2005-06, a district is allowed to impose a user fee without prior voter approval. Six districts have received voter approval to levy separate mills to generate additional local revenues⁸, but no district has imposed a separate user fee. In years when the appropriation does not fully fund the maximum allowable reimbursement, the Department prorates reimbursements accordingly.

The Department's \$49.9 million request includes \$36.9 million General Fund, \$12.6 million from the State Education Fund, and \$450,000 cash funds exempt from the State Public School

⁸ Districts include: Eagle, Gilpin, Grand - West Grand, Rio Blanco - Rangely, San Miguel - Telluride, and Summit.

Transportation Fund. The latter fund consists of moneys that are recovered by the Department when it identifies a transportation-related overpayment to a district. The requested appropriation from this fund would allow the Department to re-distribute moneys that are recovered in the current fiscal year in FY 2009-10. **Staff recommends approving the Department's request with respect to the State Public School Transportation Fund, as well as the funding to support the 2.0 FTE who administer this program. As described more fully at the end of this section, staff's recommendation includes a \$3.8 million increase in state funding**

Summary of Recommendation: Categorical Programs, Public School Transportation					
Description	Total Funds	General Fund	Cash Funds	Reapp. Funds	FTE
Personal services portion of FY 08-09 Long Bill appropriation	\$144,123	\$144,123	\$0	\$0	2.0
Salary survey awarded in FY 08-09	4,236	4,236	0	0	0.0
80% of Performance-based pay awarded in FY 08-09	1,494	1,494	0	0	0.0
Fund source adjustment	0	(5,730)	5,730	0	0.0
Base reduction (0.0% for lines with 20.0+ FTE)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Subtotal: Personal Services	149,853	144,123	5,730	0	2.0
Operating and travel expenses portion of FY 08-09 Long Bill appropriation	39,093	39,093	0	0	
Spending authority from Public School Transportation Fund	450,000	0	450,000	0	
Distributions to districts portion of FY 08-09 Long Bill appropriation	45,225,626	37,896,385	7,329,241	0	
FY 2008-09 Supplemental	0	(1,157,374)	1,157,374	0	
Increase in distributions	<u>3,795,066</u>	<u>0</u>	<u>3,795,066</u>	<u>0</u>	
Subtotal: Distributions	49,020,692	36,739,011	12,281,681	0	
Recommended FY 09-10 appropriation	49,659,638	36,922,227	12,737,411	0	2.0

Transfer to the Department of Higher Education for Distribution of State Assistance for Vocational Education. The State Board for Community Colleges and Occupational Education is responsible for approving vocational education programs, as well as distributing state funds to school districts with students enrolled in approved vocational education programs.

The state funds appropriated pursuant to the Colorado Vocational Act are distributed to school districts to partially reimburse related personnel, books and supplies, and equipment for approved programs. Specifically, state funding is available to a district if its approved vocational education program cost per full-time equivalent student exceeds 70 percent of the district's per pupil operating

revenues for the same fiscal year. A district is eligible to receive reimbursement for 80 percent of the first \$1,250 in "excess costs" incurred, and 50 percent of any excess costs above \$1,250.

Each participating district is required to estimate program costs and enrollments at the beginning of each school year, and actual cost data at the end of the school year. Districts receive funding quarterly based on such estimated figures. Any difference between a district's estimated and actual costs is added or subtracted from the first quarterly payment in the following fiscal year. If the appropriation is insufficient to fully fund the amount districts are eligible to receive, the Department of Higher Education prorates distributions accordingly.

The Department's \$22.4 million request includes \$18.3 million General Fund and \$4.1 million from the State Education Fund. **As described more fully at the end of this section, staff's recommendation includes a \$1.5 million increase in state funding**

Special Education - Gifted and Talented Children. The state *Exceptional Children's Educational Act* defines gifted students as those whose "abilities, talents, and potential for accomplishments are so outstanding that they require special provisions to meet their educational needs" [see Section 22-20-103 (3.7), C.R.S.]. Unlike providing educational services for children with disabilities, Colorado school districts are not required to provide special educational services for gifted and talented children. Pursuant to Section 22-20-104.5, C.R.S., however, each administrative unit is required to adopt and implement a program to identify and serve gifted children; the plan is to be implemented "to the extent that funds are provided for the implementation". Funding that is provided by the state for gifted and talented programs are to supplement, not supplant, programs for students with disabilities.

State distributions may be used for teacher salaries, staff training and development, and activities, materials and equipment associated with the education of gifted students. In order to receive funding, a district or board of cooperative service must submit a complete and thorough plan for gifted and talented education programming. The Department has established a formula for distributing funds that allocates funds on a per-student basis, while ensuring that each administrative unit receives the same base amount of funding each year (based on FY 2002-03 funding levels). Another \$500,000 is used to support ten gifted education regional consultants and professional development.

The Department's \$8.7 million request includes \$5.5 million General Fund and \$3.2 million from the State Education Fund. **As described more fully at the end of this section, staff's recommendation includes a \$607,021 increase in state funding**

Expelled and At-risk Student Services Grant Program. This program, first funded in FY 1997-98, provides grants to school districts, to boards of cooperative services, to charter schools, to alternative schools within school districts, to nonpublic, nonparochial schools, and to pilot schools (established pursuant to Section 22-38-101 et seq., C.R.S.) for the provision of educational services to expelled students and to students at risk of being suspended or expelled. The Department

evaluates grant applications received, and the State Board of Education approves annual grant awards. The Department places strong emphasis on research-validated programs and strategies, and programs are required to show significant district support for program sustain ability after grant funding ends. The Board is required to award at least 45 percent of the moneys to applicants who provide educational services to students from more than one school district. The Department awards grants on a rolling basis (i.e., when one grant is completed, the funding is reallocated to fund a new award).

The Department requests a total of \$6,843,560 for FY 2009-10 -- an increase of \$502,884 (7.9 percent). This request includes funding associated with 1.0 FTE that administers the program. **Staff recommends approving the request. In addition, staff recommends allocating an additional \$500,000 for grants. The purpose of this recommendation is to provide additional state funds that could be earmarked specifically for grants designed to encourage local school districts and judicial districts to work cooperatively and collaboratively to address the issue of truancy.** Staff intends to present to the Committee, in the next two weeks, a more complete, detailed proposal concerning truancy and the role of the courts and court-appointed counsel in such cases. The purpose of the proposal would be to encourage the implementation of best practices with respect to truancy, improve outcomes for children, and reduce state expenditures to the extent possible and appropriate. In the event that the Committee ultimately chooses not to move forward with such a proposal, staff would ensure that the Committee has an opportunity to reconsider the allocation of this additional \$500,000.

Summary of Recommendation: Categorical Programs, Expelled and At-risk Student Services Grant Program					
Description	Total Funds	General Fund	Cash Funds	Reapp. Funds	FTE
Personal services portion of FY 08-09 Long Bill appropriation	\$52,000	\$52,000	\$0	\$0	1.0
Salary survey awarded in FY 08-09	2,132	2,132	0	0	0.0
80% of Performance-based pay awarded in FY 08-09	752	752	0	0	0.0
Fund source adjustment	0	(2,884)	2,884	0	0.0
Base reduction (0.0% for lines with 20.0+ FTE)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Subtotal: Personal Services	54,884	52,000	2,884	0	1.0
Operating expenses portion of FY 08-09 Long Bill appropriation	500	500	0	0	

Summary of Recommendation: Categorical Programs, Expelled and At-risk Student Services Grant Program					
Description	Total Funds	General Fund	Cash Funds	Reapp. Funds	FTE
Grant awards portion of FY 08-09 Long Bill appropriation	6,288,176	5,791,812	496,364	0	
FY 2008-09 Supplemental	0	(55,505)	55,505	0	
Increase in grant awards	<u>1,000,000</u>	<u>0</u>	<u>1,000,000</u>	<u>0</u>	
Subtotal: Grant awards	7,288,676	5,736,807	1,551,869	0	0.0
Recommended FY 09-10 appropriation	7,343,560	5,788,807	1,554,753	0	1.0

Small Attendance Center Aid. Pursuant to Section 22-54-122, C.R.S., school districts that operate a school with fewer than 200 pupils that is located twenty or more miles from any similar school in the same district are eligible to receive additional state funding to offset the unique costs associated with operating such schools. The amount of additional state aid that a district is eligible to receive is based on the number of eligible schools it operates, the number of pupils in each eligible school, and the district's per pupil funding. Similar to other categorical programs, whether a school district eligible for Small Attendance Center Aid actually receives the maximum reimbursement allowable is subject to appropriation:

The general assembly shall appropriate annually an amount for small attendance center aid to be distributed pursuant to the formula in subsection (2) of this section. In the event the amount of money appropriated by the general assembly is less than the amount of aid authorized by this section to all districts, the amount to be distributed to each school district shall be in the same proportion as the amount that the appropriation bears to the total amount of aid for all districts. [Section 22-54-122 (3), C.R.S.]

From FY 1998-99 through FY 2007-08, the appropriation for this line item was sufficient to reimburse eligible districts for the full amount statutorily allowed. The FY 2008-09 appropriation falls \$16,046 (1.7 percent) short of full funding.

The Department requests \$943,333, which matches the existing FY 2008-09 appropriation. The General Assembly's practice has been to establish this appropriation for the next fiscal year based on the amount required to fully fund small attendance centers in the current fiscal year. Thus, **staff recommends appropriating \$959,379 for FY 2009-10, based on the amount required to fully fund small attendance centers in FY 2008-09.**

Comprehensive Health Education. The *Colorado Comprehensive Health Education Act of 1990* requires the Department of Education to promote the development and implementation of local comprehensive health education programs and local student wellness programs. The Department is to: develop recommended guideline for implementing these local programs; develop a plan for

training teachers to provide comprehensive health education and student wellness; and provide technical assistance upon the request of a school district or board of cooperative services (and within available resources).

This line item provides funding for grants to school districts, facility schools, and board of cooperative services to implement local comprehensive health education and student wellness programs, and for 1.0 FTE to administer the program and perform the duties required by the act. The Department of Education is to work with the Department of Public Health and Environment to review applications for state funding, and the State Board of Education is to allocate available funds. Fiscal year 2008-09 is the second year of a three-year grant cycle for comprehensive health education programs, and the first year of a three-year grant cycle for local student wellness programs.

House Bill 08-1224 added language to encourage school districts to expand their local wellness policies to adopt goals for several areas emphasizing healthy choices and lifestyles, including physical education, nutrition, and mental health counseling. House Bill 08-1224 also included a provision specifying that "in any budget year in which the amount of moneys available in the Colorado comprehensive health education fund...is equal to or less than the amount available for the 2007-08 budget year, the state board shall not allocate moneys to a local student wellness program"[see Section 22-25-105 (3) (c), C.R.S.]. This provision also indicates that in any fiscal year in which moneys available in the Comprehensive Health Education (CHE) Fund exceed the amount available in FY 2007-08, "the total amount of moneys that the state board may allocate to local student wellness programs shall not exceed the difference between the amount available in the fund in the applicable budget year and the amount available in the fund in the 2007-08 budget year"⁹.

In FY 2007-08, the General Assembly appropriated \$300,000 General Fund and \$300,000 from the CHE Fund. It is staff's understanding that the intent of the above language was to ensure that at least \$300,000 of grant funds would continue to be awarded for comprehensive health education programs. However, tying the threshold to moneys in the CHE Fund, rather than total annual funding, makes this provision difficult and more complicated to implement than is necessary.

☛ **Staff recommends that the Committee sponsor legislation** (or work with the sponsors of the annual school finance act to include such a provision) **to clarify the language added by H.B. 08-1224 concerning the portion of grant funding allocated for student wellness programs.** It appears that the intent of this provision was to ensure that at least \$300,000 continues to be available each fiscal year for local comprehensive health education programs. Staff thus recommends the following amendments to Section 22-25-105 (3), C.R.S.:

"(b) If ~~moneys are not available in the Colorado comprehensive health education fund~~ THE ANNUAL APPROPRIATION FOR COMPREHENSIVE HEALTH EDUCATION IS NOT sufficient to fund programs in every school district, the department may establish pilot programs for school districts that express an interest in developing or expanding

⁹ This bill was not heard in either of the Appropriations Committees.

a local comprehensive health education program or one or more components of a local student wellness program, that include and are coordinated with health education, and in which there is a need for a program.

~~(c) (I) Notwithstanding any provision of this section to the contrary, in any budget year in which the amount of moneys available in the Colorado comprehensive health education fund, created in section 22-25-109, is equal to or less than the amount available for the 2007-08 budget year, AND SUBJECT TO ANNUAL APPROPRIATIONS, the state board shall not ANNUALLY allocate AT LEAST THREE HUNDRED THOUSAND DOLLARS moneys to a local student wellness program. TO ONE OR MORE LOCAL COMPREHENSIVE HEALTH EDUCATION PROGRAMS.~~

~~(II) In any budget year in which the amount of moneys available in the Colorado comprehensive health education fund exceeds the amount available for the 2007-08 budget year, the total amount of moneys that the state board may allocate to local student wellness programs shall not exceed the difference between the amount available in the fund in the applicable budget year and the amount available in the fund in the 2007-08 budget year."~~

Department Request. **The Department requests an appropriation totaling \$1,005,396, including \$705,396 from the State Education Fund and \$300,000 from the CHE Fund.** This request includes an increase of \$300,000 for grants. The Department indicates that this request is designed to address some health-related factors and conditions that correlate with academic achievement. The Department indicates that for FY 2008-09, grant applications were received totaling \$600,000 for student health education programs, and \$800,000 for student wellness programs. The Department has awarded \$300,000 for the former, and \$259,270 for the latter. Remaining moneys will be expended for training and administrative costs.

Staff Recommendation. **Staff recommends approving the request, with one exception.** The CHE Fund consists of fifty percent of any moneys that were appropriated from the State Public School Fund and were not spent (i.e., half of any reversions of appropriations for total program), as well as any gifts, grants, and donations. The revenues to this fund are unpredictable. The Committee recently approved a request to adjust the fund sources for this line item, increasing the appropriation from the CHE Fund to \$600,000. Given the shortfall in state funding for districts' total program funding in the current fiscal year, no funds will be transferred to the CHE Fund this year. Following the approved refinance, the CHE fund is only projected to have a balance of \$216,222 at the end of FY 2008-09. Thus, **staff recommends appropriating only \$200,000 from the CHE Fund for FY 2009-10, and appropriating the balance (\$805,396) from the State Education Fund.**

Summary of Recommendation: Categorical Programs, Comprehensive Health Education Program					
Description	Total Funds	General Fund	Cash Funds	Reapp. Funds	FTE
Personal services portion of FY 08-09 Long Bill appropriation	\$103,946	\$0	\$103,946	\$0	1.0
Eliminate funding related to health, life, and dental benefits (included in central line item)	(7,625)	0	(7,625)	0	0.0
Salary survey awarded in FY 08-09	0	0	0	0	0.0
80% of Performance-based pay awarded in FY 08-09	0	0	0	0	0.0
Base reduction (0.0% for lines with 20.0+ FTE)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Subtotal: Personal Services	96,321	0	96,321	0	1.0
Operating and travel expenses portion of FY 08-09 Long Bill appropriation	1,450	0	1,450	0	
Grant awards and training portion of FY 08-09 Long Bill appropriation	600,000	100,000	500,000	0	
FY 2008-09 Supplemental	0	(100,000)	100,000	0	
Increase in grant awards	<u>307,625</u>	<u>0</u>	<u>307,625</u>	<u>0</u>	
Subtotal: Grant awards	907,625	0	907,625	0	
Recommended FY 09-10 appropriation	1,005,396	0	1,005,396	0	1.0

Allocation of Required Funding Increase for FY 2008-09. As noted earlier, Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation plus one percent for FY 2009-10. The Department's request for FY 2009-10 includes an \$8.3 million increase, based on a projected 3.7 percent inflation rate (and assuming that state funding for Special Education for Children With Disabilities is decreased by \$2 million by eliminating the "extra" amount added in FY 2008-09).

Based on an actual inflation rate of 3.9 percent for CY 2008, the General Assembly is required to provide an additional \$10,752,609 state funds for categorical programs for FY 2009-10. In December 2006, staff recommended that the Committee consider at least four factors when allocating state funds among categorical programs:

1. Are districts statutorily required to provide the services?
2. If the program has a statutory reimbursement formula, how close does state funding come to the maximum statutory reimbursement?
3. What percent of districts' actual expenditures are covered by state and federal funds?

4. Are districts' expenditures for providing the service proportionate, or are certain districts impacted significantly more than others?

Staff has continued to provide the Committee with updated information related to each of these factors annually (see Appendix C-3 through C-7 in staff's December 9, 2009 Briefing document).

Overall, staff's recommendation is based on the actual inflation rate for CY 2008 of 3.9 percent. Consistent with Committee action on FY 2008-09 supplemental requests, staff's recommendation assumes that the "extra" \$2 million added for Special Education - Children with Disabilities and the \$200,000 added for Special Education - Gifted and Talented Children through H.B. 08-1388 will remain in place. Consistent with Committee action on the FY 2008-09 supplemental request, **staff recommends maintaining General Fund appropriations at current levels and providing the required increase in state funding from the State Education Fund. Staff's recommendation includes the following changes in state funding:**

- **Maintain state funding for Special Education - Children with Disabilities at current levels (as discussed in the narrative for this program).**
- **Add \$1,000,000 for Expelled and At-risk Student Services Grant Program grants.**
- **Fully fund Small Attendance Center Aid (requiring an estimated increase of \$16,046).**
- **Approve the request to add \$300,000 for comprehensive health education and student wellness program grants.**
- **Allocate the remaining required increase among English language proficiency, transportation, vocational education, and services for gifted and talented children based on the gaps between the sum of state and federal funding, and actual district expenditures.**

On the next page, staff has provided a table summarizing the allocation recommended by staff, the allocation requested by the Department, as well as two other options for discussion purposes.

Required Increase in <i>State</i> Funding for Categorical Programs for FY 2009-10									
Long Bill Line Item	FY 08-09 Approp.	Examples of Options for Allocating Required Increase							
		A: Staff Recomm.	%	B: OSPB Request	%	C	%	D	%
Special education - children with disabilities	\$127,362,125	\$0	0.0%	\$667,440	2.1%	\$7,057,008	5.5%	\$6,267,688	4.9%
English language proficiency program	8,612,057	3,509,143	40.7%	1,727,877	20.1%	477,185	5.5%	423,813	4.9%
Public school transportation	45,408,842	3,800,796	8.4%	4,072,695	9.0%	1,770,945	3.9%	2,234,640	4.9%
Colorado Vocational Act distributions	21,672,472	1,516,719	7.0%	746,822	3.4%	845,226	3.9%	1,066,536	4.9%
Special education - gifted and talented children	8,396,099	607,021	7.2%	298,893	3.6%	327,448	3.9%	413,185	4.9%
Expelled and at-risk student services grant program	6,340,676	1,002,884	15.8%	500,000	7.9%	247,286	3.9%	312,034	4.9%
Small attendance center aid	943,333	16,046	1.7%	0	0.0%	0	0.0%	0	0.0%
Comprehensive health education	705,396	300,000	42.5%	300,000	42.5%	27,510	3.9%	34,714	4.9%
Totals (may not sum due to rounding)	219,441,000	10,752,609	4.9%	8,313,727	4.9%	10,752,609	4.9%	10,752,609	4.9%

Description of Potential Allocation Options:

A: Staff recommendation (described on page 41)

B: Official request submitted through the Office of State Planning and Budgeting.

C: Provide a 5.5 percent increase for services for children with disabilities and English language proficiency programs, and a 3.9 percent increase for all other programs except Small attendance center aid.

D: Provide the same percent increase to all programs except small attendance center aid.

REQUESTS FOR INFORMATION

Staff recommends continuing the following request for information, as amended:

Department of Education, Assistance to Public Schools, Categorical Programs; and Department of Higher Education, Division of Occupational Education, Colorado Vocational Act Distributions pursuant to Section 23-8-102, C.R.S. -- The Department of Education is requested to work with the Department of Higher Education and to provide to the Joint Budget Committee information concerning the distribution of state funds available for each categorical program, excluding grant programs. The information for special education - children with disabilities, English language proficiency programs, public school transportation, Colorado Vocational Act distributions, and small attendance center aid is requested to include the following: (a) a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year ~~2007-08~~ 2008-09 and the maximum allowable distribution pursuant to state law and/or State Board of Education rule; and (b) a comparison of the state and federal funding distributed to each district or administrative unit for each program in fiscal year ~~2006-07~~ 2007-08 and actual district expenditures for each program. The information for special education services - gifted and talented children is requested to include a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year ~~2006-07~~ 2007-08 and actual district expenditures.

Comment: This is a request for information that allows staff to inform the Committee concerning the "adequacy" of existing funding for each program.

(2) ASSISTANCE TO PUBLIC SCHOOLS
(C) Grant Programs, Distributions, and Other Assistance

(II) Capital Construction

Background Information - H.B. 08-1335. In order to increase the amount and timeliness of state financial assistance for public school facility capital construction projects, this act replaced existing capital construction assistance programs with a new financial assistance program. The act created the Public School Capital Construction Assistance (PSCCA) Fund, and requires the following moneys to be credited to the PSCCA Fund beginning in FY 2008-09:

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

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

This act created the PSCCA Board and the Division of PSCCA within the Department of Education. The PSCCA Board is required to: (a) establish public school facility construction guidelines for use in assessing and prioritizing public school capital construction needs; (b) conduct or contract for a financial assistance priority assessment of public school facilities throughout the state; (c) prioritize financial assistance applications for eligible public school facility capital construction projects based on specified criteria; and (d) annually submit a prioritized list of projects recommended for financial assistance to the State Board.

Subject to State Board authorization, the PSCCA Board may provide financial assistance to applicants as matching grants or by instructing the State Treasurer to enter into lease-purchase agreements on behalf of the State to finance public school facility capital construction. The total amount of annual lease payments payable by the State in any fiscal year are limited. Finally, the act requires continued payment of specified capital construction assistance awarded to school districts or charter schools prior to the end of FY 2007-08.

Actions to Date. Seventy-one applications requesting approximately \$128 million were received on January 26, 2009. The PSCCA Board reviewed the applications on February 24 and developed a prioritized list of projects which has been submitted to the State Board of Education for approval at the March State Board meeting (see Appendix C). The list includes eleven projects recommended to receive \$76.5 million in state funding; this amount would be matched by \$22.0 million in local funds. Three of the 11 projects, totaling \$82.3 million, are recommended to be funded through the sale of COPs. These projects would be financed with \$62.6 million in state funds and \$19.7 million in local funds; the matching funds for these three school districts (Alamosa - Alamosa, Alamosa - Sangre de Cristo, and Rio Grande - Sargent) are in place.

Public School Capital Construction Assistance Board - Lease Payments. This line item provides spending authority to make lease payments as required by lease-purchase agreements. Pursuant to Section 22-43.7-110, C.R.S., the maximum *total* amount of annual lease payments payable by the State during FY 2009-10, under the terms of all outstanding lease-purchase agreements entered into by the State Treasurer as instructed by the PSCCA Board, is limited to \$40.0 million. The State portion of funding required to make lease payments may not exceed 50 percent of the maximum total annual lease payments (i.e., \$20 million for FY 2009-10). Further, pursuant to Section 22-43.7-104 (3), C.R.S., the use of any PSCCA Fund moneys to make lease payments required by lease-purchase agreements entered into shall be subject to annual appropriation by the General Assembly. **Staff thus recommends approving the request to appropriate \$20,000,000 from the PSCCA Fund for the purpose of making lease payments for FY 2009-10.**

Division of Public School Capital Construction Assistance. This line item supports the PSCCA Board and the Division of PSCCA. The Department requests \$913,592 cash funds from the PSCCA Fund and 9.0 FTE for FY 2009-10. **Staff recommends appropriating \$921,702 cash funds from the PSCCA Fund and 9.0 FTE.** The additional 4.0 FTE, anticipated in the Legislative Council Staff Fiscal Note for H.B. 08-1335, will assist the Division in fulfilling its duties to ensure that state financial assistance is provided for public schools in an equitable, efficient, and effective manner.

The following table details the calculations underlying staff's recommendation.

Summary of Recommendation: Division of Public School Capital Construction Assistance					
Description	Total Funds	General Fund	Cash Funds	Reapp. Funds	FTE
Personal services portion of FY 08-09 appropriation (in H.B. 08-1335)*	\$463,826	\$0	\$463,826	\$0	5.0
Additional staff anticipated in Legislative Council Staff Fiscal Note	<u>348,192</u>	<u>0</u>	<u>348,192</u>	<u>0</u>	<u>4.0</u>
Subtotal: Personal Services	812,018	0	812,018	0	9.0

Summary of Recommendation: Division of Public School Capital Construction Assistance					
Description	Total Funds	General Fund	Cash Funds	Reapp. Funds	FTE
Operating expenses, capital outlay, board expenses, legal services, and travel portion of FY 08-09 appropriation (in H.B. 08-1335)	73,719	0	73,719	0	
Elimination of one-time funding provided for FY 2009-10	(4,055)	0	(4,055)	0	
Add one-time funding associated with staff added in FY 2009-10	16,220	0	16,220	0	
Additional operating and travel anticipated in Legislative Council Staff Fiscal Note	<u>23,800</u>	<u>0</u>	<u>23,800</u>	<u>0</u>	
Subtotal: Operating, Board, and Legal Expenses	109,684	0	109,684	0	
Recommended FY 09-10 Appropriation	921,702	0	921,702	0	9.0

* This appropriation included a total of \$281,567 and 3.0 FTE existing resources.

Staff's recommendation is \$8,110 higher than the Department request (for reasons staff cannot explain), but it is consistent with the Legislative Council Staff Fiscal Note for H.B. 08-1335, dated June 20, 2008.

Financial Assistance Priority Assessment. This line item provides the one-time funding necessary to conduct the financial assistance priority assessment of public school facilities throughout the state as required by Section 22-43.7-108, C.R.S. Pursuant to Section 22-43.7-104 (3), C.R.S., subject to annual appropriation, the Department may expend moneys in the PSCCA Fund to pay the costs of contracting for the financial assistance priority assessment.

The Department has contracted with Parsons for the assessment. Parsons is a full-service assessment, engineering, project management, design and construction consultant with experience with large public school assessments. The field portion of the assessment is scheduled to begin March 9, 2009, with two pilot districts. The pilot districts will be assessed and the results analyzed by the Department before the full statewide assessment begins in April. The field work is scheduled to be completed in November 2009, and the project closed out in January 2010.

While the project was originally estimated to require \$12.3 million, the contract with Parsons totals \$11,379,648 and that amount has been encumbered. The balance of the \$12.3 million is being held as a contingency for any changes or unforeseen issues. Parsons has submitted information indicating that it will invoice \$4,450,000 and actually accomplish assessment work valued at \$5,650,000 in FY 2008-09 for completed assessment work. The Department intends to ensure that it only uses the FY 2008-09 appropriation to pay for work that is actually completed in FY 2008-09, so it will need spending authority for FY 2009-10. In order to ensure that the Department has sufficient spending authority to pay the contractor for work performed in FY 2009-10, **staff recommends appropriating \$7,850,000 from the PSCCA Fund for FY 2009-10.** This amount is consistent with

the amount the contractor anticipates invoicing after June 30, and it is roughly equivalent to 7/11 of the total contract costs (i.e., seven of the eleven months of work the contractor plans to complete will occur in FY 2009-10).

Full-day Kindergarten Facility Capital Construction Fund. House Bill 08-1388 included provisions creating a grant program to assist school districts with the facilities costs associated with expanding full-day kindergarten. This program was established in conjunction with additional state funding for the operational costs of such programs. Last Fall, following release of the September revenue forecast, the Governor put a freeze on this grant program. No moneys have been awarded or distributed. Senate Bill 09-185 eliminates funding for this program in FY 2008-09.

The Department does not request any funding for this program for FY 2009-10. Staff recommends approving the request.

School Capital Construction Expenditures Reserve Fund.

This fund was repealed through H.B. 08-1335.

School Construction and Renovation Fund.

This fund was repealed through H.B. 08-1335.

Charter School Capital Construction.

Background Information. Senate Bill 01-129 created a new program to distribute State Education Fund moneys to charter schools for capital construction, providing that certain "qualified" charter schools will receive a flat amount of funding per pupil for capital construction expenditures. The amount that each charter school received per pupil was originally calculated as 130 percent of the minimum per pupil capital reserve amount that each district is required to budget; for FY 2001-02, qualified charter schools received \$322 per pupil. Thus, the amount of funding required for charter school capital construction was originally required to increase each year based on the number of qualified charter schools, the number of pupils attending such schools, and inflationary increases in the minimum per pupil capital reserve amount.

Subsequently, the General Assembly adopted legislation which modified this program in two significant ways. First, the amount appropriated for the program is now specified in statute. Second, with the exception of a charter school that operates within a state facility, any charter school with capital construction costs is eligible to receive funding. Moneys appropriated each year are allocated among charter schools on a per pupil basis, except that any charter school operating in a school district facility that does not have ongoing financial obligations to repay the outstanding costs of new construction undertaken for the charter school's benefit receives one-half the amount per pupil that other charter schools received.

Appropriation for FY 2008-09. The FY 2008-09 Long Bill includes a \$5 million appropriation for charter school capital construction, as required by Section 22-54-124 (3) (a) (III) (A), C.R.S. In addition, H.B. 08-1388 included a provision that increased this requirement for FY 2008-09 only,

to \$10 million. This provision required that \$135,000 of the additional \$5 million be distributed to a charter school for the deaf and the blind.

Senate Bill S.B. 09-215, as introduced, reduced the FY 2008-09 appropriation from \$10,000,000 to \$5,135,000 (continuing to direct \$135,000 of this amount to the charter school for the deaf and blind). The Conference Committee on S.B. 09-215 recently voted to appropriate a total of \$6,635,000 for FY 2008-09. The following table provides a history of funding for charter school capital construction funding, along with the current law requirement for FY 2009-10.

State Funding for Charter School Capital Construction Costs		
Fiscal Year	Total Appropriation	Funding per Pupil for Schools Eligible for Funding <a>
2004-05	\$5,000,000	\$171.06
2005-06	5,000,000	\$145.09
2006-07	7,800,000	\$201.17
2007-08	5,000,000	\$115.77
2008-09 (per S.B. 09-215 Conference Committee)	6,635,000	\$139.72
2009-10 (current law)	5,000,000	\$97.14

<a> This figure represents the amount that most eligible schools receive; eligible school operating in a district facility receive one-half this amount per student.

Consistent with current law, staff recommends appropriating \$5,000,000 cash funds from the State Education Fund in the FY 2009-10 Long Bill. Based on self-reported enrollment projections for FY 2009-10, staff estimates that this appropriation would provide about \$97 per FTE (with charter schools in district facilities receiving about \$49 per FTE). Absent a statutory change, funding per pupil will continue to decline as the number of students attending eligible charter schools continues to increase.

Department Proposal for FY 2009-10. **The Department submitted a proposal, as part of the Governor's budget balancing package, to reduce this appropriation to \$2,500,000 for FY 2009-10. This action would require a statutory change.** There are several issues relevant to consideration of this request.

First, in addition to direct per pupil cash assistance funded through this line item, the General Assembly has established other programs and policies that assist charter schools with facility financing, including:

- Charter schools may be included in a school district's general obligation bond issue. Although this may not occur as frequently as it should, some charters schools have benefitted from this provision.

- Colorado was one of the first states to grant charter schools the ability to issue tax-exempt bonds through a public authority (the Colorado Educational and Cultural Facilities Authority or CECFA). From 1999 through 2008, CECFA had issued \$700 million in bonds on behalf of 50 charter schools.
- In addition, Colorado is the only state to establish a "moral obligation", which attaches to select bonds the State's pledge that the Governor will request that the General Assembly appropriate funds to restore debt service funds in the event of a default [see Section 22-30.5-408, C.R.S.].
- In order to further enhance the ability of a charter school to obtain favorable financing, the State Treasurer is authorized to make direct payments of principal and interest on bonds through an intercept program. In addition, the General Assembly established the State Charter School Debt Reserve Fund, thereby providing a source of moneys that can be used to make bond payments should a school fail to do so.
- A charter school that has been chartered for at least five years may apply for financial assistance from the PSCCA Fund. However, eligibility is limited to a school that occupied a public school facility after the passage of H.B. 08-1335.

Second, federal funds are available for certain charter school facility needs. For example, the Department received a three-year federal grant to provide *start-up and implementation grants* for new charter schools. Staff understands that the amount of this grant is not dependent on state per pupil funding for charter school facilities. Rather, the allocation is based on a state's proposal. The Department's grant application proposed providing grants as follows:

"CDE, in collaboration with the Colorado League of Charter Schools, the Colorado Charter School Institute and the Fund for Colorado's Future, will increase the number of new high quality charter schools. CDE estimates the following number of grants to be awarded:

Start-up Grants (\$150,000 to \$175,000 per year):

15 schools will receive start-up grants in FY 2007-2008,
16 in FY 2008-2009, and
18 in 2009-2010.

Implementation Grants (\$150,000 per year):

25 will receive implementation grants in 2007-2008,
30 in 2008-2009, and
31 in 2009-2010."

In FY 2007-08, the Department awarded start-up and incentive grants totaling \$7,124,094.

The Colorado League of Charter Schools has indicated that a reduction to this line item could decrease Colorado's likelihood of receiving a federal *charter school facility incentive grant*. Based on information posted in the Federal Register (1/15/09), it appears that this competitive grant

program is intended to help states establish or enhance charter school per-pupil facilities aid programs. Applications are due July 1, 2009. Contingent on moneys made available by Congress, the U.S. Department of Education anticipates awarding a total of \$14,782,000 to four states beginning in FFY 2009-10; grants would range from \$2,000,000 to \$10,000,000 (with an average of \$3,695,500).

Please note that these federal funds would require a state match, over and above the state and local funds that were available in the preceding comparison year (i.e., SFY 2008-09). The state match requirement increases from 10 percent in FY 2009-10 to 80 percent in FY 2013-14. Thus, for Colorado to receive a grant award, additional state funds would need to be appropriated above the amount appropriated for per-pupil facilities aid in FY 2008-09. Thus, the higher the FY 2008-09 appropriation, the more that would be required in future fiscal years to be eligible for this federal grant award. The following table provides estimates of the amount of additional state funds that would be required to receive an average five-year grant. The first column is based on the conference committee action on S.B. 09-215, and the second column is based on a \$5.0 million appropriation for FY 2008-09:

Potential Per Pupil Funding to Match Federal Incentive Grant*		
State Fiscal Year	Additional Funding Required (if FY 2008-09 per-pupil funding is \$6,500,000)	Additional Funding Required (if FY 2008-09 per-pupil funding is \$5,000,000)
2009-10 (10% match)	\$1,869,550	\$369,550
2010-11 (20%)	2,239,100	739,100
2011-12 (40%)	2,978,200	1,478,200
2012-13 (60%)	3,717,300	2,217,300
2013-14 (80%)	<u>4,456,400</u>	<u>2,956,400</u>
Total	15,260,550	7,760,550

* This assumes an annual grant award of \$3,695,500 in FY 2009-10. The amounts shown reflect the increasing state match that would be required to continue to receive the full award amount each year, or a total of \$18,477,500 federal funds over five years.

There are a number of other criteria that would be used to evaluate grant applications. Colorado should be viewed favorably on a number of these criteria. However, one aspect that will be considered is the State's "per-pupil facilities aid formula's ability to target resources to charter schools with the greatest need and the highest proportion of students in poverty". Colorado's formula does not currently adjust the amount of per pupil funding based on need (other than reducing funding for schools in district facilities and not providing funding to schools in state facilities) or poverty.

Staff Recommendation. **Staff does not recommend approving the request to reduce funding to \$2.5 million.** While reducing the annual appropriation for this line item by \$2.5 million would help address the near-term insolvency of the State Education Fund, staff is concerned about the consequence that this action could have on the operations of individual schools.

Self-reported data collected by the Department indicates that in FY 2007-08, charter schools spent a total of \$33.9 million on capital construction. Of this amount, over half (50.5 percent) was used for lease payments, about one-quarter (26.1 percent) was used for financing, about twelve percent (12.5 percent) was used for construction, demolition, or remodeling, and the remainder (10.9 percent) was used for the purchase of land, buildings, or facilities. Based on a small sample of schools (with data provided by the State Charter School Institute staff), charter schools' reliance on per pupil facilities aid varies significantly. For example, in FY 2007-08, four of eleven schools' facilities expenditures matched the amount of state assistance received; for the other seven schools, the portion of actual facilities expenditures that was covered by the per pupil facilities aid ranged from 4.3 percent to 15.9 percent.

If the Committee elects to approve this request and introduce legislation, staff recommends that the Committee modify the formula to target the \$2.5 million appropriation to those charter schools most in need. Of course, the definition of "need" depends on how one views the State's role in funding public school facilities in general, and whether or how that role may differ with respect to charter schools.

(VI) Facility Schools [New Subsection Recommended]

Facility Schools Unit and Facility Schools Board

Background Information. House Bill 08-1204 created the Facility Schools Board to adopt curriculum standards, accountability measures, and set graduation requirements for facility schools. This act also created the Facility Schools Unit within the Department of Education to perform the following tasks:

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

House Bill 08-1204 appropriated \$523,568 cash funds from the State Education Fund and 3.0 FTE to the Department for FY 2008-09, including \$250,000 in one-time funding for the development of a student records system.

House Bill 08-1388 established a new mechanism for the Department to distribute funding to approved facility schools. This act also included a provision that allows the Department, beginning in FY 2009-10, to withhold 2.0 percent of the amount payable to each approved facility school to offset the costs incurred by the Facility Schools Unit (established by H.B. 08-1204).

Department Request. The Department requests \$261,403 cash funds from the State Education Fund and 3.0 FTE for this line item for FY 2009-10. This request is consistent with the Legislative Council Staff Fiscal Note for H.B. 08-1204, dated June 20, 2008.

Staff Recommendation. **Staff recommends approving the request. However, consistent with H.B. 08-1388, staff recommends appropriating \$261,403 from reappropriated funds transferred from the next line item.** The following table details the calculations underlying staff's recommendation.

Summary of Recommendation: Facility Schools Unit and Facility Schools Board					
Description	Total Funds	General Fund	Cash Funds	Reapp. Funds	FTE
Personal services portion of FY 08-09 appropriation (in H.B. 08-1204)	\$188,553	\$0	\$188,553	\$0	3.0
Fund source adjustment	<u>0</u>	<u>0</u>	<u>(188,553)</u>	<u>188,553</u>	<u>0.0</u>
Subtotal: Personal Services	188,553	0	0	188,553	3.0
Operating expenses, capital outlay, board expenses, legal expenses, and student records system portion of FY 08-09 appropriation (in H.B. 08-1204)	335,015	0	335,015	0	
Elimination of one-time funding provided for FY 2009-10	(262,165)	0	(262,165)	0	
Fund source adjustment	<u>0</u>	<u>0</u>	<u>(72,850)</u>	<u>72,850</u>	
Subtotal: Operating, Board, and Legal Expenses	72,850	0	0	72,850	
Recommended FY 09-10 Appropriation	261,403	0	0	261,403	3.0

This amount is within the 2.0 percent cap on this unit's expenditures ($\$19,046,584 \times .02 = \$380,932$).

Facility School Funding

While most children in Colorado receive public education services through school districts or schools that are authorized by the State Charter School Institute, some children receive their education through schools operated by community-based facilities or state-operated programs. The General Assembly passed two bills last Session concerning educational services provided by community-based facilities. These bills repealed language requiring school districts to include in their enrollment counts students who are receiving educational services through facility schools or state programs. These bills added language establishing a new method of funding facility schools, and H.B. 09-1189 clarifies that the same mechanism should be used to make payments to certain state programs.

The Department requests \$19,269,692 cash funds from the State Education Fund. Based on more recent estimates provided by Department staff (of the number of pupils and per pupil funding), **staff**

recommends appropriating \$20,817,769 cash funds from the State Education Fund for FY 2009-10. The following table details the calculation of this recommendation.

Summary of Recommendation: Facility School Funding	
Description	Total Funds
October 2008 Facility Schools Total FTE	1,982.0
Multiplied by: Projected State Average Per Pupil Revenues times 1.33	<u>\$9,609.78</u>
Subtotal: Facility Schools	\$19,046,584
Colorado School for the Deaf and the Blind	1,420,653
Mental Health Institutes (Fort Logan and Pueblo)	<u>350,532</u>
Subtotal: State Programs	\$1,771,185
Recommended FY 09-10 Appropriation	\$20,817,769

Hold-harmless Facility School Funding

House Bill 08-1388, as part of the modifications described in the narrative for the above line item, provided one year of hold harmless funding for districts impacted by the new funding mechanism (districts will no longer be able to retain a portion of per pupil funding associated with students attending facility schools). **Staff recommends approving the Department's request to eliminate this line item for FY 2009-10.**

Other Balancing Options

These options are presented without staff recommendation in order to maximize the Committee's choices. The Committee may wish to consider these options now or in the future. **Numbering does not indicate priority.**

Options with <i>Expenditure</i> Impacts	GF	CF	RF	FF	Total	FTE
1		(\$33,175,775)			(\$33,175,775)	0.0
<p>School Finance - Eliminate or Reduce Authorization to Receive Funding for Prior Year Enrollment</p> <p>Department staff estimate that in FY 2009-10, \$33.2 million in state funding will be required based on districts' ability to receive funding based on up to five years of student enrollment. For most of the 122 districts that are anticipated to benefit from enrollment averaging, this extra funding represents less than five percent of the district's total program funding. For 22 districts, however, this funding is anticipated to provide from five to twelve percent of total program funding; among the largest districts (i.e., more than 5,000 FTE), this funding represents less than two percent of total program for all but three (Adams - Westminster, El Paso - Harrison, and Arapahoe - Littleton). The Committee could consider phasing in this change to allow districts to plan and adjust operations based on current enrollment, and/or limiting this option to the smallest districts or those that experience the most significant decline.</p>						
2		(34,818,702)			(34,818,702)	0.0
<p>School Finance - Eliminate or Reduce 0.8 FTE Funding for Full-day Kindergarten</p> <p>Department staff estimate that \$34.8 million state funds will be required to provide 0.58 FTE, rather than 0.50 FTE, for each kindergarten pupil in FY 2009-10.</p>						
3		(67,152,278)			(67,152,278)	0.0
<p>School Finance - Eliminate or Reduce Funding for Colorado Preschool Program</p> <p>Department staff estimate that \$67.2 million state funds that will be required to fund half-day preschool for 20,160 at-risk children in FY 2009-10. Due to the significant increases in funding for this program in recent years, the Department was not able to allocate 646 half-day slots in FY 2008-09. If funding is made available, the Department does anticipate being able to allocate these slots in FY 2009-10 (districts have requested 3,420 new half-day slots for FY 2009-10).</p>						

Options with <i>Expenditure</i> Impacts	GF	CF	RF	FF	Total	FTE
4						
<p>School Finance - Make Part-time and Full-time Per-pupil Funding Consistent with Statutorily Required Hours of Instruction</p> <p>Section 22-32-109 (1) (n), C.R.S., establishes a minimum number of hours of planned teacher-pupil instruction and teacher-pupil contact that must be scheduled each school year; these hours may be reduced by a certain number of hours for parent-teacher conferences, staff in-service programs, and certain necessary school closures. Current State Board rules, however, provide per pupil funding to districts based on a much lower number of hours of instruction.¹⁰ The hourly thresholds that are used for funding as a percent of the statutory requirements range from 17.0 percent to 82.8 percent. The State Board has also discussed the issue of whether passing periods in high school should be counted as instruction time. The Committee could consider proposing a statutory change to require that State Board rules concerning per pupil funding be based on the statutorily required number of hours of instruction. Such a change would either reduce a district's per pupil funding, or require the district to provide the statutorily required number of hours of instruction in order to maintain current funding levels. The Committee may want to consider delaying the implementation of this change to allow districts time to plan and adjust operations accordingly.</p>						

Options with <i>Revenue</i> Impacts	GF	CF	RF	FF	Total	FTE
1		\$39,000,000			\$39,000,000	0.0
<p>State school lands revenues</p> <p>Temporarily redirect (via statutory change) revenues related to school lands that are <u>not</u> needed for capital construction projects (pursuant to H.B. 08-1335 or the "BEST bill"). These revenues, consisting of royalties, rental income, and interest/investment earnings on the Public School ("Permanent") Fund, could be redirected to the State Public School Fund and appropriated to support recent expansion efforts (e.g., new preschool slots or supplemental full-day kindergarten funding). In turn, appropriations from the State Education Fund could be reduced, improving its solvency (and thus the future need for General Fund to comply with constitutional spending requirements). The dollar amount represents an estimate of the <i>maximum</i> amount that could be redirected in FY 2009-10. For FY 2008-09, up to \$24.6 million could be redirected. The Committee may want to consider transferring a lesser amount to allow the Permanent Fund corpus to grow at a rate commensurate with the rate of inflation.</p>						

¹⁰ The number of hours of instruction per statute, and the number of hours required for per pupil funding (PPF) compare as follows: Full-day Kindergarten (870 hours required; 0.5 PPF provided for at least 180 hours and 1.0 PPF provided for at least 720 hours); Grades 1-5 (968 hours required; 0.5 PPF provided for at least 180 hours and 1.0 PPF provided for at least 720 hours); and Grades 6 - 12 (1,056 hours required; 0.5 PPF provided for at least 180 hours and 1.0 PPF provided for at least 720 hours).

APPENDIX A
Estimated Education-Related Allocations Pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA)

ARRA includes four funding provisions that will affect the Colorado Department of Education.

1. State Fiscal Stabilization Fund (a total of \$760,242,539)

These funds are intended to help avert education cuts, and will be provided to states in exchange for a commitment to begin advancing education reforms. By April 1, 2009, the Governor is required to submit an application which will include certain assurances, provide baseline data regarding each of the areas described in such assurances, and describe how the State intends to use its allocation¹¹. The Governor will provide assurance that in FY 2009-10, FY 2010-11, and FY 2011-12, the State will maintain state support for elementary, secondary, and public postsecondary education at least at the levels in FY 2006-07, and, that the State will address four key areas:

- achieve equity in teacher distribution;
- establish a longitudinal data system that includes the elements described in the America COMPETES Act;
- enhance the quality of academic assessments relating to English language learners and students with disabilities, and improve state academic content standards and student academic achievement standards; and
- ensure compliance with corrective actions required for low-performing schools.

Of the total allocation, 81.8 percent shall be used for general education fiscal relief, and 18.2 percent shall be used for "other government services". The education portion (\$621.9 million) must be first distributed through existing state funding formulas to restore K-12 and postsecondary budgets in each of FY 2009-10, FY 2010-11, and FY 2011-12 to the level of state support in the greater of FY 2008-09 or FY 2009-10. Second, these funds must be used to allow for any existing state formula increases in FY 2010-11 and FY 2011-12 to be implemented, and funding for phasing in state equity and adequacy adjustments (if such increases were enacted by state law prior to October 1, 2008). Third, any remaining funds shall be distributed to LEAs based on the Title I formula.

The "other" portion of the funding (\$138.4 million) may be used for public safety and other government services, including education services as well as modernization, renovation, and repair activities for elementary, secondary, and higher education that are consistent with state laws.

¹¹ The General Assembly may certify the State's intention to use any funds not accepted for use by the Governor (Title XVI General Provisions, Section 1607).

School systems have discretion to use some funds for school modernization. None of these funds may be used for financial assistance (vouchers) for students to attend private elementary or secondary schools.

The State is required to submit an annual report describing the use and distribution of funds received; the number of jobs saved or created; tax increases averted; the state's progress in reducing inequities in the distribution of highly qualified teachers, developing a longitudinal data system, and implementing valid assessments; actions taken related to tuition and fee increases at higher education institutions; and changes in the enrollment of in-state students at such institutions.

2. IDEA Part B (a total of \$154,012,026)

Federal Part B Individuals with Disabilities Education Act (IDEA) grants provide funding to assist states and school districts with the costs of special education services for students with disabilities. Colorado's allocation is anticipated to include \$5,281,455 in preschool grants. Colorado's estimated allocation represents 103.4 percent of Part B funds received in FFY 2008-09.

3. Title I Grants to Local Education Agencies (\$110,905,813)

Title I grants to local education agencies (LEAs) provide supplemental education funding, especially in high poverty areas, for programs that provide extra academic support to help raise student achievement. Colorado's estimated allocation represents 81.9 percent of Title I funds received in FFY 2008-09.

4. Educational Technology State Grants (\$7,030,350)

Colorado's estimated allocation represents nearly a three-fold increase in educational technology grant funds received in FFY 2008-09.

All funds remain available for obligation until September 30, 2010. Thus, the Department and school districts will have a maximum of 19 months (up to four months in SFY 2008-09, 12 months in SFY 2009-10, and three months in SFY 2010-11) to obligate these funds.

An LEA may use these federal funds for any activity authorized by the Elementary and Secondary Education Act, the IDEA, the Adult and Family Literacy Act, or the Perkins Act, as well as modernization, renovation, or repair of public school facilities. An LEA may not use these funds for: maintenance, modernization, renovation, or repair of a stadium; purchasing vehicles; or improvements to stand-alone non-educational facilities.

In addition to the above allocations, Colorado may apply for one or more competitive grants, including:

- **State Incentive Grants** for aggressively pursuing higher standards, quality assessments, robust data systems, and teacher quality initiatives.
- **Innovation Grants** to allow a state to make progress in each of the assurances listed for eligibility for the State Fiscal Stabilization Fund. A portion of the funding will be made to LEAs or partnerships between non-profit organizations and LEAs that have made significant gains in closing the achievement gap.

Hold Harmless Full-day Kindergarten (K) Funding: Estimate for FY 2009-10 and Recommended Change

		A	B	C	D	E
County	District	Hold Harmless K Pupil Count (FTE)	Hold Harmless Funding Under Current Law/1	0.08 FTE Supplemental K Funding (FTE Supported)	C - A	Recommended Hold Harmless Funding/2
ADAMS	MAPLETON	15.0	\$93,097	40.3	25.3	\$0
ADAMS	ADAMS 12 FIVE STAR	30.0	176,947	259.8	229.8	0
ADAMS	COMMERCE CITY	55.5	359,450	52.2	(3.3)	25,444
ADAMS	BRIGHTON	30.0	175,144	110.3	80.3	0
ADAMS	WESTMINSTER	18.0	112,195	69.5	51.5	0
ALAMOSA	ALAMOSA	17.5	103,490	14.1	(3.4)	23,936
ARAPAHOE	ENGLEWOOD	30.0	184,871	19.4	(10.6)	77,763
ARAPAHOE	SHERIDAN	50.0	356,575	10.4	(39.6)	336,199
ARCHULETA	ARCHULETA	7.5	45,698	9.1	1.6	0
BACA	CAMPO	0.5	6,218	0.2	(0.3)	4,442
BOULDER	ST VRAIN	7.5	44,651	172.4	164.9	0
BOULDER	BOULDER	39.0	234,229	163.9	124.9	0
CHAFFEE	BUENA VISTA	7.5	46,442	5.0	(2.5)	18,429
CHAFFEE	SALIDA	9.0	54,290	6.6	(2.4)	17,235
CHEYENNE	KIT CARSON	2.0	22,298	0.8	(1.2)	15,927
CLEAR CREEK	CLEAR CREEK	5.0	31,627	4.7	(0.3)	2,259
CONEJOS	NORTH CONEJOS	9.0	55,491	5.4	(3.6)	26,424
CONEJOS	SOUTH CONEJOS	5.0	41,815	1.8	(3.2)	31,859
DELTA	DELTA	15.0	86,678	32.5	17.5	0
DENVER	DENVER	247.0	1,591,751	542.2	295.2	0
EL PASO	HARRISON	67.5	418,657	77.8	10.3	0
EL PASO	WIDEFIELD	2.5	14,397	52.1	49.6	0
EL PASO	COLORADO SPRINGS	90.5	538,580	207.4	116.9	0
EL PASO	HANOVER	5.5	47,368	1.8	(3.7)	37,935
EL PASO	EDISON	2.5	23,527	0.5	(2.0)	22,406
FREMONT	CANON CITY	15.0	86,381	22.8	7.8	0
FREMONT	FLORENCE	8.0	46,827	8.0	0.0	0
GARFIELD	ROARING FORK	5.0	31,244	46.9	41.9	0
GUNNISON	GUNNISON	10.0	60,485	12.0	2.0	0
JEFFERSON	JEFFERSON	52.5	310,303	475.7	423.2	0
KIOWA	PLAINVIEW	1.0	11,809	0.4	(0.6)	8,435
KIT CARSON	ARRIBA-FLAGLER	2.5	25,094	1.1	(1.4)	16,729
KIT CARSON	BETHUNE	1.5	16,514	0.7	(0.8)	10,485
KIT CARSON	BURLINGTON	7.5	45,709	4.3	(3.2)	23,217

Hold Harmless Full-day Kindergarten (K) Funding: Estimate for FY 2009-10 and Recommended Change						
		A	B	C	D	E
County	District	Hold Harmless K Pupil Count (FTE)	Hold Harmless Funding Under Current Law/1	0.08 FTE Supplemental K Funding (FTE Supported)	C - A	Recommended Hold Harmless Funding/2
LAKE	LAKE	15.0	97,003	7.1	(7.9)	60,819
LA PLATA	DURANGO	7.5	44,880	31.6	24.1	0
LAS ANIMAS	TRINIDAD	7.5	45,699	9.0	1.5	0
LAS ANIMAS	AGUILAR	1.5	16,338	0.7	(0.8)	10,373
LOGAN	FRENCHMAN	2.0	19,506	1.3	(0.7)	8,127
MESA	MESA VALLEY	63.0	362,799	149.4	86.4	0
MOFFAT	MOFFAT	7.5	43,190	15.1	7.6	0
MONTROSE	MONTROSE	7.5	45,176	37.3	29.8	0
MONTROSE	WEST END	2.0	16,655	1.9	(0.1)	991
MORGAN	FT. MORGAN	7.5	46,242	18.8	11.3	0
OTERO	ROCKY FORD	13.0	86,582	6.7	(6.3)	49,951
PARK	PLATTE CANYON	5.0	31,488	7.2	2.2	0
PHILLIPS	HOLYOKE	7.5	47,921	4.2	(3.3)	25,101
PROWERS	GRANADA	4.0	33,842	1.0	(3.0)	30,216
PROWERS	LAMAR	7.5	45,700	11.4	3.9	0
PUEBLO	PUEBLO CITY	82.5	493,954	108.0	25.5	0
RIO GRANDE	MONTE VISTA	15.0	92,349	7.0	(8.0)	58,635
ROUTT	HAYDEN	5.0	37,041	2.5	(2.5)	22,048
ROUTT	SOUTH ROUTT	3.5	26,726	3.5	0.0	0
SAGUACHE	CENTER	7.5	51,389	4.0	(3.5)	28,549
SUMMIT	SUMMIT	5.0	31,647	22.4	17.4	0
WASHINGTON	WOODLIN	2.5	29,168	0.6	(1.9)	26,390
WELD	KEENESBURG	15.0	88,723	12.6	(2.4)	16,900
WELD	GREELEY	45.0	266,347	138.6	93.6	0
WELD	FT. LUPTON	9.0	55,696	17.4	8.4	0
YUMA	YUMA 1	7.5	49,584	5.8	(1.7)	13,380
Total		1,227.0	7,705,498	3,057.2	(124.2)	1,050,609

1/ Funding is calculated as follows: A x 0.42 x district's per pupil funding

2/ Calculated as follows: If D < 0, D x district's per pupil funding



FY2008-09 PRIORITIZED LIST OF BEST PROJECTS SUBMITTED BY THE PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD TO THE STATE BOARD FOR APPROVAL

Page # in Summary Book of All Applications	PROJECT DATA			REQUEST			RECOMMENDATIONS					Notes	
	County	District	Project	Total Project Cost	Current Request	Current District Contribution	Recommended BEST CASH GRANT FY08-09	Recommended BEST COP GRANT FY08-09	Grant Amount Recommended from the BEST Assistance Fund	Matching Amount Recommended	Total Project Cost	Deadline for Matching Funds	Notes
69	ALAMOSA	ALAMOSA RE-11J	2 New Elementary Schools to Replace 3 Elementary Schools	\$ 37,985,624.00	\$ 27,501,591.78	\$ 10,484,032.22	-	YES	\$ 27,501,591.78	\$ 10,484,032.22	\$ 37,985,624.00	3/1/2009	The district passed a bond effort in 2008 for matching funds and matching funds are in place.
80	ALAMOSA	SANGRE DE CRISTO RE-22J	New PK-12 School	\$ 22,575,000.00	\$ 18,398,625.00	\$ 4,176,375.00	-	YES	\$ 18,398,625.00	\$ 4,176,375.00	\$ 22,575,000.00	3/1/2009	The district maximized their legal bonded debt in 2008 for matching funds and matching funds are in place.
89	COSTILLA	CENTENNIAL R-1	New PK-12 School (Supplemental Grant)	\$ 6,166,320.00	\$ 6,166,320.00	\$ -	YES	-	\$ 6,166,320.00	\$ -	\$ 6,166,320.00	3/1/2009	The district maximized their legal bonded debt in 2007 when a \$7 million bond effort succeeded for matching funds to the original grant.
93	EL PASO	EDISON 54 JT	New ES Supplemental	\$ 210,267.00	\$ 189,240.30	\$ 21,026.70	YES	-	\$ 189,240.30	\$ 21,026.70	\$ 210,267.00	3/1/2009	The district is providing the matching funds from Capital Reserve Fund and has the matching funds in place.
120	LOGAN	BUFFALO RE-4	Junior/Senior High Renovation/Addition - Supplemental Project	\$ 4,286,904.00	\$ 3,922,517.16	\$ 364,386.84	YES	-	\$ 3,922,517.16	\$ 364,386.84	\$ 4,286,904.00	4/1/2009	Match is partially provided by capital reserve funds and a DOLA grant which may or may not be approved in March 2009.
130	MORGAN	WELDON VALLEY RE-20(J)	Core Area Remodel, P.E. and Athletic Facilities Upgrade - Supplemental Project	\$ 2,441,379.00	\$ 1,406,234.30	\$ 1,035,144.70	YES	-	\$ 1,406,234.30	\$ 1,035,144.70	\$ 2,441,379.00	3/1/2009	The district has the matching funds in place.
138	PROWERS	HOLLY RE-3	Partial Roof Replacement (Supplemental)	\$ 41,238.00	\$ 41,238.00	\$ -	YES	-	\$ 28,866.60	\$ 12,371.40	\$ 41,238.00	7/1/2009	Match waiver was not approved. Recommend district provide matching funds. The match will be budgeted into the FY2009-10 budget and will be available on 07-01-09
140	PUEBLO	PUEBLO CITY 60	Supplemental Final Phase to Districtwide Fire and Security	\$ 1,761,214.00	\$ 1,497,031.90	\$ 264,182.10	YES	-	\$ 1,497,031.90	\$ 264,182.10	\$ 1,761,214.00	3/1/2009	The district has the matching funds in place.
142	RIO GRANDE	SARGENT RE-33J	New Jr/Sr HS and ES Renovation	\$ 21,775,764.00	\$ 16,751,939.05	\$ 5,023,824.95	-	YES	\$ 16,751,939.05	\$ 5,023,824.95	\$ 21,775,764.00	3/1/2009	The district maximized their legal bonded debt in 2008 for matching funds and matching funds are in place.
150	ROUTT	SOUTH ROUTT RE 3	Supplemental to Districtwide HVAC Replacement with Renewable Techno	\$ 1,124,300.00	\$ 562,150.00	\$ 562,150.00	YES	-	\$ 562,150.00	\$ 562,150.00	\$ 1,124,300.00	3/1/2009	The district has the matching funds in place.
153	SAGUACHE	MOUNTAIN VALLEY RE 1	Roofing and Repair Under Designed Structure (Supplemental)	\$ 172,200.00	\$ 106,764.00	\$ 65,436.00	YES	-	\$ 106,764.00	\$ 65,436.00	\$ 172,200.00	3/1/2009	The district is providing the matching funds from Capital Reserve Fund and has the matching funds in place.
				\$ 98,540,210.00	\$ 76,543,651.49	\$ 21,996,558.51			\$ 76,531,280.09	\$ 22,008,929.91	\$ 98,540,210.00		

M E M O R A N D U M

TO: Members of the Joint Budget Committee

FROM: Carolyn Kampman, Joint Budget Committee Staff (303-866-4959)

SUBJECT: Staff Comeback in Response to March 2009 Revenue Forecast

DATE: March 25, 2009

The Committee previously approved staff's recommendation to appropriate a total of \$3,696,288,785 for the State Share of Districts' Total Program Funding, based on current law (assuming the passage of S.B. 09-215). The Committee also approved staff's recommendations concerning the sources of funds to support this appropriation. **Based on Legislative Council Staff's March 2009 forecast of federal mineral lease revenues, staff requests that the Committee reconsider their motion and adjust the fund sources as detailed in the table below.**

Sources of Funds Appropriated for Public School Finance			
Fund Source	FY 2009-10		
	Initial Recomm.	Revised Recomm.	Change
General Fund	\$3,076,577,922	\$3,076,577,922	\$0
Cash Funds: State Public School Fund	87,961,876	77,461,876	(10,500,000)
Cash Funds: State Education Fund	<u>531,748,987</u>	<u>542,248,987</u>	<u>10,500,000</u>
Total State Funds	3,696,288,785	3,696,288,785	0

The following table details the basis for staff's revised recommendation from the State Public School Fund (items that have changed are shaded):

Projections of Moneys Available in the State Public School Fund: FY 2009-10	
Description	Amount
Projected year-end fund balance, FY 08-09	\$15,015,101
Federal mineral lease revenues (based on March 2009 forecast)	54,500,000
Rental income earned on public school lands (capped statutorily)	11,000,000
District audit recoveries (portion anticipated to be collected in FY 08-09 is reflected in fund balance, above)	<u>0</u>
Total funds projected to be available	80,515,101

Staff Comeback Concerning FML Revenues
 March 25, 2009

Projections of Moneys Available in the State Public School Fund: FY 2009-10	
Description	Amount
Amount required to public school laws [pursuant to Section 22-2-112 (1) (i), C.R.S.]	(35,480)
State match for School Lunch Program [pursuant to Section 22-54-123, C.R.S.]	(2,472,644)
Supplemental on-line education programs [pursuant to Sections 22-2-130 and 22-5-119]	<u>(530,000)</u>
Subtotal: Expenditures for purposes other than the School Finance Act	(3,038,124)
Recommended appropriation from State Public School Fund for the State Share of Districts' Total Program Funding for FY 09-10	77,461,876
Projected fund balance for FY 2008-09 (based on current accounts receivable)	15,101

MEMORANDUM

TO: Members of the Joint Budget Committee

FROM: Carolyn Kampman, Joint Budget Committee Staff (303-866-4959)

SUBJECT: State Education Fund Solvency - Updated Projections

DATE: March 30, 2009

SUMMARY. On March 6, 2009, as part of a figure setting presentation for the Department of Education, staff apprised the Committee that the State Education Fund (SEF) was projected to become insolvent in FY 2010-11. Based on the Committee's budget decisions to date, as well as the March 2009 Legislative Council Staff (LCS) revenue forecast, it now appears that the SEF will become insolvent in FY 2009-10. Specifically, **the SEF is now projected to fall about \$150 million short of the \$691.2 million appropriations the Committee has approved to date for the FY 2009-10 Long Bill. The General Assembly will need to make statutory changes to reduce these appropriations by at least \$125 million.**

Impact of Legislative Council Staff's March 2009 Forecast. The SEF consists of approximately 7.4 percent of annual state income tax revenues, plus any interest earned on the fund balance. Thus, the solvency of the SEF is directly impacted by fluctuations in income tax revenues. The March 2009 LCS forecast anticipates that total General Fund revenues will fall \$812 million (10.5 percent) in FY 2008-09, and another \$98 million (1.4 percent) in FY 2009-10. The March 2009 revenue projection for FY 2008-09 is 3.9 percent lower than the December 2008 forecast, primarily as a result of lower expected income tax revenues.

The March 2009 forecast indicates that a total of \$1,505.0 million of General Fund revenues will be credited to the SEF from FY 2008-09 through FY 2011-12. This amount is \$350 million lower (18.9 percent) than the amount projected in December 2008. While the March 2009 forecast projects slightly lower rates of inflation in 2009 through 2011 (which reduces projected K-12 expenditures), **the March 2009 forecast overall has a negative effect on the projected solvency of the SEF.**

Solvency of the SEF. Staff has updated the model originally developed by Pacey Economics Group to reflect both the March 2009 LCS revenue forecast and the Committee's funding decisions to date. The updated model indicates that absent statutory changes, the SEF will become insolvent in FY 2009-10. Specifically, the SEF is now projected to fall \$147.9 million short of the \$691.2 million appropriations the Committee has approved to date for the FY 2009-10 Long Bill [see Table 2 in Appendix A].

On March 6, staff recommended General Fund appropriations for school finance and categorical programs that were the minimum levels constitutionally allowed. However, staff indicated that approval of those recommendations would need to be accompanied by statutory changes to address

the near-term insolvency of the SEF. At that time, staff indicated that in order to maintain the solvency of the SEF and ensure the General Assembly is capable of complying with constitutional funding requirements in future fiscal years, the General Assembly would need to take actions to reduce the increase in spending from the SEF by \$125 million in FY 2009-10.

The updated model indicates that \$691 million in SEF appropriations anticipated to be included in the FY 2009-10 Long Bill will need to be reduced by \$250 million. This reduction could be accomplished through one or more of the following actions:

1. **Reduce or eliminate discretionary SEF appropriations** for purposes other than school finance or categorical programs. Appendix A, Table 1, provides a detailed listing of the appropriations approved by the Committee to date.
2. **Make statutory changes to the School Finance Act to reduce the required increase in state funding for FY 2009-10.** Such changes may include amendments that reduce the funded pupil count (e.g., limiting the number of years of student enrollment counts that can be averaged; reducing the number of funded "slots" authorized for the Colorado Preschool Program; reducing or eliminating supplemental full-day kindergarten funding; or modifying the calculation of full-time and part-time per pupil funding), or amendments to the factors that modify base per pupil funding to equalize funding among school districts (e.g., the cost-of-living factor, the size factor, or the at-risk factor).
3. **Make statutory changes to increase other revenue sources available for school finance.** The Committee recently voted to have a bill drafted to temporarily redirect a portion of school lands moneys that would otherwise be credited to the Public School ("Permanent") Fund in FY 2008-09. This bill is estimated to make \$24.6 million in revenues available for school finance, and would thus allow for a \$24.6 million reduction in SEF appropriations.
4. In cooperation with the Governor's Office of State Planning and Budgeting (OSPB), **reduce the SEF appropriation for the State Share of Districts' Total Program Funding based on that portion of federal State Fiscal Stabilization Fund moneys that the Governor plans to allocate for K-12 school finance.** Specifically, in his March 24, 2009 letter to Senator Keller, Todd Saliman indicated that the Governor intends to use a total of \$271.7 million of these federal moneys in FY 2009-10 and FY 2010-11 to reduce SEF expenditures for school finance.

For example, **if the Committee introduces a bill as described in item #3 (above) and if the Committee works with OSPB to utilize federal stimulus moneys to reduce SEF expenditures as described in item #4 (above), staff projects that school finance and other SEF appropriations in the FY 2009-10 Long Bill would only need to be reduced by \$125 million.** If this reduction occurred in school finance only, total program funding would grow by \$218 million (4.1 percent) in FY 2009-10 rather than \$343 million (6.4 percent). This would result in per pupil funding increasing by 2.7 percent in FY 2009-10, rather than 5.0 percent.

**TABLE 1
History of Appropriations from the State Education Fund**

Description	Cumulative: FY 01-02 thru FY 06-07	FY 07-08	FY 08-09	FY 09-10
Public School Finance:				
Funding for public school finance related to: enrollment changes, per pupil funding increases, and statutory formula changes	\$1,405,339,533	\$325,331,078	\$327,557,968	\$542,248,987
Full-day kindergarten funding and Colorado Preschool Program expansion (H.B. 08-1388)	Included above	Included above	32,706,892	Included above
Hold-harmless Full-day Kindergarten Funding	0	0	7,356,409	7,705,498
Facility school funding (H.B. 08-1388)	0	0	19,062,760	20,817,769
Administration and technical support related to Colorado Preschool Program expansion and full-day kindergarten (H.B. 08-1388)	0	0	0	0
Declining enrollment study (H.B. 08-1388)	0	0	0	200,000
Mid-year appropriation adjustments	222,777,793	(66,268,045)	26,558,352	n/a
Subtotal: School Finance	1,628,117,326	259,063,033	413,242,381	570,972,254
<i>Percent of Total Appropriations</i>	<i>87.7%</i>	<i>85.9%</i>	<i>79.2%</i>	<i>82.6%</i>
Categorical Programs	118,754,743	35,517,385	77,375,526	88,528,135
<i>Percent of Total Appropriations</i>	<i>6.4%</i>	<i>11.8%</i>	<i>14.8%</i>	<i>12.8%</i>
School Capital Construction:				
Full-day Kindergarten Capital Construction Grant Program (H.B. 08-1388)	0	n/a	0	0
Charter school capital construction	37,084,995	5,000,000	5,135,000	5,000,000
School Capital Construction Expenditures Reserve	25,471,112	0	0	0
School Construction and Renovation Fund	7,500,000	0	0	0
Charter School Debt Reserve Fund	1,000,000	0	0	0
Subtotal: Capital Construction	71,056,107	5,000,000	5,135,000	5,000,000
<i>Percent of Total Appropriations</i>	<i>3.8%</i>	<i>1.7%</i>	<i>1.0%</i>	<i>0.7%</i>
Professional Development and Instructional Support:				
Closing the Achievement Gap	0	0	1,701,000	1,800,000
Stipends for nationally board certified teachers (H.B. 08-1384)	0	0	0	0
Alternative Teacher Compensation Plan Grants (H.B. 08-1388)	0	0	0	0
Content Specialists	0	0	433,480	448,250
Science and Technology Education Center Grant Program	1,400,000	0	0	0
Civic education	400,000	200,000	2,305	0
National credential fee assistance	243,000	125,000	125,000	0
School Leadership Academy Program (H.B. 08-1386)	0	0	87,983	75,000
Teaching and learning conditions survey (H.B. 08-1384)	0	0	85,000	0
Financial literacy	118,228	40,000	40,000	40,000
Colorado History Day	30,000	10,000	10,000	10,000
Teacher Pay Incentive Program	12,630,000	0	0	0
Subtotal: Professional Development and Instructional Support	14,821,228	375,000	2,484,768	2,373,250
<i>Percent of Total Appropriations</i>	<i>0.8%</i>	<i>0.1%</i>	<i>0.5%</i>	<i>0.3%</i>

TABLE 1 History of Appropriations from the State Education Fund				
Description	Cumulative: FY 01-02 thru FY 06-07	FY 07-08	FY 08-09	FY 09-10
Other Grants, Distributions, and Assistance:				
School Counselor Corps Grant Program (H.B. 08-1370)	0	n/a	5,000,000	5,000,000
Summer School Grant Program	1,945,800	1,000,000	27,105	1,000,000
Child Nutrition School Lunch Protection Program (S.B. 08-123)	0	0	850,000	850,000
STEM After-school Education Pilot Grant Program (H.B. 07-1243)	0	0	0	0
Regional service cooperatives (S.B. 08-38)	0	0	198,545	1,067,182
First responder school mapping (H.B. 08-1267)	0	0	150,000	0
Interstate compact on educational opportunities for military children (H.B. 08-1317)	0		32,185	30,185
Funding for new textbooks	14,144,066	0	0	0
Aid for declining enrollment districts with new charter schools	1,000,000	0	0	0
Facility Summer School Grant Program	500,000	500,000	0	0
Family Literacy Education Grant Program	200,000	200,000	0	0
Subtotal: Other Grants, Distributions, and Assistance	17,789,866	1,700,000	6,257,835	7,947,367
<i>Percent of Total Appropriations</i>	<i>1.0%</i>	<i>0.6%</i>	<i>1.2%</i>	<i>1.1%</i>
Accountability/ Reform:				
Colorado Student Assessment Program	0	0	15,719,422	15,727,544
Preschool to postsecondary alignment (S.B. 08-212)	0	0	792,453	573,707
Division of On-line Learning	0	0	0	96,449
Facility Schools Unit and Facility Schools Board (H.B. 08-1204)	0	0	523,568	0
School Improvement Grant Program	5,350,000	0	0	0
Review and update of non-English assessments	411,953	0	0	0
Longitudinal assessment data analyses	388,000	0	0	0
Modifications to accountability reports	75,000	0	0	0
Study non-English assessments	50,000	0	0	0
Study administration of ACT	50,000	0	0	0
Subtotal: Accountability/ Reform	6,324,953	0	17,035,443	16,397,700
<i>Percent of Total Appropriations</i>	<i>0.3%</i>	<i>0.0%</i>	<i>3.3%</i>	<i>2.4%</i>
TOTAL	\$1,856,864,223	\$301,655,418	\$521,530,953	\$691,218,706
<i>Annual Dollar Change</i>		<i>(\$35,289,605)</i>	<i>\$219,875,535</i>	<i>\$169,687,753</i>
<i>Percent Annual Change</i>			<i>72.9%</i>	<i>32.5%</i>

TABLE 2 Comparison of State Education Fund Revenues and Expenditures/Appropriations (\$ millions)				
Description		FY 07-08	FY 08-09	FY 09-10
Beginning Fund Balance		\$225.1	\$353.8	\$192.3
Actual/Proj. Revenues/1		430.3	360.1	351.0
Actual Expend./ Approp./2		(301.7)	(521.5)	(691.2)
Ending Fund Balance		353.8	192.3	(147.9)

/1 Projected State Education Fund revenues for FY 2008-09 and FY 2009-10 are based on the amount of General Fund revenues anticipated to be directed to the Fund in the March 2009 Legislative Council Staff revenue forecast, as well as projections of interest earnings based on the State Education Fund model utilized by Legislative Council and Joint Budget Committee staff.

/2 Actual expenditures and fund balance are reflected for FY 2007-08; appropriations are reflected for FY 2008-09 and FY 2009-10.