

The following file contains two documents:

- A memorandum dated March 15, 2007, concerning a revised staff recommendation related to the School Capital Construction Expenditures Reserve
- A packet dated March 1, 2007, concerning the Department of Education's FY 2007-08 budget request and the associated staff recommendations.

MEMORANDUM

TO: Members of the Joint Budget Committee

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

SUBJECT: Technical Adjustment Related to the School Capital Construction Expenditures Reserve

DATE: March 15, 2007

On March 1, 2007, the Joint Budget Committee voted to appropriate a total of \$20.0 million to the Department of Education for FY 2007-08 for the School Capital Construction Expenditures Reserve. This appropriation includes a \$10.0 million General Fund into the Reserve, as well as \$10.0 million in cash funds exempt spending authority out of the Reserve and 2.0 FTE. **Based on recent conversations with staff in the Office of Legislative Legal Services, staff is recommending that the Committee eliminate the second, duplicative \$10.0 million cash funds exempt appropriation.**

Under current law [Section 22-54-117 (1.5) (a), C.R.S.], the State Board of Education is authorized to "approve and order payments" from the Reserve. Thus, the Department does not require cash funds exempt spending authority to spend money from the Reserve. This spending authority has been provided to date because a portion of the moneys in the Reserve are used to support 2.0 FTE at the Department who administer this, and other, capital construction programs. Staff now recommends eliminating this duplicative appropriation because it creates unnecessary confusion for members, Department staff, and other individuals. Instead, staff recommends only reflecting the General Fund appropriation to the Reserve, along with the following letter note to ensure that it is clear that the General Assembly intends for the Department to continue using moneys in the Reserve to cover related administrative costs:

°Pursuant to Section 22-54-117 (1.5) (a), C.R.S., the State Board of Education is authorized to approve and order payments from the State Public School Fund, School Capital Construction Expenditures Reserve. For informational purposes, it is anticipated that the Department will spend \$166,856 of the moneys in this Reserve to support 2.0 FTE and cover associated administrative expenditures.

It is staff's intention to continue to: (a) provide information to the Committee each year concerning actual administrative expenditures; and (b) calculate and make a recommendation concerning anticipated administrative costs each year based on the application of common policies established by the Committee.

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FISCAL YEAR 2007-08 STAFF FIGURE SETTING

DEPARTMENT OF EDUCATION

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:

Carolyn Kampman, Joint Budget Committee Staff

March 1, 2007

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**FY 2007-08 Staff Figure Setting
DEPARTMENT OF EDUCATION**

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Fiscal Year 2007-08 Joint Budget Committee Staff Figure Setting

Department of Education

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
DEPARTMENT OF EDUCATION						
Commissioner: William J. Moloney						
(1) MANAGEMENT AND ADMINISTRATION						
This section provides funding and staff for: the State Board of Education; the administration of a variety of programs including public school finance, educator licensure and professional development programs, standards and assessments, and library programs; and, general department administration, including human resources, information management, budgeting, accounting, and facilities maintenance. The primary source of cash funds for this section is fees paid by applicants for educator licenses, certificates, etc. Cash funds exempt sources consist primarily of indirect cost recoveries and transfers of funds from various cash- and federally-funded line items.						
General Department and Program Administration a/ FTE	6,225,517 <u>73.9</u>	6,424,442 <u>75.5</u>	6,805,559 S,b/ <u>81.0</u>	6,819,995 <u>81.0</u>	6,712,382 <u>81.0</u>	
General Fund FTE	3,993,895 48.3	4,110,663 49.7	5,280,215 S,b/ 65.0 b/	5,293,063 65.0	5,198,496 65.0	
Cash Funds FTE	121,745 1.5	124,770 1.5	128,608 1.5	128,850 1.5	94,604 1.5	
Cash Funds Exempt FTE	2,096,856 24.1	2,175,690 24.3	1,383,790 14.5	1,383,833 14.5	1,419,282 14.5	
Federal Funds	13,021	13,319	12,946	14,249	0	
Office of Professional Services - (CF) c/ FTE	2,308,307 16.6	2,376,033 18.5	1,713,799 S 19.0	1,663,799 19.0	Pending 19.0	
Health, Life, and Dental General Fund	<u>1,097,408</u> 544,431	<u>1,341,487</u> 703,688	<u>1,624,152</u> 816,811	<u>1,948,203</u> 990,650	<u>1,978,146</u> 1,041,804	
Cash Funds	38,641	46,247	54,756	81,101	64,203	
Cash Funds Exempt	104,030	123,705	145,800	197,929	143,515	
Federal Funds	410,306	467,847	606,785	678,523	728,624	
Short-term Disability General Fund		Included in General Department and Program Administration line item			<u>33,965</u> 15,428	
Cash Funds					1,344	
Cash Funds Exempt					3,130	
Federal Funds					14,063	

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Amortization Equalization Disbursement	n/a	<u>55,447</u>	<u>202,764</u>	<u>320,901</u>	<u>309,557</u>	
General Fund		22,973	88,987	149,541	138,453	
Cash Funds		2,122	8,298	13,903	12,402	
Cash Funds Exempt		5,879	19,555	24,715	28,893	
Federal Funds		24,473	85,924	132,742	129,809	
Supplemental Amortization Equalization Disbursement	n/a	n/a	n/a	<u>68,586</u>	<u>60,371</u>	
General Fund				32,251	24,724	
Cash Funds				2,896	2,584	
Cash Funds Exempt				5,785	6,019	
Federal Funds				27,654	27,044	
Salary Survey and Senior Executive Service	<u>548,136</u>	<u>828,410</u>	<u>768,848</u>	<u>1,230,028</u>	<u>1,042,090</u>	
General Fund	278,552	393,052	354,397	571,468	487,114	
Cash Funds	18,536	27,800	33,632	97,653	39,407	
Cash Funds Exempt	46,982	66,621	68,042	103,651	88,399	
Federal Funds	204,066	340,937	312,777	457,256	427,170	
Performance-based Pay Awards	<u>242,529</u>	<u>0</u>	<u>0</u>	<u>211,862</u> d/	<u>352,370</u>	
General Fund	88,912	0	0	84,574	134,965	
Cash Funds	10,057	0	0	10,562	16,377	
Cash Funds Exempt	31,239	0	0	15,882	29,416	
Federal Funds	112,321	0	0	100,844	171,612	
Shift Differential	<u>80,202</u>					
General Fund	80,202					
Cash Funds Exempt	0					
			See Colorado School for the Deaf and the Blind section			
Workers' Compensation	<u>438,058</u>	<u>374,680</u>	<u>245,136</u> S	<u>426,615</u>		Pending
General Fund	237,404	170,527	108,867 S	188,167		
Cash Funds	18,025	14,773	11,185 S	18,965		
Cash Funds Exempt	0	38,860	27,129 S	51,496		
Federal Funds	182,629	150,520	97,955 S	167,987		
Legal Services						Pending
General Fund						
Cash Funds - Educator Licensure Cash Fund Hours						3,709.0
Administrative Law Judge Services	<u>57,024</u>	<u>24,291</u>	<u>73,878</u> S	<u>77,333</u>		Pending

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Cash Funds - Educator Licensure Cash Fund	11,974	5,101	15,514 S	6,651		
Cash Funds Exempt - transfer from Special Educ.	45,050	19,190	58,364 S	70,682		
Purchase of Services from Computer Center - (GF)	Included in General Department and Program Administration line item					Pending
Multiuse Network Payments - (GF)	Included in General Department and Program Administration line item					Pending
Payment to Risk Management and Property Funds	<u>61,762</u>	<u>60,940</u>	<u>161,894</u> S	<u>110,607</u>		Pending
General Fund	33,472	27,738	76,812 S	49,324		
Cash Funds	2,541	2,398	7,387 S	4,917		
Cash Funds Exempt	0	6,321	13,003 S	12,813		
Federal Funds	25,749	24,483	64,692 S	43,553		
Vehicle Lease Payments	See Colorado School for the Deaf and the Blind					
Capitol Complex Leased Space	<u>465,148</u>	<u>430,898</u>	<u>485,083</u>	<u>509,052</u>		Pending
General Fund	133,564	81,794	95,139	117,500		
Cash Funds	31,422	29,648	38,699	42,630		
Cash Funds Exempt	0	51,764	62,455	71,205		
Federal Funds	300,162	267,692	288,790	277,717		
Communications Services Payments	See Colorado School for the Deaf and the Blind					
Utilities	See Colorado School for the Deaf and the Blind					
Emeritus Retirement - (GF)	33,011	30,575	21,607 S	29,392		17,330
Reprinting and Distributing Laws Concerning Education - (CF - Public School Income Fund)	Included in General Department and Program Administration line item					35,480
Information Technology Asset Maintenance - (GF)	90,697	90,697	90,697	90,697		90,697
Disaster Recovery - (GF)	19,722	18,869	19,722	19,722		19,722

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Colorado Student Assessment Program	18,102,415	24,765,334	21,771,340	21,771,340	22,255,141	
FTE	<u>5.1</u>	<u>3.8</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	
General Fund	13,219,245	15,765,353	15,709,849	15,709,849	15,709,849	
Federal Funds	4,883,170	8,999,981	6,061,491	6,061,491	6,545,292	
FTE	5.1	3.8	6.0	6.0	6.0	
Federal Grant for State Assessments and Related Activities - (FF)	510,037	634,106	601,154	601,154	188,178	
FTE	5.6	5.7	7.0	7.0	3.0	
School Accountability Reports and State Data Reporting System - (GF)	2,223,417	1,503,002	1,308,453	1,308,453	1,308,453	
FTE	2.9	2.9	3.0	3.0	3.0	
Longitudinal Analyses of Student Assessment Results- (GF)	118,159	144,837	277,124	277,124	277,124	
FTE	1.7	1.8	3.0	3.0	3.0	
<i>Calculation of Academic Growth of Students Using In-year Cost Recoveries Due to Unique Student Identifiers [Section 22-54-114 (2.5), C.R.S.] -- shown for informational purposes only</i>	59,828	0	<i>Up to \$200,000; not appropriated</i>	<i>Up to \$200,000; not appropriated</i>	n/a	
State Charter School Institute - (CFE - donations, transfer, and federal funds)	85,181	281,508 e/	See next line item			
FTE	0.4	2.2				
State Charter School Institute Administration, Oversight, and Management - (CFE - donations and transfer from State Share line item)	n/a	n/a	473,087 S	765,125	762,698	
FTE			5.0 S	5.0	7.0	
Institute Charter Schools' Categorical Funding - (CFE transfers from various line items)	n/a	n/a	750,000 S	750,000 A	755,000	
Direct Administrative and Support Services Provided by the Department to the State Charter School Institute - (CFE - transfer from above line item)	n/a	n/a	60,000 S	255,042	97,000	
FTE			1.3 S	2.0	2.0	

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Department Implementation of Section 22-30.5-501 et seq., C.R.S. - (CFE - transfer from State Share line item)	n/a	n/a	315,391 S	510,084	508,465	
FTE			5.0 S	3.0	5.0	
Financial Literacy - (CFE - SEF)	1,335	39,114	40,000	40,000	40,000	
Civic Education - (CFE - SEF)	n/a	135,748	200,000	200,000	200,000	
SUBTOTAL - MANAGEMENT AND ADMINISTRATION	32,708,065	39,560,418	38,009,688	40,005,114	37,044,169	
FTE	<u>106.2</u>	<u>110.4</u>	<u>119.0</u>	<u>119.0</u>	<u>115.0</u>	
General Fund	21,094,683	23,063,768	24,248,680	24,911,775	24,464,159	
FTE	52.9	54.4	71.0	71.0	71.0	
Cash Funds - Other	2,561,248	2,628,892	2,011,878	2,071,927	230,921	
FTE	18.1	20.0	20.5	20.5	20.5	
Cash Funds - State Public School Fund	0	0	0	0	35,480	
Cash Funds Exempt - Other	2,409,338	2,769,538	3,376,616	4,218,242	3,841,817	
FTE	24.5	26.5	14.5	14.5	14.5	
Cash Funds Exempt - State Education Fund	1,335	174,862	240,000	240,000	240,000	
Federal Funds	6,641,461	10,923,358	8,132,514	8,563,170	8,231,792	
FTE	10.7	9.5	13.0	13.0	9.0	

a/ This consolidated line item provides funding for the majority of state-funded staff, who are responsible for supporting the State Board of Education, administering a variety of library and education-related programs, as well as general department administration. This line item also provides funding for several centrally appropriated items, including the purchase of legal services, short-term disability, multi-use network payments, and the purchase of services from the general government computer center.

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

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

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
<p>d/ This amount was erroneously included in the "Salary Survey and Senior Executive Service" line item in the Department's budget request.</p> <p>e/ Staff has included both \$103,380 and 0.6 FTE (the amount reflected in the Department's budget request as actual expenditures for this line item), as well as \$178,127 in administrative expenditures and 1.6 FTE that were recorded for an off-budget appropriation. It is staff's understanding that the latter amount was covered with one or more federal grants received by the Institute.</p>						
<hr/>						
(2) ASSISTANCE TO PUBLIC SCHOOLS						
This section provides funding that is distributed to public schools and school districts, as well as some associated Department administrative costs (staff responsible for administering the School Finance Act, transportation programs, programs for gifted and talented children, and various state grant programs are funded through the General Department and Program Administration line item, above).						
(A) Public School Finance						
Funded Pupil Count (FTE)	729,377.2	741,327.7	753,338.0 S,a/	767,416.3 A	767,416.3	DI #1
Percent Change	0.9%	1.6%	1.6%	1.9%	1.9%	
Denver-Boulder Inflation Rate (prior CY)	1.1%	0.1%	2.1%	3.5%	3.6%	
Statewide BASE Per Pupil Funding	\$ 4,666.29	\$ 4,717.62	\$ 4,863.87	\$ 5,082.74	\$ 5,087.61	DI #1
Percent Change	2.1%	1.1%	3.1%	4.5%	4.6%	
MINIMUM Per Pupil Funding	\$ 5,627.00	\$ 5,689.00	\$ 5,865.00	\$ 6,129.00	\$ 6,135.00	
Percent Change	2.1%	1.1%	3.1%	4.5%	4.6%	
Statewide AVERAGE Per Pupil Funding	\$ 6,073.85	\$ 6,167.54	\$ 6,358.92	\$ 6,643.03 A	\$ 6,650.08	DI #1
Percent Change	2.2%	1.5%	3.1%	4.5%	4.6%	
Total Program	4,430,126,525	4,572,169,688	4,790,417,406 S	5,097,972,716 A	5,103,381,672	DI #1
Percent Change	3.1%	3.2%	4.8%	6.4%	6.5%	

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Local Share of Districts' Total Program Funding b/ <i>Percent Change</i>	1,688,649,273 <i>0.9%</i>	1,702,467,578 <i>0.8%</i>	1,730,153,513 S <i>1.6%</i>	1,799,338,510 A <i>4.0%</i>	1,800,682,834 <i>4.1%</i>	
State Share of Districts' Total Program Funding c/	<u>2,741,548,395</u>	<u>2,869,820,038</u>	<u>3,060,263,893</u> S	<u>3,298,634,206</u> A	<u>3,302,698,838</u> DI #1	
General Fund	2,340,425,737	2,217,920,440	2,391,809,898	2,565,662,970 A	2,569,064,165	
General Fund Exempt	n/a	261,400,000	256,100,000	256,100,000 A	256,100,000	
Cash Funds - State Public School Fund	11,500,000	9,491,876	9,491,876 S	9,491,876	9,491,876	
Cash Funds Exempt - State Education Fund	313,438,356	299,918,887	308,628,360	352,344,247 A	361,033,797	
Cash Funds Exempt - State Public School Fund	76,184,302	81,088,835	94,233,759 S	115,035,113 A	107,009,000	
Additional State Aid Related to Locally Negotiated Business Incentive Agreements - (GF) d/	2,192,812	1,140,015	904,942 S	1,140,015	1,121,269	
Appropriation to State Education Fund - (GF)	0	3,551,904	0	0	0	
Subtotal - Public School Finance	<u>2,743,741,207</u>	<u>2,874,511,957</u>	<u>3,061,168,835</u>	<u>3,299,774,221</u>	<u>3,303,820,107</u>	
General Fund	2,342,618,549	2,222,612,359	2,392,714,840	2,566,802,985	2,570,185,434	
General Fund Exempt	n/a	261,400,000	256,100,000	256,100,000	256,100,000	
Cash Funds - State Public School Fund	11,500,000	9,491,876	9,491,876	9,491,876	9,491,876	
Cash Funds Exempt - State Education Fund	313,438,356	299,918,887	308,628,360	352,344,247	361,033,797	
Cash Funds Exempt - State Public School Fund	76,184,302	81,088,835	94,233,759	115,035,113	107,009,000	
<i>Change in State Share</i>	<i>4.5%</i>	<i>4.8%</i>	<i>6.5%</i>	<i>7.8%</i>	<i>7.9%</i>	
<i>Change in General Fund Portion of State Share</i>	<i>4.3%</i>	<i>6.0%</i>	<i>6.6%</i>	<i>6.6%</i>	<i>6.7%</i>	
<i>State Aid as Percent of Districts' Total Program Funding</i>	<i>61.9%</i>	<i>62.9%</i>	<i>63.9%</i>	<i>64.7%</i>	<i>64.7%</i>	

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	Requests

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

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

c/ Actual expenditures for FY 2004-05 and FY 2005-06 include amounts that the Department is statutorily authorized to use "off-the-top" to pay related expenditures, including payments to Legislative Council staff to conduct the biennial cost-of-living study and funding used to cover expenses associated with the administration of the school finance program.

d/ Actual expenditures reflect the actual amounts paid to school districts related to these agreements. In FY 2005-06, the appropriation was \$741,125 short of funding the full amount districts were eligible to receive. The FY 2006-07 adjusted appropriation is anticipated to cover 51.7 percent of the amount districts are eligible to receive, a shortfall of \$845,430.

(B) Categorical Programs

(I) District Programs Required by Statute

Special Education - Children with Disabilities	219,585,359	236,476,642	268,564,686	272,623,052	272,391,798	
FTE	<u>56.0</u>	<u>58.6</u>	<u>54.9</u>	<u>54.9</u>	<u>54.9</u>	
General Fund	71,549,386	93,852,376	99,572,376	99,572,376	102,662,601	
Cash Funds Exempt - State Education Fund	15,061,678	16,380,950	16,380,950	20,439,316	17,117,837	DI #2
Cash Funds Exempt - transfer from DHS	97,414	0	98,000	98,000	98,000	
FTE	0.5	0.0	0.5	0.5	0.5	
Federal Funds	132,876,881	126,243,316	152,513,360	152,513,360	152,513,360	
FTE	55.5	58.6	54.4	54.4	54.4	
<i>State Funding Portion of Appropriation</i>	<i>86,611,064</i>	<i>110,233,326</i>	<i>115,953,326</i>	<i>120,011,692</i>	<i>119,780,438</i>	
<i>Annual Change in State Funding</i>	<i>3.0%</i>	<i>27.3%</i>	<i>5.2%</i>	<i>3.5%</i>	<i>3.3%</i>	

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
English Language Proficiency Program	9,490,681	13,887,352	17,410,769	17,656,085	18,478,985	
FTE	<u>4.7</u>	<u>4.5</u>	<u>4.6</u>	<u>4.6</u>	<u>4.6</u>	
General Fund	3,101,598	3,101,598	4,657,644	4,657,644	5,469,166	
Cash Funds Exempt - State Education Fund	665,032	941,957	1,475,253	1,720,569	1,731,947	DI #2
Cash Funds Exempt - transfer from DHS	252,037	0	0	0	0	
FTE	1.0	0.0	0.0	0.0	0.0	
Federal Funds	5,472,014	9,843,797	11,277,872	11,277,872	11,277,872	
FTE	3.7	4.5	4.6	4.6	4.6	
<i>State Funding Portion of Appropriation</i>	<i>3,766,630</i>	<i>4,043,555</i>	<i>6,132,897</i>	<i>6,378,213</i>	<i>7,201,113</i>	
<i>Annual Change in State Funding</i>	<i>3.0%</i>	<i>7.4%</i>	<i>62.8%</i>	<i>4.0%</i>	<i>17.4%</i>	
(II) Other Categorical Programs						
Federal Special Education Grant for Infants, Toddlers, and Their Families - FF	6,097,533	7,142,158	Appropriated to the Department of Human Services			
FTE	6.0	5.4				
Child Find Activities - (GF) [Placeholder]					2,200,000	
<i>Annual Change in State Funding</i>					<i>100.0%</i>	
Public School Transportation	<u>41,417,427</u>	<u>41,604,620</u>	<u>42,940,625</u>	<u>45,609,290</u>	<u>44,665,305</u>	
General Fund	36,921,261	36,917,714	38,079,601	38,079,601	39,276,831	
Cash Funds Exempt - Public School Transportation Fund	n/a	n/a	71,040 S, a/	0	450,000	
Cash Funds Exempt - State Education Fund	4,496,166	4,686,906	4,789,984 S, a/	7,529,689	4,938,474	
<i>State Funding Portion of Appropriation</i>	<i>41,417,427</i>	<i>41,604,620</i>	<i>42,869,585</i>	<i>45,609,290</i>	<i>44,215,305</i>	
<i>Annual Change in State Funding</i>	<i>1.1%</i>	<i>0.5%</i>	<i>3.0%</i>	<i>6.4%</i>	<i>3.1%</i>	
Transfer to the Department of Higher Education for Distribution of State Assistance for Vocational Education	<u>19,959,556</u>	<u>19,996,048</u>	<u>20,635,922</u>	<u>21,874,077</u>	<u>21,208,319</u>	
General Fund	17,792,850	17,792,850	18,349,048	18,349,048	18,857,413	
Cash Funds Exempt - State Education Fund	2,166,706	2,203,198	2,286,874	3,525,029	2,350,906	DI #2
<i>Annual Change in State Funding</i>	<i>1.1%</i>	<i>0.2%</i>	<i>3.4%</i>	<i>6.0%</i>	<i>2.8%</i>	
Special Education - Gifted and Talented Children	<u>6,255,768</u>	<u>7,808,508</u>	<u>7,808,744</u>	<u>8,277,269</u>	<u>7,997,177</u>	
General Fund	5,497,024	7,049,764	7,050,000	7,050,000	7,220,223	
Cash Funds Exempt - State Education Fund	758,744	758,744	758,744	1,227,269	776,954	DI #2
<i>Annual Change in State Funding</i>	<i>1.1%</i>	<i>24.8%</i>	<i>24.8%</i>	<i>6.0%</i>	<i>2.4%</i>	

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Expelled and At-risk Student Services Grant Program	6,285,171	6,285,160	6,285,171	6,717,786	6,340,676	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>	DI #3
General Fund	5,788,807	5,788,807	5,788,807	5,844,312	5,844,312	DI #3
FTE	0.0	0.0	0.0	1.0	1.0	
Cash Funds Exempt - State Education Fund	496,364	496,353	496,364	873,474	496,364	DI #2
FTE	0.0	0.0	0.0	0.0	0.0	
<i>Annual Change in State Funding</i>	<i>1.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>6.9%</i>	<i>0.9%</i>	
Small Attendance Center Aid	<u>843,780</u>	<u>889,541</u>	<u>961,817</u> S, a/	<u>890,777</u>	<u>961,817</u>	
General Fund	787,644	833,405	834,479	834,479	834,479	
Cash Funds Exempt - State Education Fund	56,136	56,136	127,338 S, a/	56,298	127,338	
<i>Annual Change in State Funding</i>	<i>4.4%</i>	<i>5.4%</i>	<i>14.0%</i>	<i>-7.4%</i>	<i>0.0%</i>	
Comprehensive Health Education	<u>595,679</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	
General Fund	300,000	0	300,000	300,000	300,000	
Cash Funds Exempt - Compr. Health Educ. Fund	295,679	600,000	300,000	300,000	300,000	
<i>Annual Change in State Funding</i>	<i>-0.5%</i>	<i>0.7%</i>	<i>0.7%</i>	<i>0.0%</i>	<i>0.0%</i>	
<i>Minimum Inflationary Increase for Categorical Programs Required by Section 17 of Article IX of the State Constitution</i>				<i>\$9,111,642</i> <i>included in above line items</i>	<i>\$9,257,383</i> <i>included in above line items</i>	
Subtotal - Categorical Programs	310,530,954	334,690,029	365,207,734	374,248,336	374,844,077	
FTE	<u>65.2</u>	<u>63.1</u>	<u>59.0</u>	<u>60.5</u>	<u>60.5</u>	
General Fund	141,738,570	165,336,514	174,631,955	174,687,460	182,665,025	
FTE	0.0	0.0	0.0	1.0	1.0	
Cash Funds Exempt - Other	645,130	600,000	469,040	398,000	848,000	
FTE	1.5	0.0	0.5	0.5	0.5	
Cash Funds Exempt - State Education Fund	23,700,826	25,524,244	26,315,507	35,371,644	27,539,820	
Federal Funds	144,446,428	143,229,271	163,791,232	163,791,232	163,791,232	
FTE	65.2	63.1	59.0	59.0	59.0	
<i>State Funding for Categorical Programs</i>	<i>165,735,075</i>	<i>191,460,758</i>	<i>201,247,462</i>	<i>210,359,104</i>	<i>210,504,845</i>	
<i>Annual Change in State Funding</i>	<i>2.1%</i>	<i>15.5%</i>	<i>5.1%</i>	<i>4.5%</i>	<i>4.6%</i>	

a/ These mid-year adjustments are included in H.B. 07-1238, which has not yet become law.

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
(C) Grant Programs and Other Distributions						
Read-to-Achieve Cash Fund	<u>16,331,727</u>	<u>15,922,311</u>	<u>0</u>	n/a		
General Fund	0	0	0			
Cash Funds Exempt - tobacco settlement	16,331,727	15,922,311	0			
Federal Funds	0	0	0			
Read-to-Achieve Grant Program - (CFE spending authority)	16,289,727	15,914,274	4,369,567	4,369,567	4,170,019	
Reading Assistance Grant Program Fund - (CFE from Read-to-Achieve Cash Fund)	n/a	n/a	300,000	0	0	
Federal Title I Reading First Grant - (FF)	8,011,373	15,659,030	10,878,225	10,878,225	10,878,225	
FTE	9.5	9.6	9.0	9.0	9.0	
Family Literacy Education Fund - (CFE - State Education Fund)	n/a	n/a	200,000	200,000	0	
Family Literacy Education Grant Program - (CFE - spending authority)	n/a	n/a	200,000	200,000	0	
National Credential Fund - (CFE - State Education Fund)	0	83,000	0	n/a	n/a	
National Credential Fee Assistance - (CFE - spending authority thru FY 05-06; SEF for FY 06-07+)	0	83,000	100,000	83,000	100,000	
Principal Development Scholarship Program - (CFE - Principal Development Scholarship Fund)	n/a	n/a	250,000	250,000	0	
Summer School Grant Program - (CFE - State Education Fund)	n/a	n/a	1,000,000	1,000,000	1,000,000	
FTE			0.3	0.3	0.3	
Facility Summer School Grant Program - (CFE - State Education Fund)	n/a	n/a	500,000	500,000	500,000	

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Aid for Declining Enrollment Districts with New Charter Schools	n/a	n/a	<u>1,283,377</u>	<u>1,283,377</u>		<u>1,009,000</u>
General Fund			283,377	283,377		1,009,000
Cash Funds Exempt - State Education Fund			1,000,000	1,000,000		0
Reimbursement for Supplemental On-line Education Courses - (CFE - SPSF - mineral lease revenues)	n/a	n/a	531,580	0		0
S.B. 97-101 Public School Health Services a/ - (CFE - transfer from the DHCPF)	8,585,976 b/	9,967,122 b/	184,520 S,b/	15,713,461		191,696
FTE	1.4	1.4	1.4	1.4		1.4
State Public School Fund, Contingency Reserve	<u>0</u>	<u>622,493</u>	<u>4,291,277</u>	<u>4,291,277</u>		<u>4,439,728</u>
General Fund	0	0	0	0		0
Cash Funds Exempt - Contingency Reserve	0	622,493	4,291,277	4,291,277		4,439,728
<i>Payments to Districts From Lottery Proceeds that are credited to the State Public School Fund, Contingency Reserve, Pursuant to Section 22-54-117 (1.6), C.R.S. SHOWN FOR INFORMATIONAL PURPOSES ONLY - NOT APPROPRIATED</i>	2,396,438 c/	1,691,454 c/	12,545,316 c/	n/a		n/a
State Public School Fund, School Capital Construction Expenditures Reserve	5,000,000	21,500,000	15,000,000	15,000,000		20,000,000
FTE	<u>1.6</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>		<u>2.0</u>
General Fund	0	5,750,000	7,500,000	7,500,000		10,000,000
Cash Funds Exempt - State Education Fund	2,500,000	5,000,000	0	0		0
Cash Funds Exempt - spending authority d/	2,500,000	10,750,000	7,500,000	7,500,000		10,000,000
FTE	1.6	2.0	2.0	2.0		2.0
School Construction and Renovation Fund	<u>5,000,000</u>	<u>38,500,000</u>	<u>15,437,602</u>	<u>15,000,000</u>		<u>20,000,000</u>
General Fund	0	19,250,000	7,500,000	7,500,000		10,000,000
Cash Funds Exempt - State Education Fund	2,500,000	0	0	0		0
Cash Funds Exempt - spending authority	2,500,000	19,250,000	7,937,602	7,500,000		10,000,000

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Charter School Capital Construction - (CFE - SEF)	5,000,000	5,000,000	7,800,000	5,000,000	A	5,000,000
State Match for School Lunch Program	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>		<u>2,472,644</u>
Cash Funds - State Public School Fund	0	2,472,644	2,472,644	2,472,644		2,472,644
Cash Funds Exempt - State Public School Fund	2,472,644	0	0	0		0
School Breakfast Program - (GF)	0	310,000	500,000	500,000		500,000
Boards of Cooperative Services - (GF)	0	0	210,000	210,000		210,000
Colorado History Day - (CFE - SEF)	10,000	10,000	10,000	10,000		10,000
Distributions	66,701,447	126,043,874	65,518,792	76,961,551		70,481,312
FTE	<u>12.5</u>	<u>13.0</u>	<u>12.7</u>	<u>12.7</u>		<u>12.7</u>
General Fund	0	25,310,000	15,993,377	15,993,377		21,719,000
Cash Funds - State Public School Fund	0	2,472,644	2,472,644	2,472,644		2,472,644
Cash Funds Exempt - Other	46,207,430	72,509,200	25,032,966	39,824,305		28,801,443
FTE	3.0	3.4	3.7	3.7		3.7
Cash Funds Exempt - State Education Fund	10,010,000	10,093,000	10,610,000	7,793,000		6,610,000
Cash Funds Exempt - State Public School Fund	2,472,644	0	531,580	0		0
Federal Funds	8,011,373	15,659,030	10,878,225	10,878,225		10,878,225
FTE	9.5	9.6	9.0	9.0		9.0

a/ Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. Generally, these moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. However, pursuant to Section 26-4-531, C.R.S., school districts may elect to contract with the Department of Health Care Policy and Financing to receive federal Medicaid funds for amounts the districts spend in providing health care services through the public schools to students who are eligible for Medicaid benefits. Thus, in lieu of state General Fund, school districts' funds are used to match federal Medicaid funds; the local match is NOT reflected in the appropriation to the Department of Education.

b/ The Department reports administrative expenses of \$119,668 and \$147,488 for FY 2004-05 and FY 2005-06, respectively. The FY 2006-07 appropriation includes \$184,520 for related administrative expenses.

Fiscal Year 2007-08 Joint Budget Committee Staff Figure Setting

Department of Education

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	Requests

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

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

(D) Appropriated Sponsored Programs	285,831,624	298,208,206	308,854,029	317,393,174	317,393,174	
FTE	<u>97.3</u>	<u>102.1</u>	<u>101.6</u>	<u>105.7</u>	<u>105.7</u>	
Cash Funds	520,272	435,247	575,000	810,000	810,000	
FTE	0.0	0.0	0.0	0.0	0.0	
Cash Funds Exempt- various	3,322,908	3,073,629	3,074,648	3,015,648	3,015,648	
FTE	6.2	6.6	6.3	6.0	6.0	
Federal Funds	281,988,444	294,699,330	305,204,381	313,567,526	313,567,526	
FTE	91.1	95.5	95.3	99.7	99.7	

SUBTOTAL - ASSISTANCE TO PUBLIC						
SCHOOLS	3,406,805,232	3,633,454,066	3,800,749,390	4,068,377,282	4,066,538,670	
FTE	<u>176.5</u>	<u>178.2</u>	<u>173.8</u>	<u>178.9</u>	<u>178.9</u>	
General Fund	2,484,357,119	2,413,258,873	2,583,340,172	2,757,483,822	2,774,569,459	
FTE	0.0	0.0	0.0	1.0	1.0	
General Fund Exempt	n/a	261,400,000	256,100,000	256,100,000	256,100,000	
Cash Funds - Other	520,272	435,247	575,000	810,000	810,000	
FTE	0.0	0.0	0.0	0.0	0.0	
Cash Funds - State Public School Fund	11,500,000	11,964,520	11,964,520	11,964,520	11,964,520	
Cash Funds Exempt - Other	50,175,468	76,182,829	28,576,654	43,237,953	32,665,091	
FTE	10.7	10.0	10.5	10.2	10.2	
Cash Funds Exempt - State Education Fund	347,149,182	335,536,131	345,553,867	395,508,891	395,183,617	
Cash Funds Exempt - State Public School Fund	78,656,946	81,088,835	94,765,339	115,035,113	107,009,000	
Federal Funds	434,446,245	453,587,631	479,873,838	488,236,983	488,236,983	
FTE	165.8	168.2	163.3	167.7	167.7	

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

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

Fiscal Year 2007-08 Joint Budget Committee Staff Figure Setting

Department of Education

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
BLIND						
This section provides operational funding for the Colorado School for the Deaf and the Blind, which provides educational services for hearing impaired/deaf and visually impaired/blind children. Cash funds consist of fees paid by individuals for workshops and conferences and housing reimbursements. Cash funds exempt sources include transfers from the Public School Finance, Categorical Programs, and Appropriated Sponsored Programs sections (above), as well as federal funds transferred from local school districts.						
(A) School Operations						
Personal Services	8,420,645	8,651,977	8,266,658	8,528,077	8,446,920	
FTE	<u>144.8</u>	<u>145.3</u>	<u>141.3</u>	<u>141.3</u>	<u>141.3</u>	
General Fund	7,195,147	7,417,097	6,987,248	7,248,667	7,140,736	
FTE	123.7	124.6	119.6	119.6	119.6	
Cash Funds Exempt - transfers	1,225,498	1,234,880	1,279,410	1,279,410	1,306,184	
FTE	21.1	20.7	21.7	21.7	21.7	
Early Intervention Services	Included in other line items		1,253,716	1,270,750	1,263,773	
FTE			<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	
General Fund			1,100,108	1,117,142	1,110,165	
FTE			8.7	9.2	9.2	
Cash Funds Exempt - transfers			153,608	153,608	153,608	
FTE			1.3	0.8	0.8	
Shift Differential	See Management &	<u>72,318</u>	<u>75,627</u>	<u>82,257</u>	<u>82,047</u>	
General Fund	Administration	72,318	75,627	79,386	82,047	
Cash Funds Exempt - transfers		0	0	2,871	0	
Operating Expenses - (GF)	393,520	396,178	415,567 S	415,567 A	417,277	
Vehicle Lease Payments - (GF)	See Management &	24,818	23,292 S	46,349	Pending	Statewide DI: Vehicle replacement
	Administration					
Communication Services Payments - (GF)	2,341	3,083	3,473 S	3,353	Pending	
Utilities - (GF)	430,683	510,705	498,094 S	562,228 A	460,913	

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Allocation of State and Federal Categorical Program Funding - (CFE transfers)	150,969	141,866	150,000	150,000	150,000	
FTE	0.4	0.3	0.4	0.4	0.4	
Medicaid Reimbursements for Public School Health Services - (CFE transfers)	63,693	67,251	75,000	85,000	85,000	
FTE	1.1	1.2	1.5	1.5	1.5	
Subtotal - School Operations	9,461,851	9,868,196	10,761,427	11,143,581	10,905,930	
FTE	<u>146.3</u>	<u>146.8</u>	<u>153.2</u>	<u>153.2</u>	<u>153.2</u>	
General Fund	8,021,691	8,424,199	9,103,409	9,472,692	9,211,138	
FTE	123.7	124.6	128.3	128.8	128.8	
Cash Funds Exempt - transfers	1,440,160	1,443,997	1,658,018	1,670,889	1,694,792	
FTE	22.6	22.2	24.9	24.4	24.4	
(B) Special Purpose						
Fees and Conferences - (CF)	62,181	56,508	75,000	75,000	75,000	
Federal Funds Transferred from School Districts - (CFE)	235,306	298,634	269,000	269,000	269,000	
FTE	2.8	2.7	2.8	2.8	2.8	
Tuition from Out-of-state Students	<u>45,428</u>	<u>94,504</u>	<u>0</u>	<u>200,000</u> A	<u>200,000</u> CSDB #1	
Cash Funds - fees paid with state funds	0	0	0	200,000 A	200,000	
Cash Funds Exempt - fees paid via federal funds	45,428	94,504	0	0	0	
Summer Olympics Housing - (CF)	8,918	3,247	10,000	10,000	10,000	

Fiscal Year 2007-08 Joint Budget Committee Staff Figure Setting

Department of Education

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08		Change Requests
	Actual	Actual	Appropriation	OSPB Request	Staff Recomm.	
Grants - (CFE)	1,174,234	1,191,142	1,246,392	1,250,000	1,250,000	
FTE	7.4	9.5	5.9	9.0	9.0	
Subtotal - Special Purpose	1,526,067	1,644,035	1,600,392	1,804,000	1,804,000	
FTE	<u>10.2</u>	<u>12.2</u>	<u>8.7</u>	<u>11.8</u>	<u>11.8</u>	
Cash Funds	71,099	59,755	85,000	285,000	285,000	
Cash Funds Exempt	1,454,968	1,584,280	1,515,392	1,519,000	1,519,000	
FTE	10.2	12.2	8.7	11.8	11.8	
SUBTOTAL - SCHOOL FOR THE DEAF AND THE BLIND	10,987,918	11,512,231	12,361,819	12,947,581	12,709,930	
FTE	<u>156.5</u>	<u>159.0</u>	<u>161.9</u>	<u>165.0</u>	<u>165.0</u>	
General Fund	8,021,691	8,424,199	9,103,409	9,472,692	9,211,138	
FTE	123.7	124.6	128.3	128.8	128.8	
Cash Funds - various	71,099	59,755	85,000	285,000	285,000	
Cash Funds Exempt	2,895,128	3,028,277	3,173,410	3,189,889	3,213,792	
FTE	32.8	34.4	33.6	36.2	36.2	
TOTAL - DEPARTMENT	3,451,554,811	3,685,696,511	3,852,761,716	4,122,970,796	4,117,933,588	
FTE	<u>439.2</u>	<u>447.6</u>	<u>454.7</u>	<u>462.9</u>	<u>458.9</u>	
General Fund	2,514,433,289	2,445,706,636	2,618,113,080	2,793,289,108	2,809,665,575	
FTE	176.6	179.0	199.3	200.8	200.8	
General Fund Exempt	n/a	261,400,000	256,100,000	256,100,000	256,100,000	
Cash Funds - Other	3,152,619	3,123,894	2,671,878	3,166,927	1,325,921	
FTE	18.1	20.0	20.5	20.5	20.5	
Cash Funds - State Public School Fund	11,500,000	11,964,520	11,964,520	11,964,520	12,000,000	
Cash Funds Exempt - Other	55,573,734	82,190,644	35,346,680	50,866,084	39,940,700	
FTE	68.0	70.9	58.6	60.9	60.9	
Cash Funds Exempt - State Education Fund	347,150,517	335,710,993	345,793,867	395,748,891	395,423,617	
Cash Funds Exempt - State Public School Fund	78,656,946	81,088,835	94,765,339	115,035,113	107,009,000	
Federal Funds	441,087,706	464,510,989	488,006,352	496,800,153	496,468,775	
FTE	176.5	177.7	176.3	180.7	176.7	

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

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

**DEPARTMENT OF EDUCATION
FY 2007-08**

FORMAT NOTES: Individual line items appear in bold underlined font, decision items appear in bold *italic* font, and summary descriptions of staff recommendations appear in **bold** font.

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	Cash Fund Exempt	Federal Funds	FTE
<i>Recommended Changes from FY 2006-07 Appropriation:</i>						
School finance	242,651,272	177,470,594	0	65,180,678	0	0.0
Categorical programs	9,636,343	8,033,070	0	1,603,273	0	1.5
Funding related to the <i>Giardino</i> lawsuit settlement agreement	5,000,000	5,000,000	0	0	0	0.0
Employee salary increases	625,612	267,682	22,152	49,773	286,005	0.0
Colorado student assessment program	483,801	0	0	0	483,801	0.0
Employee benefits	353,994	224,993	9,447	(2,285)	121,839	0.0
Tuition from out-of-state students (CSDB)	200,000	0	200,000	0	0	0.0
PERA Amortization equalization disbursement	167,164	74,190	6,688	15,357	70,929	0.0
Aid to declining enrollment districts with new charter schools	(274,377)	725,623	0	(1,000,000)	0	0.0
Family literacy education grants	(200,000)	0	0	(200,000)	0	0.0
Reading Assistance Grant Program	(300,000)	0	0	(300,000)	0	0.0
Supplemental on-line education	(531,580)	0	0	(531,580)	0	0.0
Charter school capital construction	(2,800,000)	0	0	(2,800,000)	0	0.0

(1) MANAGEMENT AND ADMINISTRATION

General Department and Program Administration. This section provides funding and staff for the State Board of Education, for the administration of a variety of education- and library-related programs, and for general department administration, including human resources, budgeting, accounting, information management, and facilities maintenance. Sources of cash funds for this line item include: (a) the Educator Licensure Cash Fund, which consists of fees paid by applicants for educator licenses and certificates; (b) general education development (GED) program fees; and (c) the Public School Income Fund. Cash funds exempt sources include indirect cost recoveries and transfers from various cash- and federally-funded line items in other sections of the budget. Federal funds reflected in this section are from a variety of sources.

The Department has requested a total of \$6,819,995 and 81.0 FTE for this line for FY 2007-08. Staff’s overall recommendation for this line item is pending because the dollar amount of three components of the line item cannot be determined until the Committee establishes common policies related to such items. The table below details each component of this line. A discussion of each component is included following the table.

Components of General Department and Program Administration Line Item			
Description	FY 2006-07 Approp.	FY 2007-08	
		Request	Recomm.
Personal Services	\$5,900,146	\$5,912,854	\$6,025,766
FTE	81.0	81.0	81.0
Operating Expenses	668,146	668,146	689,846
Capital Outlay	47,393	32,250	32,250
Short-term Disability	31,338	42,902	33,965
Purchase of Services from Computer Center	0	9,010	Pending
Multi-use Network Payments	29,163	31,798	Pending
Legal Services	129,373	123,035	Pending
TOTAL	6,805,559	6,819,995	Pending
FTE	81.0	81.0	81.0

Background Information. This consolidated line item was established in FY 1987-88 to facilitate a \$2.5 million reduction in General Fund appropriations for the administration of the

Department and library programs. This reduction ultimately resulted in the elimination of 35.0 FTE (a 25 percent reduction). From FY 2000-01 through FY 2003-04, base General Fund appropriations for staff supported through this line item were reduced by another \$1.8 million. As a result, the number of FTE supported by General Fund decreased by another 31.5 FTE (39 percent). Of the total 31.5 General Fund-supported FTE reduction, 12.0 FTE were eliminated and 19.5 FTE were transferred to various cash and federal fund sources. Positions that were eliminated include senior consultants on regional service teams, staff at the Talking Book Library, staff responsible for institutional library programs, staff in the Commissioner's Office, management services staff who supported data and human resource functions, and staff responsible for some special education-related functions.

When compared to Department staffing levels that existed in FY 1984-85, current staffing levels are considerably lower. Specifically, 69.4 FTE now perform general Department and program administration functions, compared to 84.7 FTE in FY 1984-85 (an 18 percent reduction); and 11.6 FTE now support library programs, compared to 26.3¹ in FY 1984-85 (a 56 percent reduction).

Personal Services: This line item provides funding for employees' salaries and wages, as well as the associated state contribution to the Public Employees Retirement Association and the state share of federal Medicare taxes. This line item also provides funding for certain professional and temporary services. The Department requests \$5,912,854 and 81.0 FTE for FY 2007-08. Please note that this request represents a \$12,708 (0.2 percent) increase compared to current year appropriations.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Commissioner/ Deputy and Assistant Commissioners/ Chief of Staff/ Directors	12.6	14.3	13.0	13.0
Public School Finance/ Colorado Preschool Program	6.0	8.0	8.0	8.0
School District Audits	4.0	5.0	5.0	5.0
Controller/ Accounting/ Purchasing	7.0	8.1	9.0	9.0
Information Management Services	7.5	8.0	9.0	9.0

¹ Positions included: 2.0 FTE Assistant Commissioner and Secretary; 10.5 FTE for the Library for the Blind and Physically Handicapped; 1.5 FTE regional systems supervisor; 1.5 FTE project director and secretary for the library network; 4.0 FTE for correctional libraries; 1.8 FTE for the state library and state documents depository; and 5.0 FTE consultants and secretary for institutions, continuing education, and resource libraries.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Library Programs	11.8	11.6	12.5	12.5
GED Program	1.5	1.5	1.5	1.5
Other (Supervisors/ Consultants/ Support Staff)	<u>25.1</u>	<u>24.5</u>	<u>23.0</u>	<u>23.0</u>
TOTAL	75.5	81.0	81.0	81.0

Please note that appropriations for FY 2006-07 include funding for the following new positions:

- Restoration of 1.0 FTE Auditor for the School Finance Unit that was eliminated in FY 2002-03 to manage reductions in administrative funding
- Addition of 1.0 FTE Principal Consultant for the School Finance Unit to improve the unit's ability to assist school districts with accounting, data submission, and reporting requirements
- Addition of 1.0 FTE for the Accounting Unit to address workload increases
- Addition of 1.0 FTE for the Colorado Preschool and Kindergarten Program (through H.B. 06-1375)
- Addition of 0.5 FTE to administer the Special Education High-Cost Grant Program (through H.B. 06-1375)

Staff's overall recommendation for personal services, detailed in the following table, is calculated in accordance with Committee policy with one exception (noted below).

Summary of Recommendation: General Department and Program Administration - Personal Services					
Description	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	FTE
Personal services portion of FY 06-07 appropriation	\$5,900,146	\$4,580,464	\$112,828	\$1,206,854	81.0
Annualization of staff added in FY 06-07 (adding 12th month of salary for new staff supported by General Fund)	14,867	14,867	0	0	
Salary survey awarded in FY 06-07	162,262	114,840	2,726	44,696	
Performance-based pay awarded in FY 06-07	0	0	0	0	

Summary of Recommendation: General Department and Program Administration - Personal Services					
Description	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	FTE
Base reduction per common policy (0.5%) - <u>not</u> applied to cash funds portion, which only supports 1.5 FTE	(29,809)	(23,551)	<u>0</u>	(6,258)	
Subtotal: Continuation Funding	6,047,466	4,686,620	115,554	1,245,292	81.0
Transfer to Operating Expenses portion of appropriation	(21,700)	0	(21,700)	0	0.0
Recommended FY 07-08 appropriation	6,025,766	4,686,620	93,854	1,245,292	81.0

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$175,937 General Fund and 2.0 FTE for FY 2007-08, "to review the online programs, establish best practices, analyze data related to online education and any other needs associated with online education" [*State Board priority #3*]. This request was not included in the Governor's budget request.

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$210,653 General Fund and 2.0 FTE for FY 2007-08 [*State Board priority #8*]. This request was not included in the Governor's budget request. The following information was provided by the Department:

"Currently the Department has nine Regional Managers, one 40% time Asst. Commissioner, and one Part-time FTE on Special Assignment for 178 school districts, with extensive travel involvement. If all districts were divided equally (which they are not) among Regional Managers, they would each be responsible for 20 districts. With additional FTE provided as Regional Managers, the Districts would receive more frequent and better services."

Operating Expenses: This line item provides funding for supplies and materials, as well as for certain services that are not covered by other line items such as utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. The Department's request reflects a continuation level of funding (\$668,146) for the operating expenses portion of this line item. **Consistent with Committee policy, staff recommends approving the request.** In addition, staff recommends shifting \$21,700 cash funds spending authority from the Personal Services portion of this line item appropriation to the Operating Expenses portion. This shift correctly identifies cash-funded Operating Expenses to include \$35,480 to reprint and distribute laws concerning education, and \$750 basic operating expenses for the administration of the GED program.

Finally, staff recommends appropriating \$35,480 cash funds for the Department to reprint and distribute laws concerning education (as required by Section 22-2-112 (1) (i), C.R.S.) **as a separate line item for FY 2007-08.** As this appropriation is one of three supported by rental income earned on state education trust lands, staff believes that a separate line item will more clearly demonstrate compliance with the existing \$12,000,000 cap on annual appropriations of rental income. Under current law, the source of this appropriation is the Public School Income Fund. Please note that if H.B. 07-1237 becomes law prior to introduction of the Long Bill, staff will identify this fund source as the State Public School Fund.

The following table summarizes staff's recommendation for operating expenses, including the sources of funding.

Summary of Recommendation: General Department and Program Administration - Operating Expenses				
Description	Total Funds	General Fund	Cash Funds	Cash Funds Exempt
Operating Expenses - FY 06-07 appropriation	\$668,146	\$479,626	\$14,530	\$173,990
Transfer from Personal Services portion of appropriation	<u>21,700</u>	<u>0</u>	<u>21,700</u>	<u>0</u>
Subtotal	689,846	479,626	36,230	173,990
Transfer to separate line item entitled "Reprinting and Distributing Laws Concerning Education"	(35,480)	0	(35,480)	0
Recommended appropriation for FY 07-08	654,366	479,626	750	173,990

Capital Outlay: This line item provides funding for the purchase or replacement of equipment, furniture, and other items that cost less than \$50,000, as well as for building repair and remodeling costing less than \$15,000. The Department requests \$32,250 General Fund for capital outlay expenses. This request reflects the elimination of one-time funding totaling \$15,143 that was provided for 3.0 FTE that were requested and approved through the budget process and 1.5 FTE that were added through H.B. 06-1375. **Staff recommends approving the request.** This amount represents a continuation level of funding, consistent with Committee policy.

Short-term Disability: This line item provides funding for the employer's share of state employees' short-term disability insurance premiums. The Department requests \$42,902 for this purpose for FY 2007-08. **Staff recommends appropriating \$33,965, based on the Committee policy of applying a rate of 0.13 percent to base salaries** (excluding salary increases for FY 2007-08 as well as shift differential payments). **In addition, staff recommends providing this funding through a separate appropriation like other "potted" line items** (consistent with appropriations to every other Department). Given the amount and purpose of this appropriation, staff does not believe that it actually provides the Department with any additional flexibility in managing its appropriations, and it unnecessarily complicates the budget process.

Purchase of Services from Computer Center. This item provides funding for the Department's share of statewide computer services provided by the Department of Personnel and Administration, Division of Information Technology. The Department requests \$9,010 General Fund for this purpose for FY 2007-08. **Staff's recommendation for the purchase of services from the computer center is pending Committee policy.** Staff will ultimately reflect Committee policy in the appropriation for this line item. **In addition, staff recommends providing this funding through a separate appropriation** (consistent with appropriations to every other Department). Given the amount and purpose of this appropriation, staff does not believe that it actually provides the Department with any additional flexibility in managing its appropriations, and it unnecessarily complicates the budget process.

Multi-use Network Payments. This line item is used to pay the Department's share of the statewide multi-use network. The Department requests \$31,798 General Fund for multi-use network payments for FY 2007-08. **The Committee policy is pending for this decision item, so staff's recommendation for this purpose is pending .** Staff will ultimately reflect Committee policy in the appropriation for this line item. **In addition, staff recommends providing this funding through a separate appropriation** (consistent with appropriations to every other Department). Given the amount and purpose of this appropriation, staff does not believe that it actually provides the Department with any additional flexibility in managing its appropriations, and it unnecessarily complicates the budget process.

Legal Services: This line item provides funding for the Department to purchase legal services from the Department of Law. Please note that the Department's request for legal services for both this line item and the Office of Professional Services line item reflect a decrease in funding. The request does not identify an associated number of hours of service. However, for this line item, Department expenditures for FY 2005-06 exceeded the appropriation by 45 percent (expenses of \$178,846 for 2,715 hours compared to an appropriation of \$123,035 for 1,909 hours). **Staff recommends providing funding sufficient for the Department to purchase a total of 3,709 hours of legal services, including funding for 1,909 in this line item, and funding for 1,800 hours in the Office of Professional Services line item.** This recommendation represents a continuation level of hours for this line item, and a decrease for the Office of Professional Services. **The dollar amount of staff's recommendation is pending the determination of the hourly rate for legal services.**

In addition, staff recommends providing funding for legal services through a separate appropriation (consistent with appropriations to every other Department). Long Bill headnotes authorize the Department to expend up to 10 percent of the amount appropriated for legal services for operating expenses or contractual services. Thus, the Department would retain some flexibility even if this funding is appropriated through a separate line item. Staff believes that the inclusion of legal services funding in this line item appropriation unnecessarily complicates the budget process.

DEPARTMENT OF EDUCATION - Legal Services									
	FY 2006-07 Appropriation			FY 2007-08 Request			FY 2007-08 Recommendation		
	Legal Services Hours	Rate	Total	Legal Services Hours	Rate	Total	Legal Services Hours	Rate	Total
Administration	1,909	\$67.77	\$129,373	n/a		\$123,035	1,909	TBD	TBD
Office of Prof. Services	2,220	\$67.77	\$150,449	n/a		\$59,519	1,800	TBD	TBD
TOTAL	4,129	\$67.77	\$279,822	n/a		\$182,554	3,709	TBD	Pending
General Fund	1,909		\$129,373	n/a		\$123,035	1,909		Pending
Cash Funds	2,220		\$150,449	n/a		\$59,519	1,800		Pending

"n/a" - Hours of service not identified in Department's budget request

Please note that in addition to the hours identified in the above table, the State Charter School Institute purchases legal services from the Attorney General's Office. The Institute utilizes a portion of the "State Charter School Institute Administration, Oversight, and Management" line item appropriation for this purpose. In fiscal years 2004-05 and 2005-06, the Institute purchased 388.8 and 358.3 hours of legal services, respectively.

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$110,000 General Fund for FY 2007-08 for the purchase of legal services [*State Board priority #10*]. The Department provided information indicating that the need for legal services has increased, primarily due to charter school appeals and applications from districts to retain exclusive authority to authorize charter schools. This request was not included in the Governor's budget request.

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$120,000 General Fund for FY 2007-08 to offset recent declines in the Department's federal indirect cost rate [*State Board priority #11*]. This request was not included in the Governor's budget request. The following information was provided by the Department:

Office of Professional Services. This office is responsible for administration of the Colorado Educator Licensure Act. Similar to the Administration line item, this is a consolidated line item that includes several components. This Office is funded entirely through fees paid by educators seeking licenses, endorsements, and authorizations. Pursuant to Section 22-60.5-112, C.R.S., the State Board of Education is to annually adjust fees charged for licensing purposes, if necessary, so that the revenue generated approximates the direct and indirect costs of administering the Colorado Educator Licensing Act. Fee revenues are deposited into the Educator Licensure Cash Fund.

The Department requests a total of \$1,663,799 and 19.0 FTE for FY 2007-08. Staff's overall recommendation for this line item is pending because the indirect cost amount cannot be determined until the rates for legal services are approved by the Committee. The table below details each component of this line item, and a discussion of each component is included following the table.

Components of Office of Professional Services Line Item			
Description	FY 2006-07 Approp.	FY 2007-08	
		Request	Recomm.
Personal Services	\$1,110,981	\$1,100,146	\$1,086,485
FTE	19.0	19.0	19.0
Operating Expenses	274,636	332,500	274,636
Capital Outlay	13,200	13,200	13,200
Indirect Costs	164,533	158,434	Pending
CBI Services / Fingerprinting	0	0	0
Legal Services	150,449	59,519	Pending
TOTAL	1,713,799	1,663,799	Pending
FTE	19.0	19.0	19.0

Personal Services:

This line item provides funding for employees' salaries and wages, as well as the associated state contribution to the Public Employees Retirement Association and the state share of federal Medicare taxes. This line item also includes \$11,460 for contract services to conduct annual survey of superintendents (pursuant to H.B. 06-1001).

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Director / Supervisors	2.7	3.0	3.0	3.0
Consultants/ General Professionals/ Program Assistants	13.0	13.0	13.0	13.0
Administrative Support	<u>2.8</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
TOTAL	18.5	19.0	19.0	19.0

The Department requests \$1,100,146 and 19.0 FTE for FY 2007-08. **Staff recommends appropriating \$1,086,485, in accordance with Committee policy.** Staff is unable to explain why the Department's request is \$13,661 higher than the recommended amount.

Summary of Recommendation: Office of Professional Services - Personal Services		
Description	Cash Funds	FTE
Personal services portion of Long Bill appropriation for FY 06-07	\$1,110,981	19.0
Salary survey awarded in FY 06-07	30,906	
Performance-based pay awarded in FY 06-07	0	
Base reduction per common policy (0.5%; not applied to contract services of \$11,460)	(5,402)	
Eliminate one-time funding approved for FY 2006-07	(50,000)	
Recommended appropriation for FY 07-08	1,086,485	19.0

Operating Expenses: This line item provides funding for supplies and materials, as well as for certain services that are not covered by other line items such as utilities, custodial services, equipment rental, storage, dues and subscriptions, and printing. The Department's request includes \$332,500 for operating expenses - an increase of \$57,864. The nature or purpose of this increase is not clear. **Consistent with Committee policy, staff recommends maintaining the existing appropriation of \$274,636.**

Capital Outlay: **Staff recommends approving the Department's request for \$13,200 for capital outlay expenses.** This amount represents a continuation level of funding, consistent with Committee policy.

Indirect Costs: **Staff's recommendation for statewide and departmental indirect cost recoveries will be calculated once the rates for legal services are determined and approved by the Committee.** Staff will include the amount required based on the appropriate indirect cost rate.

CBI Services / Fingerprinting: Pursuant to Section 22-60.5-103, C.R.S., each individual applying for an educator license, as well as each educator renewing a license or authorization who has not previously been fingerprinted, is required to submit a set of fingerprints for purposes of conducting a background check through the Colorado Bureau of Investigation (CBI) and Federal Bureau of Investigation (FBI). Prior to FY 2006-07, the Department of Education collected background check fees from applicants, and then forwarded these fees on to the Department of Public Safety. Pursuant to S.B. 06-176, individuals now submit fingerprints (and the associated fees) directly to the CBI for a criminal history check. Thus, this line item no longer includes cash funds spending authority for the Department of Education to collect such fees.

Legal Services: The Department's request only reflects \$59,519 for legal services, and it does not identify an associated number of hours of services. This dollar amount compares to the current year appropriation of \$150,449. **Staff recommends providing funding sufficient for the Department to purchase for 1,800 hours in this line item** . This recommendation represents a reduction of 420 hours (18.9 percent). This recommended change is based on actual expenditures for the last two fiscal years. In fiscal years 2004-05 and 2005-06, the Office purchased 1,023.2 and 1,718.6 hours of legal services, respectively. **The dollar amount of staff's recommendation is pending the determination of the hourly rate for legal services.** [See the table on page 26 for a summary of all legal service-related appropriations to the Department.] **In addition, as noted for the previous line item, staff recommends providing funding for legal services through a separate appropriation** (consistent with appropriations to every other Department).

Health, Life, and Dental. This line item provides funding for the employer's share of the cost of group benefit plans providing health, life, and dental insurance for state employees. The Department is requesting \$1,948,203 (including \$990,650 General Fund) for FY 2007-08. **Staff recommends appropriating a total of \$1,978,146** (including \$1,041,804 General Fund), **consistent with Committee policy.**

Amortization Equalization Disbursement. Pursuant to S.B. 04-257, this line item provides additional funding to increase the state contribution for Public Employees' Retirement Association (PERA). The Department requests a total of \$320,901 (including \$149,541 General Fund). **Pursuant to Committee policy** [1.0 percent of base salaries for CY 2007 and 1.4 percent of base salaries for CY 2008 (excluding salary increases for FY 2007-08 as well as shift differential payments)], **staff recommends an appropriation of \$309,557** (including \$138,453 General Fund.)

Supplemental Amortization Equalization Disbursement. Pursuant to S.B. 06-235, this line item provides additional funding to increase the state contribution for Public Employees' Retirement Association (PERA). The Department requests a total of \$68,586 (including \$32,251 General Fund). **Pursuant to Committee policy** [0.0 percent of base salaries for CY 2007, and 0.5 percent of base salaries for CY 2008 (excluding salary increases for FY 2007-08 as well as shift differential payments)], **staff recommends an appropriation of \$60,371** (including \$24,724 General Fund.)

Salary Survey and Senior Executive Service. The Department uses this line item to pay for annual increases for salary survey and senior executive service positions. The Department requests \$1,230,028 (including \$571,468 General Fund) for this line item for FY 2007-08. Based on updated figures provided by the Department based on Committee common policy, **staff recommends appropriating \$1,042,090** (including \$487,114 General Fund) **for this line item for FY 2007-08, consistent with Committee policy.** This amount is based on increases totaling \$1,102,461, offset by the amount required for supplemental amortization equalization disbursement (\$60,371). These amounts are detailed in the table below.

Summary of Salary Survey Recommendation					
Description	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total
<u>Department of Education:</u>					
Classified employees	\$44,249	\$20,897	\$23,607	\$78,790	\$167,543
At-will employees	<u>115,888</u>	<u>18,510</u>	<u>44,275</u>	<u>348,380</u>	<u>527,053</u>
Subtotal	160,137	39,407	67,882	427,170	694,596
<u>Colorado School for the Deaf and the Blind:</u>					
Classified employees	134,158		11,079		145,237
At-will employees	45,933		4,419		50,352
Teachers (using local school district pay scale)	<u>146,886</u>		<u>5,019</u>		<u>151,905</u>
Subtotal	326,977	0	20,517	0	347,494
Total	487,114	39,407	88,399	427,170	1,042,090

Please note that pursuant to Section 22-80-106.5, C.R.S., the amount listed above for teachers at the School for the Deaf and the Blind is based on compensating teachers in accordance with the salary schedule that is adopted annually by the board of education for the school district in which the School is located (D-11). For FY 2007-08, this amounts to an average increase of 4.12 percent.

Performance-Based Pay Awards. This line item funds awards relating to employee performance and evaluations. The Department requests a total of \$211,862 (including \$84,574 General Fund) for performance-based pay awards for FY 2007-08. The Department has provided updated figures based on Committee common policy. **Staff recommends appropriating \$352,370 (including \$134,965 General Fund) for this line item for FY 2007-08, consistent with Committee policy.**

Summary of Performance-based Pay Recommendation					
Description	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total
Department of Education	\$65,411	\$16,377	\$29,416	\$171,612	\$282,816
Colorado School for the Deaf and the Blind	69,554	0	0	0	69,554
Total	134,965	16,377	29,416	171,612	352,370

Workers' Compensation. This line item is used to pay the Department's estimated share for inclusion in the state's workers' compensation program for state employees. This program is administered by the Department of Personnel and Administration. The Department requests a total of \$426,615 (including \$188,167 General Fund). **Staff's recommendation for workers' compensation is pending a Committee common policy for workers' compensation.** Staff will ultimately reflect Committee policy in the appropriation for this line item.

Administrative Law Judge Services . This line item provides funding for the Department to purchase services from the Department of Personnel and Administration, Administrative Hearings Division. The FY 2006-07 appropriation for this line item, as recently adjusted, totals \$73,878 for the purchase of administrative law judge services. This amount includes \$15,514 for services provided to the Office of Professional Services and \$58,364 provided for the Special Education unit. The Department requests \$77,333 for the purchase of administrative law judge services for FY 2007-08. **Staff's recommendation for this line item is pending Committee policy for these services.** Staff will ultimately reflect Committee policy in the appropriation for this line item.

Payment to Risk Management and Property Funds . This line item provides funding for the Department's share of the statewide costs for two programs operated by the Department of Personnel and Administration: (1) the liability program, and (2) the property program. The state's liability program is used to pay liability claims and expenses brought against the State. The property program provides insurance coverage for state buildings and their contents. The Department requests a total of \$110,607 (including \$49,324 General Fund) for this purpose for FY 2007-08. **The staff recommendation for this line item is pending a common policy approved by the Committee for this line item.** Staff will ultimately reflect Committee policy in the appropriation for this line item.

Capitol Complex Leased Space. This line item is used to pay the Department of Personnel and Administration for the costs of maintaining state buildings that are part of the capitol complex. The Department requests a total of \$509,052 (including \$117,500 General Fund). **Staff recommends providing funding sufficient to cover the leased space costs for office space at the building located at 201 E. Colfax Avenue in Denver (44,433 square feet). Staff's dollar recommendation is pending a determination of lease rates.** Staff will ultimately reflect Committee policy in the appropriation for this line item.

Emeritus Retirement. This line item provides supplemental retirement payments to eligible K-12 and higher education teachers, as required pursuant to Section 22-64-119, C.R.S. The Department requests \$29,392 General Fund for FY 2007-08. Based on current monthly payments for five individuals totaling \$1,444.09, **staff recommends appropriating \$17,330 General Fund to cover 12 months of emeritus retirement payments.**

Information Technology Asset Maintenance . This line item provides funding for the Department to implement an asset management plan to achieve and maintain a standard

information technology environment. The Department requests a continuation level of funding for this line item (\$90,697). **Staff recommends approving the request for \$90,697 for FY 2007-08**, which is equal to the Department's actual expenditures in FY 2001-02. This level of appropriation should provide sufficient funding for the Department to continue to pay for critical hardware and software maintenance contracts, as well as a relatively small amount of funding to cover necessary replacements of equipment at risk of failing (e.g., servers, switches, printers, or personal computers).

Disaster Recovery. This line item provides funding for the equipment, disks, and tapes necessary to implement a disaster recovery plan. In FY 2001-02 and FY 2002-03, funding for this line item was reduced by \$7,464 (27.5 percent). Funding is currently used for: equipment and supplies; offsite tape rotation; and server lease payments. The Department's request for this line item for FY 2007-08 represents a continuation level. **Staff recommends approving the request for \$19,722.**

Colorado Student Assessment Program (CSAP).

Background Information. Pursuant to H.B. 93-1313 and subsequent legislation, the Department developed educational model content standards in twelve subject areas and, each year since 1997, has administered student assessments in several subject areas and grades. The costs associated with administering the assessments include initial and ongoing development of the exams, printing and mailing of the exams, teacher training related to exam administration, scoring of the exam, and reporting exam scores. The total cost of assessments thus directly relates to the number of subject areas and grade levels assessed each year. In the current school year, the Department will administer all 23 assessments currently required by statute, as well as the ACT.

Please note that the federal *No Child Left Behind Act* , passed by Congress in December 2001, required Colorado to implement four new assessments: mathematics assessments for third grade and fourth grade students; a science assessment for third, fourth or fifth grade students (Colorado chose fifth grade); and a science assessment for tenth, eleventh, or twelfth grade students (Colorado chose tenth grade). Pursuant to H.B. 03-1306 [Section 22-7-409 (1) (g), C.R.S.], the Department was required to develop and administer these four new assessments if the State received sufficient moneys from the federal government through the *No Child Left Behind Act*. The following table provides a summary of the assessments administered pursuant to state law, and those now required by federal law.

Grade	Colorado Student Assessment Program*	Federal Requirements	Existing Assessments <u>Not</u> Required by Federal Law
3	reading writing math	reading math	writing

Grade	Colorado Student Assessment Program*	Federal Requirements	Existing Assessments <u>Not</u> Required by Federal Law
4	reading writing math	reading math	writing
5	reading writing math science	reading math science (in grades 3, 4, or 5)	writing
6	reading writing math	reading math	writing
7	reading writing math	reading math	writing
8	reading writing math science	reading math science (in grades 6, 7, 8, or 9)	writing
9	reading writing math		reading writing math
10	reading writing math science	reading math science (in grades 10, 11, or 12)	writing
11	ACT		ACT

*The Department also administers "CSAP-A" assessments for children with disabilities who are unable to participate in the CSAP, even with accommodations. CSAP-A are administered in the same grade/subject levels as the CSAP with the exception of the fifth grade science assessment and the ACT. A CSAP-A is also administered to 11th grade students in reading, writing, math, and science. The Department utilizes federal special education funding to pay for the development and administration of CSAP-A assessments.

Department Request. **The Department requests a total of \$21,771,340 (including \$15,709,849 General Fund) and 6.0 FTE for this line item for FY 2007-08. This is the same amount appropriated for the current fiscal year.** The Department's request is based on continuing to use \$6,061,491 of the federal funds that are available for assessments and related activities to support those assessments required by federal law. The Department's budget request does not include any information concerning the projected costs of this program for FY 2007-08. Staff has worked with the new Budget Director for the Department to gather information about the amount of funding anticipated to be required to cover the costs of reporting the results of assessments administered in the Spring of 2007 to school districts, plus the costs of administering 23 assessments and the Colorado statewide administration of the national college

admission examination (ACT) in the Spring of 2008. Staff's recommendation is based upon this more recent information.

Staff Recommendation. The majority of funding in this line item supports two contracts, and these contracts were re-bid and renewed last year. **Staff recommends** appropriating a total of **\$22,255,141 and 6.0 FTE** for this line item. This amount is \$483,801 higher than the Department request. This recommendation includes several components, detailed in the table below and discussed in the narrative that follows.

Summary of Recommendation for CSAP Line Item	
Description	Amount
Contract with CTB - McGraw Hill for developing, scoring, and reporting assessments (other than CSAP-A, the new Colorado English Language Assessment, and the ACT)	\$18,193,644
Contract with CTB - McGraw Hill for developing, scoring, and reporting the Colorado English Language Assessment	1,964,088
ACT test for 11th grade students	1,657,957
Support for 6.0 FTE of the 10.0 FTE state staff that administer the CSAP	<u>439,452</u>
Total Recommendation	22,255,141

- **(\$18,193,644) Contract for development, scoring, and reporting related to the Colorado Student Assessment Program.** Last year, the Department issued a request for proposal, received bids from several vendors, and awarded this contract to CTB - McGraw Hill. The components of the five-year contract are detailed in the following table.

Summary of Costs Associated With CTB - McGraw Hill Contract (Five-year contract)					
Description	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
<i>Estimated # of students</i>	479,055	493,426	508,229	523,476	539,180
Development	\$1,679,472	\$1,363,922	\$1,319,180	\$1,217,586	\$1,090,534
Production	1,033,521	1,031,258	942,272	952,893	890,602
Manufacturing	4,680,367	4,820,772	4,934,904	5,077,717	5,230,046
Test administration	758,992	798,394	856,611	829,370	872,427
Scoring and reporting	9,341,573	9,597,136	9,885,054	10,171,139	10,476,267

Summary of Costs Associated With CTB - McGraw Hill Contract (Five-year contract)					
Description	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
Post-test management	565,207	582,162	651,024	635,262	654,320
Totals	18,059,132	18,193,644	18,589,045	18,883,967	19,214,196

Staff recommends providing the \$18,193,644 to cover the costs of this contract for FY 2007-08. This amount is \$134,512 higher than the continuation level funding requested by the Department.

- **(\$1,964,088) Colorado English Language Assessment.** The above contract with CTB - McGraw Hill does not include funding for the new Colorado English Language Assessment (CELA). The federal *No Child Left Behind Act* requires Colorado to administer a single, statewide assessment to determine the English language proficiency level of English language learners. The State is required to administer an assessment in the areas of listening, speaking, reading, and writing, and the assessment is to be based on Colorado English language development standards for particular grade configurations. Previously, school districts utilized one of three assessment for this purpose. None of these assessments were aligned with Colorado English language development standards.

The Department solicited proposals from testing companies to implement the CELA, and it awarded the contract to CTB - McGraw Hill. A year ago (March 2, 2006), staff provided the Committee with a table detailing the cost of the CELA over a five-year period (FY 2005-06 through FY 2009-10). Staff has replaced and updated that information, based on more recent amendments to the contract, in the following two tables.

Summary of Costs Associated With CTB - McGraw Hill CELA Contract (Year One)	
Description	FY 05-06
<i>Estimated # of students (four tests each)</i>	90,000
LAS Links Test ("CTB shelf")	\$1,171,800
Pre-coded, bar-coded labels	72,000
Additional Links Tests (5 percent overage)	69,892
Custom screener development	22,000
Additional workshops (two at \$7,300 each)	14,600

Summary of Costs Associated With CTB - McGraw Hill CELA Contract (Year One)	
Description	FY 05-06
Record editing tool (for student data)	67,308
New test item development for FY 2006-07	<u>436,030</u>
Totals	1,853,630

Summary of Costs Associated With CTB - McGraw Hill CELA Contract (Years Two - Five)				
	Per Contract	Estimates		
Description	FY 06-07	FY 07-08	FY 08-09	FY 09-10
<i>Estimated # of students (four tests each)</i>	90,000	91,451	93,280	95,146
Development	\$273,600	\$201,192	\$119,398	\$129,399
Printing, distribution, and collection	360,000	387,752	396,440	407,225
Scoring	590,400	599,919	611,917	624,158
Standard setting	86,400	0	0	0
Ongoing development	46,800	18,290	18,656	19,029
Analysis of data	212,400	358,488	373,120	372,972
Reporting	178,200	192,047	194,022	201,710
Printing, distribution, collection, and scoring of additional materials (up to 20,000 overage)	107,400	107,400	107,400	107,400
Validation study	37,500	37,500	37,500	37,500
Grades 3-5 scanable formatting	<u>61,500</u>	<u>61,500</u>	<u>61,500</u>	<u>61,500</u>
Totals	1,954,200	1,964,088	1,919,953	1,960,893

Staff recommends appropriating \$1,964,088 to cover the costs of this contract for FY 2007-08. This amount is \$222,930 higher than the continuation level funding requested by the Department.

- **(\$1,657,957) Funding for Administration of Spring 2008 ACT Test.** Pursuant to Section 22-7-409 (1.5), C.R.S., all eleventh grade students in public schools are required to take a "standardized, curriculum-based, achievement, college entrance examination selected by the department, administered throughout the United States, and relied upon by institutions of higher education that, at a minimum, tests in the areas of reading, writing, mathematics, and science...". This same provision requires the Department to "pay all costs associated with administering the curriculum-based, achievement college entrance exam." The Department entered into a contract with ACT, Inc., following the passage of S.B. 00-186. This initial contract covered the statewide ACT tests to be administered from the Spring of 2001 through 2005. The contract requires the State to pay for certain training and reporting functions performed by ACT, Inc. (functions that would not be required if Colorado did not have a statewide test date), as well as the costs of conducting the test. ACT, Inc. is responsible for the following:
 - mailing administration manuals and forms, assessment test booklets, and answer sheets to test supervisors at each school;
 - reviewing and approving requests for accommodations;
 - providing copies of student test preparation booklets to each school;
 - collecting test booklets, answer sheets, and administration manuals, and scoring student answer folders;
 - producing standard score reports for each student, each school, each district, and up to four colleges/universities for each student; and
 - providing an electronic detail test results file to the Department.

Since 2005 the Department has negotiated a contract with ACT annually. The following table identifies actual costs for FY 2005-06, and estimated costs for FY 2006-07 and FY 2007-08.

Summary of Costs Associated With ACT Contract			
Description	FY 05-06	FY 06-07	FY 07-08
<i>Estimated # of students taking ACT on statewide test date</i>	47,579	49,672	51,168
Price per student (same as national rate)	<u>\$27.00</u>	<u>\$28.00</u>	<u>\$29.00</u>
Subtotal: Statewide test date	1,284,633	1,390,816	1,483,872

Summary of Costs Associated With ACT Contract			
Description	FY 05-06	FY 06-07	FY 07-08
<i>Estimated # of students receiving voucher to take ACT on alternate test date (e.g., athletes, online students)</i>	2,149	3,000	3,500
Price per student for voucher	<u>\$29.00</u>	<u>\$30.00</u>	<u>\$31.00</u>
Subtotal: Statewide test date	62,321	90,000	108,500
Total: Student testing service costs	1,346,954	1,480,816	1,592,372
Test administration training workshops	11,000	11,000	11,000
College Readiness Standards reports (@ \$80 per request)	31,520	30,320	30,960
Data sent on CDs to schools (@ \$125/CD)	22,750	23,125	23,625
Total: Other costs	65,270	64,445	65,585
Grand Total	1,412,224	1,545,261	1,657,957

Staff recommends providing the \$1,657,957 to cover the costs of this contract for FY 2007-08. This amount is \$112,696 higher than the continuation level funding requested by the Department.

- **(\$439,452) Support for 6.0 FTE of the 10.0 FTE state staff that administer the CSAP.** Since FY 2004-05, these FTE have been reflected in this line item and have been supported by federal funds. This component is detailed in the table below.

Summary of Recommendation: Personal Services and Operating Expenses Portion of CSAP Line Item	
Description	Amount
Personal services portion of Long Bill appropriation for FY 06-07	\$390,287
Salary survey awarded in FY 2006-07	15,693
Performance-based pay awarded in FY 2006-07	0
Base reduction per common policy (0.5%)	<u>(2,030)</u>
Subtotal: Continuation personal services for FY 07-08	403,950
Operating and travel expense portion of Long Bill appropriation for FY 06-07	35,502
Total recommended appropriation for FY 07-08	439,452

The above amount is calculated in accordance with Committee policy. This amount is \$13,663 higher than the continuation level funding requested by the Department.

Fund Splits. Section 22-7-409 (3), C.R.S., states that, “for the fiscal year 1998-99 and for fiscal years thereafter, the general assembly shall appropriate moneys in the annual general appropriation act to the department to fund the Colorado student assessment program”. However, **consistent with the General Assembly's appropriations since FY 2002-03, staff recommends including a portion of the federal funding made available through the federal *No Child Left Behind Act* in this line item, with the balance of the appropriation coming from the General Fund.** Staff considered three options for determining the fund splits for this line item. Each of these options is discussed below, followed by a staff recommendation.

OPTION 1 - Method Used for FY 2006-07:

Total available federal funds	\$ 6,733,470
Less: Costs of new federally-required assessments	
- 3rd and 4th grade math assessments (previous estimate)	(1,564,000)
- 5th and 10th grade science assessments (previous estimate)	(2,756,333)
- Colorado English language assessments (per new contract)	<u>(1,964,088)</u>
Subtotal	(6,284,421)
Less: Federally-funded staff	<u>(439,452)</u>
Total amount remaining available for other federally required activities	9,597
General Fund required for CSAP (annual decrease of \$178,581)	15,531,268

OPTION 2 - Method Used for FY 2006-07, using revised estimates of specific test costs:

Total available federal funds	\$ 6,733,470
Less: Costs of new federally-required assessments	
- 3rd and 4th grade math assessments (updated estimate)	(1,306,321)
- 5th and 10th grade science assessments (updated estimate)	(1,335,278)
- Colorado English language assessments (per new contract)	<u>(1,964,088)</u>
Subtotal	(4,605,687)
Less: Federally-funded staff	<u>(439,452)</u>
Total amount remaining available for other federally required activities	1,688,331
General Fund required for CSAP (increase of \$1,500,153)	17,210,002

OPTION 3 - Holding General Fund appropriation constant:

Total available federal funds	\$ 6,733,470
LESS: Total estimated costs of CSAP for FY 2007-08	\$22,255,141
Less: General Fund appropriated for FY 2006-07	<u>15,709,849</u>
Remainder to be covered by federal funds	6,545,292
Total amount remaining available for other federally required activities	188,178

The first two options are based on applying available federal funds to cover the costs of administering four additional math and science assessments required by federal law. Section 22-7-409 (1) (g), C.R.S., specifies that these new assessments "shall only be developed or administered to the extent that federal moneys are received to pay for such development and administration. It is the intent of the general assembly that no state moneys shall be used to develop or administer [these four new assessments]". In addition, federal funds are used to support the new federally-required CELA, and to continue to support 6.0 FTE of the 10.0 total FTE responsible for the CSAP program.

- Option 1 utilizes estimates of the costs of the four math and science assessments that were provided by the Department in early 2005. These estimates likely included some up-front development costs that are no longer applicable.
- Option 2 utilizes more recent estimates of the costs of the four math and science assessments that are based on using the average cost of all assessments per student, applied to the estimated number of students taking these tests. These estimates are \$1,678,734 lower than the amounts provided in 2005.

While Option 1 would decrease the General Fund appropriation by \$178,581, staff believes that it overstates the costs of the four math and science tests. In addition, this option leaves only \$9,597 for the Department to support staff who perform other federally-required activities. Option 2 probably provides a better estimate of the costs of the four math and science tests, but it would require a \$1.5 million General Fund increase and allow the Department to spend \$1.7 million for other federally-required activities -- an increase of over \$1.0 million. **Staff's recommended fund splits are based on Option 3, simply appropriating the same amount of General Fund for FY 2007-08 as in FY 2006-07, and increasing the federal funds appropriation to cover the additional estimated costs of the CSAP program.** This option only leaves \$188,178 in federal funds for other federally-required activities. Staff has no information about how the Department is currently using these funds, nor does staff have any information about how the Department planned to use the \$601,154 and 7.0 FTE requested for FY 2007-08. It is clear that \$188,178 would not be adequate to support the 7.0 FTE requested, so staff's recommendation reflects a reduction of 4.0 FTE.

Federal Grant for State Assessments and Related Activities. Beginning with the FY 2002-03 Long Bill, the General Assembly has reflected federal funds anticipated to be available to Colorado annually pursuant to the federal *No Child Left Behind Act*, passed by Congress in December 2001. This funding is provided to states to cover the costs of developing additional statewide assessments and standards as required by the federal legislation. If a state has already developed the required assessments and standards, it may use the federal funds for other activities related to ensuring that schools and local educational agencies are held accountable for results, such as the following:

- Developing challenging state academic content and student academic achievement standards and aligned assessments in academic subjects for which standards and assessments are not required by the federal legislation;
- Developing or improving assessments of English language proficiency necessary to comply with other provisions of the federal legislation;
- Ensuring the continued validity and reliability of state assessments;
- Refining State assessments to ensure their continued alignment with the state's academic content standards and to improve the alignment of curricula and instructional materials;
- Developing multiple measures to increase the reliability and validity of state assessment systems;
- Strengthening the capacity of local educational agencies and schools to provide all students the opportunity to increase educational achievement, including carrying out professional development activities aligned with state student academic achievement standards and assessments;
- Expanding the range of accommodations available to students with limited English proficiency and students with disabilities to improve the rates of inclusion of such students, including professional development activities aligned with state academic achievement standards and assessments; and
- Improving the dissemination of information on student achievement and school performance to parents and the community, including the development of information and reporting systems designed to identify best educational practices based on scientifically based research or to assist in linking records of student achievement, length of enrollment, and graduation over time.

Prior to FY 2006-07, staff asked the Department to identify what portion of this federal funding it needed to spend for activities or programs, other than the Colorado Student Assessment Program (CSAP), in order to comply with the federal *No Child Left Behind Act* . Staff's

recommendations for this line item were based on the information provided by the Department, with the remaining federal funds being used to offset the costs of developing and administering federally required assessments. Thus, the level of funding reflected in this line item directly affected the amount of General Fund appropriated in the CSAP line item. The following table provides a comparison of appropriations for this line item to date and actual expenditures.

Federal Grant for State Assessments and Related Activities						
State Fiscal Year	Appropriation		Actual Expenditures		Difference	
	Dollars	FTE	Dollars	FTE	Dollars	FTE
2002-03	\$1,750,457	0.0	\$239,066	4.4	(\$1,511,391)	4.4
2003-04	1,750,457	7.3	1,875,953	9.9	125,496	2.6
2004-05	1,005,673	6.0	510,037	5.6	(495,636)	(0.4)
2005-06	1,017,141	10.0	634,106	5.7	(383,035)	(4.3)
FY 2006-07	601,154	7.0	n/a	n/a	n/a	n/a
2007-08 (request)	601,154	7.0	n/a	n/a	n/a	n/a
2007-08 (recommend.)	188,178	3.0	n/a	n/a	n/a	n/a

Given the significant disparities between the Department's proposed and actual expenditures for this line item, staff changed the methodology for this line item for FY 2006-07. As described above, staff has recommended appropriating the same amount of General Fund for the CSAP line item for FY 2007-08 as in FY 2006-07, and increasing the federal funds appropriation to cover the additional estimated costs of the CSAP program. This option only leaves \$188,178 for this line item. **Staff thus recommends reflecting \$188,178 and 3.0 FTE for this line item.**

School Accountability Reports and State Data Reporting System. Senate Bill 00-186 required the Department of Education to establish a state data reporting system, including computer capabilities and procedures, to produce school report cards (later renamed school accountability reports). The act established the format of the school accountability reports and specified how the school academic performance and school improvement grades and the designations of school improvement would be calculated. The Department is required to annually deliver school accountability reports to each school by January 15 of each year, providing a sufficient number of copies for each student enrolled in the school and each teacher in the school. The Department is also to establish and maintain a web site that provides access to each school's accountability report (plus reports for the previous three years).

The FY 2005-06, staff recommended reducing the appropriation for this line item (from \$2,024,062 to \$1,503,002) based on actual and planned expenditures. For FY 2006-07, the Committee approved the Department's request for \$1,508,453 General Fund and 3.0 FTE.

However, this appropriation was reduced by \$200,000 through a floor amendment in the House. The Department has requested a continuation level appropriation of \$1,308,453; planned expenditures are detailed in the following table:

Summary of Recommendation: School Accountability Reports and State Data Reporting System		
Description	General Fund	FTE
Personal services portion of Long Bill appropriation for FY 06-07	\$243,453	3.0
Salary survey awarded in FY 2006-07	4,406	
Performance-based pay awarded in FY 2006-07	0	
NO Base reduction	<u>0</u>	
Subtotal: Continuation personal services for FY 07-08	247,859	3.0
<u>Contractual Services:</u>		
Information technology / programming services related to formatting the cards and building/maintaining the data warehouse	<u>300,000</u>	
Subtotal	300,000	
<u>Operating Expenses:</u>		
Printing and reproduction services	290,000	
Information technology software and equipment purchases	181,594	
Software maintenance and technical support contracts	250,000	
Supplies / postage	19,500	
Communications / telephone / fax	5,000	
Registrations	11,000	
Travel	<u>3,500</u>	
Subtotal	760,594	
Recommended appropriation for FY 07-08	1,308,453	3.0

Staff recommends approving the request.

Longitudinal Analyses of Student Assessment Results.

Background Information - Statutory Requirements. Since 2000, the General Assembly has passed several bills² concerning longitudinal analyses of student assessment results, and the provision of diagnostic information to districts and schools for the purpose of improving instruction. The Department has accomplished the following tasks to date:

- The Department has implemented a state data reporting system, which stores individual student assessment results.
- The Department has developed a process for assigning individual student identifiers to all students in public schools, including preschool children participating in the Colorado Preschool and Kindergarten Program and disabled preschool children receiving special education services. In addition, pursuant to S.B. 06-24, the Department has worked with the Colorado Commission on Higher Education to ensure that these unique identifiers will be used by Colorado higher education institutions.
- As required by Section 22-7-604, C.R.S., the Department now assigns each school an annual academic growth rating based on the proportion of students who make gains from one year to the next (i.e., comparing students' scale scores from one year to the next).
- As required by Section 22-7-604.3, C.R.S., the Department has developed a "mixed effects statistical model" to diagnostically calculate individual students' academic growth . The Department has calculated what constitutes sufficient academic growth for each student for each school year (i.e., how much growth needs to occur for that student to become proficient by at least 10th grade). In addition, just last school year, the Department provided districts and charter schools with electronic diagnostic growth information for each student enrolled in each school, based on assessment results.

However, the Department has not yet taken all the steps necessary to make longitudinal data useful to parents, teachers, or administrators, including providing technical assistance and training to districts and charter schools in interpreting and using the academic growth information.

The General Assembly recently passed, and the Governor signed, H.B. 07-1048. This act directs the Governor to appoint, and the Department of Education to convene, a new technical advisory panel to assist the Department in developing a longitudinal growth model to measure the academic growth of students. The act establishes new requirements and a timeline for development and implementation of the model, and it requires the Department to calculate adequate longitudinal growth for each student and each school beginning July 1, 2007, and by

² Bills concerning longitudinal assessment have included the following: S.B. 00-186, S.B. 01-129, S.B. 02-59, H.B. 02-1349, S.B. 03-248, H.B. 04-1433, H.B. 05-1217, and H.B. 06-1109.

July 1 each year thereafter. The panel is to develop a new method to identify schools that demonstrate the highest rate of academic growth for purposes of the Governor's Distinguished Improvement Awards.

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

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

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

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

Longitudinal Analyses of Student Assessment Results							
State Fiscal Year	Appropriation		Funds Available "Off-budget"	Total Funds Available		Actual Expenditures	
	Dollars	FTE		Dollars	FTE	Dollars	FTE
2001-02	\$388,000	2.0	\$0	\$388,000	2.0	\$104,324	0.3
2002-03	180,000	2.0	0	180,000	2.0	143,995	2.0
2003-04	180,000	2.0	200,000	380,000	2.0	159,756	2.0
2004-05	180,000	2.0	200,000	380,000	2.0	179,560	1.7
2005-06	274,651	2.0	200,000	474,651	2.0	144,837	1.8
2006-07	277,124	3.0	n/a	277,124	3.0	n/a	n/a
2007-08 (request)	277,124	3.0	No longer applicable	277,124	3.0	n/a	n/a

As detailed above, the Department has never spent the full amount of funding available for performing longitudinal analyses. Staff initially raised this issue with the Committee in the Fall of 2005, and this was again a topic of discussion last December.

Please note that H.B. 07-1048 repealed the requirement in current law that a portion of the in-year cost recovery from the use of unique student identifiers be used to fund the calculation of academic growth of students. Thus, all longitudinal analyses costs will be covered by this line item, beginning in FY 2007-08.

Department Request. The Department requests a continuation level of funding and staff for FY 2007-08 (\$277,124 and 3.0 FTE). The Department recently indicated that it filled the second of two existing FTE in January 2007, and it is in the process of hiring the third FTE that was authorized through H.B. 06-1109 (within existing resources). Thus, this three-person unit should be fully staffed by the end of March, allowing the Department to begin implementing H.B. 07-1048 this fiscal year. Specifically, the Department anticipates spending \$45,000 of the FY 2006-07 appropriation for this line item to support the technical advisory panel and revisions to the longitudinal growth model.

Staff Recommendation. **Given the interest the General Assembly has demonstrated in longitudinal analyses of student assessment results, as evidenced by the number of bills that have passed that included provisions concerning this program, staff recommends approving the Department's request.** The following table identifies the components of the appropriation.

Summary of Recommendation: Longitudinal Analyses of Student Assessment Results		
Description	Total Funds	FTE
Personal services portion of appropriation for FY 06-07 (based on information included in FY 2007-08 budget request)	\$111,195	2.0
Salary survey awarded in FY 06-07	2,420	
Performance-based pay awarded in FY 06-07	0	
NO base reduction recommended	<u>0</u>	
Subtotal: Continuation personal services	113,615	2.0
Portion of appropriation available for third authorized FTE, operating expenses, capital outlay, and contractual services	163,509	1.0
Recommended appropriation for FY 07-08	277,124	3.0

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$3,781,829 General Fund and 2.0 FTE for FY 2007-08 [*State Board priority #6*]. This request was not included in the Governor's budget request. The following information was provided by the Department:

"The Colorado Education Data Analysis & Reporting System (CEDAR) is a system designed by the Colorado Department of Education to create customizable reports to measure and present the progress of students over time so that you can quickly address the needs of many different audiences. With this system a user can more easily access and determine the level at which your students achieve the Colorado Model Content Standards, Frameworks, Ranges and Measures. This request places a license to analyze and review the data in every school in the state, estimated 1,800 licenses. Currently only 1-2 licenses are available in each district. The licenses come in two forms a "Report Net" license (Est. \$500 per license) and a "Power play" license (Est. \$1,500 per license). This request includes 2 FTE to support the increase in the number of system users."

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$100,000 General Fund for FY 2007-08 [*State Board priority #7*]. This request was not included in the Governor's budget request. The following information was provided by the Department:

"The Department is requesting funding for a feasibility study to review how the Department and districts can maximize the usefulness of the data and analysis currently collected. The Department has not reviewed its data collection and utilization practices in over 10 years. A

review will allow the Department to examine if the current data collection meets the needs of districts."

State Charter School Institute.

Background Information - Creation. House Bill 04-1362 created the State Charter School Institute as an independent agency in the Department of Education. The Institute is allowed to authorize "institute charter schools" located within a school district's boundaries if the school district has not retained exclusive authority to authorize charter schools. The act also created a board to oversee the operations of the Institute, and permits the Institute to hire staff and contract for services.

The act directs the Department to withhold a portion of the State Share of Districts' Total Program funding from the school district where an institute charter school is located and to forward the withheld amount to the Institute. The act permits the Department to retain up to 2.0 percent of the amount withheld from the State Share "as reimbursement for the reasonable and necessary costs to the department to implement the provisions of [Section 22-30.5-501 et seq., C.R.S.]" (see Section 22-30.5-513 (4) (a), C.R.S.). The act also permits the Institute to retain up to 3.0 percent of the amount withheld from the State Share for the "actual costs incurred by the institute in providing necessary administration, oversight, and management services" to institute charter schools (see Sections 22-30.5-513 (2) (b) and (4) (a), C.R.S.).

Current Status, Projections. There are currently seven Institute charter schools. The following table details funding that will be transferred from various line items and made available to the Institute and its schools in FY 2006-07, as well as estimates for FY 2007-08.

State Charter School Institute: Funding		
Description	FY 06-07	FY 07-08 Estimates <a>
Number of Schools	7	10
Funded Pupil Count	2,519.0	3,823.0
Per pupil funding	\$6,228.53	\$6,650.08
Total transfer from State Share line item	\$15,689,670	\$25,423,256

State Charter School Institute: Funding		
Description	FY 06-07	FY 07-08 Estimates <a>
Transfers from categorical programs:		
Special Education - Children with Disabilities	\$140,724	
English Language Proficiency Program	\$10,241	
Public School Transportation	\$2,438	
Special Education - Gifted and Talented Children	<u>\$27,359</u>	
Subtotal - Categorical funding	\$180,762	\$275,256
Categorical funding / funded pupil count	\$72	\$72
Other transfers:		
Charter school capital construction	\$493,366	\$479,977
Charter school capital construction / funded pupil count 	\$196	\$126
Total: Categorical programs and other transfers	\$674,128	\$755,233

<a> Estimated number of schools and funded pupil count provided by State Charter School Institute February 26, 2007. Estimated per pupil funding based on estimated statewide average. Estimated categorical funding provided by Department of Education staff February 27, 2007.

 Staff estimates that the per pupil funding for charter school capital construction will decline commensurate with the scheduled reduction in the appropriation (from \$7.8 million to \$5.0 million).

General Description of Appropriations Format. A year ago, it came to staff's attention that H.B. 04-1362 did not include provisions requiring the Institute to establish funds and accounts for budgeting and accounting purposes (similar requirements for school districts are included in Article 45 of Title 22, C.R.S.). Absent these requirements, the accounting staff at the Department (who perform all accounting duties on behalf of the Institute) were using the State Charter School Institute Fund for purposes of accounting for all of the funds that flow through or are spent by the Institute. This fund was originally created for purposes of accounting for gifts, grants, or donations received by the Institute. Moneys in this fund are subject to available appropriations. Department staff indicated that pursuant to Section 22-54-114 (1), C.R.S., they are authorized to forward the State Share moneys to Institute charter schools without a separate appropriation. However, Department staff believed that spending authority is required out of the State Charter School Institute Fund for the Institute to incur administrative expenses and for the Institute to forward any categorical funding to Institute charter schools.

Staff thus recommended that the Committee include four line items in the FY 2006-07 Long Bill to allow the Department to forward funds as necessary to the Institute and its schools, and to

track Department-level expenditures related to the Institute. While this structure is not ideal, it appears to be functional given the current circumstances. Each of the line items is discussed below, along with recommended funding levels for FY 2007-08.

State Charter School Institute Administration, Oversight, and Management. This line item provides spending authority to the Institute to spend up to 3.0 percent of the amount withheld from the State Share of Districts' Total Program Funding line item. Moneys are used to provide the necessary administration, oversight, and management services to Institute charter schools. **Staff recommends providing \$762,698 cash funds exempt spending authority (transfer from the State Share line item) and 7.0 FTE.** The dollar amount is based on multiplying the projected statewide average per pupil funding (\$6,650.08) times the projected funded pupil count for Institute charter schools (3,823.0) times 3.0 percent. The FTE level is based on information recently provided by the Institute. Pursuant to Section 22-30.5-505, C.R.S., any staff hired by the Institute Board "shall be deemed employees subject to the state personnel system of this state...except that, as a matter of legislative determination, all positions classified by the institute board as professional officers and professional staff of the institute are declared to be educational in nature and exempt from the state personnel system". Thus, staff believes that it is appropriate to reflect the staff hired by the Institute in the annual Long Bill, along with the funding source(s) that support the staff.

Institute Charter Schools' Categorical Funding. This line item was intended to provide spending authority to the Department to forward categorical funding, as appropriate, to Institute charter schools. **Staff recommends providing \$755,000 cash funds exempt spending authority for FY 2007-08** (transfer from various categorical line items). The dollar amount includes two components:

- First, staff recommends providing \$275,000 for categorical programs. This amount is estimated based on dividing the categorical funding received by the Institute in FY 2006-07 by the funded pupil count (\$180,762 / 2,519.0), and multiplying this amount (\$72) by the projected funded pupil count (3,823.0).
- Second, it has recently come to staff's attention that the Department needs cash funds exempt spending authority to forward a portion charter school capital construction funding to eligible Institute charter schools. In the current fiscal year, this amount totals \$493,366. Staff recommends providing spending authority through this line item to forward capital construction funds to Institute charter schools in FY 2007-08. Similar to categorical program funding, staff has estimated an amount per pupil for Institute charter schools, and applied this amount to the projected funded pupil count for FY 2007-08. Staff thus recommends including \$480,000 for this purpose.

Staff also recommends renaming this line item, "Other Transfers to Institute Charter Schools" to more accurately reflect its purpose.

Additional Staff Recommendation for FY 2006-07. In addition, staff recommends that the Committee increase the spending authority provided through this line item in the FY 2006-07 Long Bill from \$450,000 to \$750,000. Department staff recently indicated that they are currently holding capital construction funds that should be forwarded to Institute charter schools. They cannot send out these funds because they lack adequate spending authority. Staff thus recommends increasing this line item in the current year to accommodate categorical funding (\$180,762), capital construction funding (\$493,366), plus approximately \$75,000 to cover any other potential transfers that need to occur. [Please note that the Department submitted a supplemental request to this effect on Tuesday, February 27.] Staff also recommends renaming the line item in the FY 2006-07 Long Bill, "Other Transfers to Institute Charter Schools" to more accurately reflect its purpose. If the Committee approves this recommendation, staff will prepare an amendment to the supplemental appropriation bill for the Department of Education (S.B. 07-161). This bill is scheduled for the House Appropriations Committee Friday, March 2.

Direct Administrative and Support Services Provided by the Department to the State Charter School Institute. This line item is intended to provide spending authority for the Department to receive funds from the Institute out of the above line item. House Bill 04-1362 authorized the Institute to "contract with any boards of cooperative services ... or with any other qualified individual or public or private entity or organization, including a school district, for the provision of administrative or other support services directly to the institute or for the benefit of institute charter schools" (see Section 22-30.5-505 (6) (a), C.R.S.). The Department currently performs a number of duties on behalf of the Institute, including accounting, payroll, purchasing, human resources, contracts, etc. This line item thus allows the Department to receive and expend moneys from the Institute, out of the above line item, for this purpose.

Staff recommends providing \$97,000 cash funds exempt spending authority(transferred from the above line item) **and 2.0 FTE for FY 2007-08.** This recommendation is based on increasing the FY 2006-07 appropriation (\$60,000 and 1.3 FTE) in proportion to the projected growth in the Institute's budget. Staff anticipates, however, that the Department will continue to use the methodology they have developed to charge the Institute for these types of direct support services.

Department Implementation of Section 22-30.5-501 et seq., C.R.S. This line item is intended to provide spending authority to the Department to spend up to 2.0 percent of the amount withheld from the State Share for performing Department-level duties associated with the implementation of H.B. 04-1362. **Staff recommends providing \$508,465 cash funds exempt spending authority** (transfer from the State Share line item) **and 5.0 FTE.** The dollar amount is based on multiplying the projected statewide average per pupil funding (\$6,650.08) times the projected funded pupil count for Institute charter schools (3,823.0) times 2.0 percent. The FTE level is based on information provided by the Department for purposes of making mid-year changes to FY 2006-07 appropriations.

Financial Literacy. Pursuant to Section 22-2-127, C.R.S. (H.B. 04-1360), the State Board of Education is required to create, maintain, and make available to school districts a resource bank of materials pertaining to financial literacy. The Department is required to provide technical assistance related to curriculum design upon the request of a school district or a charter school. This provision includes a legislative declaration that the creation of a financial literacy resource bank is "an important element of an *accountable program to meet state academic standards*" and may therefore receive funding from the State Education Fund. The Department is also authorized to accept and expend any gifts, grants, or donations for purposes of implementing this provision, which are to be credited to the Financial Literacy Cash Fund.

Initially, the Department added links through its webpage to various materials and information sources related to financial literacy. Beginning in FY 2005-06, the Department distributed a request for proposals allowing schools and districts to submit program ideas related to financial literacy. The following schools and districts received funds in FY 2005-06:

- Mesa County Valley School District #51 (\$8,044)
- San Luis Valley (\$8,044)
- Center Consolidated School District (\$6,044)
- Colorado Springs Charter Academy (\$5,879)
- Buena Vista School District (\$5,869)
- Gunnison Watershed REIJ School District (\$5,234)

The Department has indicated that the above schools and districts will be eligible to receive continued funding this year. The same process is likely to occur in 2007-08. **Staff recommends approving the request for a continuation level of funding (\$40,000) for this line item for FY 2007-08.**

Civic Education. Pursuant to Section , 22-1-104 (6), C.R.S. (S.B. 05-200), the Department is required to assist school districts in developing and promoting civic education programs (*emphasis added*):

"(a) In an effort to strengthen the teaching of civic education in all public schools of the state in accordance with the requirements of this section, the department of education shall assist the school districts of the state in developing and promoting programs for elementary and secondary students that address the state model content standards for civics and promote best practices in civic education.

(b) It is the intent of the general assembly that the objectives specified in this subsection (6) are to be funded through the state education fund created in section 17 (4) of article IX of the state constitution. The general assembly hereby finds that the development, promotion, and maintenance by the school districts of the state of programs for elementary and secondary students that address the state model content standards for civics and promote best practices in civic education *assist these students*

in meeting state academic standards and may therefore be funded from moneys in the state education fund."

For the last two fiscal years, the General Assembly has appropriated \$200,000 from the State Education Fund for this purpose.

The Department has used this funding to support the "Strengthening Civic Education in Colorado Schools" professional development initiative on teaching and learning civic content and skills in Colorado classrooms. In FY 2005-06, 126 teachers and 20 administrators from more than 60 Colorado schools in under served areas (Greeley, Pueblo, and La Junta) received resources, formal training, and classroom coaching to enhance student learning in Colorado's civic content standards. The initiative focused on selected promising practices -- particularly discussion of public issues; study of law, U.S. government, civics, and democracy; simulations of democratic practices and procedures; and collaborating with the community to provide civic learning, particularly through authentic interactions with policymakers. In addition, for elementary teachers, the initiative provided assistance with linking civics and literacy. For FY 2006-07, the Department plans to serve close to 200 teachers, again from three primary areas in the state (Grand Junction, Glenwood Springs, and Pueblo).

The Department requests a continuation level of funding for FY 2007-08. **Staff recommends approving the request.** The Department plans to again use these moneys to fund a series of regional professional development opportunities throughout the state to promote the state's civics education model content standards and frameworks and highlight best practices.

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$1,462,500 General Fund for FY 2007-08 [*State Board priority #4*]. The State Board approved a similar request last year. This request was not included in the Governor's budget request (for either FY 2006-07 or FY 2007-08). The following information was provided by the Department:

"In the past work has focused on developing a methodology for identifying schools with significant achievement gaps. Questions to be answered were which achievement gap and the then what comparisons to make? Exploratory analysis dealt with separate analysis for elementary, middle, and high school levels as defined for the School Accountability Reports and compared minority and non-minority groups as well as poverty and non-poverty.

This project would support the identification of specific schools which may have achievement gaps that are greater than state average and pay to organize support teams to work with the individual schools on closing the gap. This model of a team of experts entering a school to work with the staff and community is being used in Colorado and nationally to effect change in other educational reform programs.

Currently support teams cost between \$20,000 and \$25,000 per school. Staff estimates identifying approximately 60 to 65 individual schools with the ability to serve one third each of the three years."

Background Information. Senate Bill 03-254 [Section 22-7-611, C.R.S.] created the "Closing the Achievement Gap Program" to provide extensive assistance to eligible schools that are at risk of being converted into an independent charter school. Eligible schools include those that have received an academic performance rating of "unsatisfactory" or are identified by the State Board of Education as having a significant achievement gap. By April 1 of the school year preceding the year in which an eligible school intends to participate in the program, the Department is required to prepare and distribute an outline of different strategies that schools may implement to improve academic achievement. *Subject to available appropriations*, the Department is to make assistance available to participating eligible schools. The assistance could consist of information, personnel, and program and technical support. The bill also established the "Closing the Achievement Gap Commission" and the "Closing the Achievement Gap Cash Fund", which is to consist of gifts, grants, and donations received by the Department.

(2) ASSISTANCE TO PUBLIC SCHOOLS

(A) Public School Finance

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 2007-08, base per pupil funding will need to increase from \$4,863.87 to \$5,087.61 (4.6 percent), based on an actual inflation rate of 3.6 percent in CY 2006.

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. Legislative Council staff project that, on average, districts will receive per pupil funding of \$6,650.08 in FY 2007-08 (an increase of 4.6 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 2007-08, Legislative Council staff project that local property taxes will increase by 4.7 percent, but specific ownership taxes will decrease by 2.0 percent.

Department Request. The Department's request for school finance for FY 2007-08 is based on a 1.9 percent projected increase in the funded pupil count, a 3.5 percent increase in the statewide base per pupil funding, and a 4.0 percent increase in available local revenues. This request, along with the request for the next line item related to locally negotiated business incentive agreements, provides for a 6.6 percent increase in the *General Fund portion* of these appropriations when compared to the FY 2006-07 appropriation. The table on the following page summarizes the key components of the Department's request (which includes increases requested through **Decision Item #1**) and staff's recommendations for FY 2007-08. *[This Decision Item was also prioritized #1 by the State Board of Education.]*

School Finance: Total Program	FY 06-07 Amended Appropriation	FY 07-08	
		Request	Recomm.
Funded Pupil Count	753,338.0	767,416.3	767,416.3
<i>Annual Percent Change</i>	<i>1.6%</i>	<i>1.9%</i>	<i>1.9%</i>
Statewide <u>Base</u> Per Pupil Funding	\$4,863.87	\$5,082.74	\$5,087.61
<i>Annual Percent Change</i>	<i>3.1%</i>	<i>4.5%</i>	<i>4.6%</i>
Statewide <u>Average</u> Per Pupil Funding	\$6,358.92	\$6,643.03	\$6,650.08
<i>Annual Percent Change</i>	<i>3.1%</i>	<i>4.5%</i>	<i>4.6%</i>
Total Program Funding	\$4,790,417,406	\$5,097,972,716	\$5,103,381,672
<i>Annual Percent Change</i>	<i>4.8%</i>	<i>6.4%</i>	<i>6.5%</i>
<u>Local Share</u> of Districts' Total Program Funding	\$1,730,153,513	\$1,799,338,510	\$1,800,682,834
Less: Local taxes foregone as a result of locally negotiated business incentive agreements	<u>(\$904,942)</u>	<u>(\$1,140,015)</u>	<u>(\$1,121,269)</u>
Net local share	\$1,729,248,571	\$1,798,198,495	\$1,799,561,565
<i>Annual Percent Change</i>	<i>1.6%</i>	<i>4.0%</i>	<i>4.1%</i>
<u>State Share</u> of Districts' Total Program Funding (including amount related to BIAs)	\$3,061,168,835	\$3,299,774,221	\$3,303,820,107
<i>Annual Percent Change</i>	<i>6.6%</i>	<i>7.8%</i>	<i>7.9%</i>
<i>State Share as % of Districts' Total Program</i>	<i>63.9%</i>	<i>64.7%</i>	<i>64.7%</i>

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.

Staff recommends providing a total of \$3,303,820,107 state funding for school finance for FY 2007-08. Staff's recommendation is based on current law, and the most recent projections provided by Legislative Council Staff. The staff recommendation is \$4,045,886 higher than the Department's request (a difference of 0.1 percent), due to a higher than anticipated inflation rate (3.6 percent compared to OSPB's projection of 3.5 percent). The table on the following page 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 (Including Amounts Related to Business Incentive Agreements)				
Fund Source	FY 06-07 Amended Appropriation	FY 2007-08		
		Request	Recomm. Approp.	Annual Change
General Fund (including amount appropriated for BIAs)	\$2,648,814,840	\$2,822,902,985	\$2,826,285,434	\$177,470,594
<i>Annual Percent Change</i>	6.6%	6.6%	6.7%	
Cash Funds: State Public School Fund (rental income earned on public school lands)	9,491,876	9,491,876	9,491,876	0
<i>Annual Percent Change</i>	-0.4%	0.0%	0.0%	
Cash Funds Exempt: State Public School Fund (federal mineral lease revenues, interest earned on the Public School Fund, audit recoveries, and reserves)	94,233,759	115,035,113	107,009,000	12,775,241
<i>Annual Percent Change</i>	15.9%	22.1%	13.6%	
Cash Funds Exempt: State Education Fund	308,628,360	352,344,247	361,033,797	52,405,437
<i>Annual Percent Change</i>	2.9%	14.2%	17.0%	
Total State Funds (including BIA-related appropriation)	3,061,168,835	3,299,774,221	3,303,820,107	242,651,272
<i>Annual Percent Change</i>	6.5%	7.8%	7.9%	
Local Share (less BIA-related appropriation)	1,729,248,571	1,798,198,495	1,799,561,565	70,312,994
<i>Annual Percent Change</i>	1.6%	4.0%	4.1%	
Districts' Total Program Funding	4,790,417,406	5,097,972,716	5,103,381,672	312,964,266
<i>Annual Percent Change</i>	4.8%	6.4%	6.5%	

State Public School Fund. The State Public School Fund (SPSF) is the smallest source of revenue available for public school finance. The SPSF receives revenues from four primary sources³, discussed below.

³ Please note that there are accounts and reserves within the SPSF that are required to be used for specific purposes *other than* school finance, including: the Contingency Reserve [see Section 22-54-117, C.R.S.]; the School Capital Construction Expenditures Reserve [see Section 22-54-117 (1.5), C.R.S.]; and "in-year cost recoveries" that the Department is required to allocate for the purpose of calculating the academic growth of students for diagnostic purposes [see Section 22-54-114 (2.5), C.R.S.]. Further, the Department is required to transfer to the SPSF, on a quarterly basis, amounts appropriated from the General Fund for the state share of districts' total program funding [see Section 22-54-114 (1), C.R.S.]. The SPSF thus serves as a flow-through account for much of the state funding for school finance. Finally, the Department is required to transfer half of any unexpended balance at the end of each fiscal year to the Colorado

1. *Federal Mineral Lease Revenues.* Federal funds received by the State for sales, bonuses, royalties, and rentals of public lands within the State are also credited to the SPSF. These "federal mineral lease revenues" are primarily derived from coal, gas, and oil, and most revenues are earned from federal lands on the Western Slope. Due to production and price changes, federal mineral lease revenues can vary significantly from year to year, and are therefor difficult to project. Staff has utilized information recently provided by staff at the Department of Local Affairs to estimate federal mineral lease revenues. Federal mineral lease revenues are distributed through a complex statutory formula for the benefit of public schools, local governments, and the Colorado Water Conservation Board Construction Fund.

In FY 2005-06, federal mineral lease revenues allocated to the State Public School Fund (\$69.2 million) represented 66 percent of total SPSF revenues. This amount is 41.3 percent higher than in FY 2004-05. Department of Local Affairs staff are currently projecting federal mineral lease revenues to increase to \$78.3 million in FY 2007-08. [Please note that H.B. 07-1066, as passed by the House, would require the General Assembly to annually appropriate a portion of these revenues for supplemental on-line education courses. This is estimated to cost \$530,000 annually, beginning in FY 2007-08.]

2. *Interest and Income Earned on the Public School Fund.* Section 3 of Article IX of the Colorado Constitution establishes the "Public School Fund" (often referred to as the "Permanent" School Fund). This fund consists of proceeds from lands that were granted to the State by the federal government for educational purposes (usually referred to as "state trust lands" or "public school lands"). The Public School Fund is to remain intact, but pursuant to a provision enacted in 1877, the interest earned on the Fund:

"... shall be expended in the maintenance of the schools of the state, and shall be distributed amongst the several counties and school districts of the state, in such manner as may be prescribed by law".

Subsequently, voter approval of an initiated measure in 1996 amended this provision in three ways:

- The provision now pertains to both interest "and other income" earned on the Fund.
- The General Assembly is now allowed to establish terms and conditions under which the State Treasurer may: (a) invest the Fund in school district bonds; (b) use the Fund and associated earnings to guaranty school district bonds; or (c) make loans to school districts.

Comprehensive Health Education Fund. These portions of the SPSF are excluded from the above discussion.

- The provision now requires that, "Distributions of interest and other income for the benefit of public schools provided for in [Article IX] shall be *in addition to and not a substitute for other moneys appropriated* by the general assembly for such purposes" (*emphasis added*).

All interest derived from the investment and reinvestment of the Public School Fund is to be credited to the "Public School Income Fund", and then periodically transferred to the "State Public School Fund" [Section 22-41-106, C.R.S.]. Moneys in the State Public School Fund (SPSF) are then appropriated by the General Assembly for the State's share of districts' total program funding and other educational programs. Interest and other income earned on the Public School Fund currently provides the second largest source of annual revenue to the SPSF. Pursuant to S.B. 03-248 [Section 22-41-102 (3), C.R.S.], however, the maximum amount of interest earnings that may be expended annually is \$19.0 million. Interest and other income earned on the Public School Fund represented 18.4 percent of SPSF revenues in FY 2005-06.

3. *Rental Income Earned on Public School Lands.* About 11 percent of annual revenues to the SPSF (\$12.0 million in FY 2005-06) come from rental income earned on public school lands, including mineral royalties, grazing fees, land sales, timber sales, and interest earnings. A portion of the revenues are transferred to the SPSF, and the remainder is transferred to the Public School Fund. Pursuant to S.B. 05-196 [Section 36-1-116 (1) (a) (II), C.R.S.], beginning in FY 2005-06, the amount transferred to the SPSF is limited to \$12.0 million.
4. *District Audit Recoveries.* The balance of annual revenues to the SPSF (\$4.6 million in FY 2005-06) come from amounts recovered by the Department pursuant to school district audits. Prior to FY 1997-98, these amounts were simply deposited into the General Fund. These recoveries may decline now that the Department is able to identify many student count errors and duplications electronically during the school 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 2007-08:**

Projections of Moneys Available in the State Public School Fund: FY 2007-08	
Description	Amount
Projected year-end fund balance, FY 06-07	\$7,286,344
Interest earnings (capped statutorily)	19,000,000
Federal mineral lease revenues	78,339,000
Rental income earned on public school lands (capped statutorily)	12,000,000
District audit recoveries	<u>3,000,000</u>
Total funds projected to be available	119,625,344
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.]	<u>(2,472,644)</u>
Subtotal: Expenditures for purposes other than the School Finance Act	(2,508,124)
Recommended appropriation from State Public School Fund for the State Share of Districts' Total Program Funding for FY 07-08	<u>116,500,876</u>
Cash funds portion	9,491,876
Cash funds exempt portion	107,009,000
Projected fund balance for FY 2007-08	616,344

Staff's recommended appropriation from the State Public School Fund is lower than the Department's request because staff is utilizing more recent projections of federal mineral lease revenues.

State Education Fund. The State Education Fund 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 State Education Fund for a number of education-related purposes, including complying with the requirement to annually increase base per pupil funding for public school finance. State Education Fund revenues are not subject to the Taxpayer Bill of Rights (TABOR) limitation on fiscal year spending, and any appropriation from the State Education Fund is not subject to the six percent statutory limitation on state General Fund appropriations. [Appendix A provides a full listing of the authorized uses of the State Education Fund, along with a history of appropriations and fund balances.]

As detailed in Appendix A, the General Assembly has appropriated a total of \$345.8 million from the State Education Fund for FY 2006-07. Appropriations from the State Education Fund exceeded fund revenues for three years (shortfalls of \$96.0 million in FY 2002-03, \$59.9 million

for FY 2003-04, and \$24.2 million for FY 2004-05). While these actions assisted the General Assembly in balancing the General Fund budget in each fiscal year, they resulted in a declining balance in the State Education Fund. Specifically, at the end of FY 2001-02, the fund balance peaked at close to \$300 million; the fund balance declined to \$118.4 million by the end of FY 2004-05.

Staff recommends appropriating a total of \$361,033,797 from the State Education Fund 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.

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

For purposes of providing a historical perspective, the following table summarizes annual appropriations for the *state share* of school districts' total program funding since FY 1994-95 (when the current School Finance Act was adopted). From FY 1994-95 to FY 2000-01, the compound annual growth rate in General Fund appropriations for districts' total program funding was 6.13 percent. This compares to a compound annual growth rate of 5.02 percent for the six years following the passage of Amendment 23 (FY 2001-02 through FY 2006-07).

Recent History of Appropriations for the State Share of Districts' Total Program Funding						
Fiscal Year	General Fund	Annual % Change	State Public School Fund/ State Education Fund	Annual % Change	Total Funds	Annual % Change
1994-95	\$1,393,562,842		\$34,016,762	-36.87%	\$1,427,579,604	
1995-96	1,469,655,920	5.46%	56,613,541	66.43%	1,526,269,461	6.91%
1996-97	1,594,123,930	8.47%	53,580,360	-5.36%	1,647,704,290	7.96%
1997-98	1,689,946,178	6.01%	35,647,023	-33.47%	1,725,593,201	4.73%
1998-99	1,776,015,806	5.09%	74,830,202	109.92%	1,850,846,008	7.26%
1999-00	1,887,449,285	6.27%	42,685,306	-42.96%	1,930,134,591	4.28%
2000-01	1,974,673,211	4.62%	73,400,663	71.96%	2,048,073,874	6.11%
Passage of Amendment 23						

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
2001-02	2,073,406,872	5.00%	156,629,363	113.39%	2,230,036,235	8.88%
2002-03	2,137,582,405	3.10%	346,960,158	121.52%	2,484,542,563	11.41%
2003-04	2,247,917,791	5.16%	379,156,261	9.28%	2,627,074,052	5.74%
2004-05	2,342,782,148	4.22%	401,122,658	5.79%	2,743,904,806	4.45%
2005-06	2,483,349,077	6.00%	387,880,199	-3.30%	2,871,229,276	4.64%
2006-07	2,649,049,913	6.67%	391,252,831	0.87%	3,040,302,744	5.89%
2007-08 Recomm	2,826,285,434	6.69%	477,534,673	22.05%	3,303,820,107	8.67%

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 for FY 2001-02 through FY 2010-11. This five percent "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 years⁴. While the maintenance of effort requirement did not apply for FY 2002-03 through FY 2004-05, current estimates indicate that it will apply for FY 2005-06 through FY 2010-11.

In addition to the General Fund maintenance of effort requirement, two other provisions place legal limits on the General Assembly's authority to set the level of General Fund appropriations for total program and categorical programs. First, Article IX, Section 17 (5) of the Colorado Constitution states that moneys appropriated from the State Education Fund may not be used to supplant the level of General Fund appropriations that existed on December 28, 2000 (the effective date of Amendment 23) for categorical programs and total program. Thus, General Fund appropriations for categorical programs could be reduced. However, in order to continue to comply with other provisions of Amendment 23, another source of state funding would need to be appropriated to offset such a reduction.

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**

⁴ The determination of whether the General Fund maintenance of effort provision applies to a particular fiscal year is based on the Colorado personal income data that is released in December of that same fiscal year.

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.

General Fund Appropriation Increases Required to Maintain State Education Fund Solvency. Staff has utilized the model originally developed by Pacey Economics Group for the State Auditor to estimate the impact of various levels of General Fund appropriations on the solvency of the State Education Fund. The model was recently updated by Legislative Council staff in order to submit a statutorily-required report to the General Assembly. Subsequently, staff has further updated the model to reflect the actual inflation rate for CY 2006, Legislative Council staff's estimates related to funding the School Finance Act for FY 2007-08, as well as more recent estimates of federal mineral lease revenues provided by the Department of Local Affairs. *[The model used for the following two scenarios assumes that the Committee will approve staff's recommendations for all other line items in this packet - particularly staff's recommendations related to categorical programs.]*

The updated model now indicates that annual increases of at least 6.7 percent (an increase of \$177.5 million for FY 2007-08) will be required in the General Fund appropriation for school finance for at least the next six fiscal years to comply with constitutional funding requirements in future years and avoid a "spike" in the General Fund appropriation in one or more fiscal years. Under this "baseline" scenario, even if the General Fund appropriation is increased by 6.7 percent for six years, the State Education Fund balance would decline through FY 2012-13. In subsequent fiscal years the General Assembly could provide lesser increases in the General Fund appropriation [please see Appendix B for details concerning the projected annual fund balance under the "baseline" scenario].

Please note that the more recent projections of federal mineral lease revenues provided by the Department of Local Affairs are \$1.3 billion higher over a 24-year period than those utilized by Legislative Council Staff for purposes of preparing the statutorily required February 1, 2007, report concerning the solvency of the State Education Fund. If staff were to utilize the more conservative projections, staff would be recommending a 6.9 percent (184.1 million) General Fund increase for this line item for FY 2007-08.

Alternatively, the General Assembly could choose to increase the General Fund appropriation by the minimum allowable amount in FY 2007-08 (an increase of \$132.4 million of 5.0 percent) and subsequent fiscal years. However, staff estimates that the State Education Fund would become insolvent by FY 2009-10, requiring a General Fund increase of 9.4 percent for this line item in FY 2009-10 (\$276.1 million) and 8.8 percent in FY 2010-11 (\$280.4 million) to comply with constitutional funding requirements [see Appendix C for details concerning this scenario].

Finally, please note that staff's recommendation reflects the same level of appropriation from the General Fund Exempt Account as in FY 2006-07. Staff will ultimately reflect whatever

amount the Committee approves (following release of Legislative Council Staff's March revenue forecast).

Additional State Aid Related to Locally Negotiated Business Incentive Agreements. Since 1990⁵, school districts have had the authority to negotiate incentive agreements with new or expanded businesses as a means of promoting economic development⁶. 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.⁷ 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. 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 of \$1,140,015 fell short by \$741,125 (39.8 percent), and the adjusted FY 2006-07 appropriation is anticipated to fall short by \$845,430 (48.3 percent).

The Department requests an appropriation of \$1,140,015 General Fund for FY 2007-08 for the additional state aid required to "backfill" existing agreements. This is the same amount that was appropriated for FY 2005-06, as well as for FY 2006-07 (prior to a mid-year reduction taken by the Committee). Based on the most recent assessed valuation data, **staff recommends appropriating \$1,121,269 General Fund for FY 2007-08.** This amount is projected to cover the full amount required to backfill local agreements. The following table lists those agreements still active, along with the additional state aid estimated to be required to offset property tax revenues that are foregone as part of such agreements. Similar to the previous line item, the actual amount required will not be known until January 2007.

⁵ 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".

⁶ See Section 22-32-110 (1) (ff) and (gg), C.R.S.

⁷ See Section 22-54-106 (8), C.R.S.

Estimated Additional State Aid Required to Offset Property Tax Revenues Foregone as a Result of Locally Negotiated Business Incentive Agreements (BIAs): FY 2007-08					
County	School District	Company	Assessed Value Attributable to Incentive	Increase in State Aid	Percent of Total
El Paso	Harrison	Atmel Corporation	\$9,126,263	\$92,016	8.21%
El Paso	Harrison	Sally Foster, Inc.	504,057	5,082	0.45%
El Paso	Colorado Springs	Intel Corporation	68,984,490	874,620	78.00%
El Paso	Lewis-Palmer	Synthes	4,220,023	48,876	4.36%
Weld	Windsor	Kodak/Polychrome Graphics	2,352,116	32,133	2.87%
Weld	Windsor	Kodak	5,019,163	68,542	6.11%
TOTAL				1,121,269	100.00%

Pursuant to a provision included in S.B. 05-200 (Section 22-54-106 (8) (e), C.R.S.), if the General Assembly does not appropriate an amount sufficient to fully fund the additional state aid related to business incentive agreements, the Department is required to reduce state aid for those districts eligible to receive such aid (previously the Department was required to reduce the aid for all school districts). For example, if the General Assembly were to appropriate an amount that covers only 50 percent of the need (\$560,635), the Department would be required to decrease the extra state aid noted for each district in the above table by 50 percent (e.g., El Paso - Harrison would receive \$46,008 of the \$92,016 identified above). Please note, however, that districts that have entered into these agreements typically include a hold harmless provision in the agreement. Thus, when the Department rescinds a portion of these districts' funding related to the agreements, the tax credit provided to the business is reduced by the same amount in order to hold the district harmless.

LONG BILL FOOTNOTES

Staff recommends continuing the following footnotes, 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 ~~2006-07~~ 2007-08 is established at ~~\$110.86~~ \$131.21 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.]. No school districts are

affected by the "*minimum state aid*" factor in FY 2006-07, and none are anticipated to be affected by it in FY 2007-08. [Please note that this is different than the *minimum per pupil funding* referenced in Section 22-54-104 (2) (a), C.R.S.]

The minimum per pupil state aid amount identified in this footnote is used by both the Department of Education and Legislative Council staff in calculating the amount of state aid for which each district is eligible based upon annual public school finance legislation. Unlike past years, staff recommends utilizing actual revenues credited to the State Public School Fund in FY 2005-06, rather than projected revenues for FY 2007-08, in order to calculate the *minimum per pupil state aid* for FY 2007-08:

Interest/ investment earnings on the Public School Fund	\$19,439,985
Rental income earned on state public school lands	12,000,000
Mineral lease moneys allocated to State Public School Fund	<u>69,249,702</u>
Total estimated revenues	\$100,689,687
Divided by: Projected statewide funded pupil count (Long Bill)	<u>767,416.3</u>
Minimum per pupil state aid	\$131.21

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

7 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding -- The Department is requested to provide to the Joint Budget Committee, on or before November 1, ~~2006~~, 2007, information concerning the Colorado preschool program. The information provided is requested to include the following for fiscal year ~~2005-06~~ 2006-07: (a) data reflecting the ratio of the total funded pupil count for the preschool program to the total funded pupil count for kindergarten; (b) data indicating the number of three-year-old children that participated in the preschool program; (c) data indicating the number of children that participated in the preschool program for a full-day rather than a half-day; (d) data indicating the number of preschool program FTE used to provide a full-day kindergarten component; and (e) the state and local shares of total program funding that is attributable to the preschool program.

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

Staff recommends adding the following footnote:

N DEPARTMENT OF EDUCATION, ASSISTANCE TO PUBLIC SCHOOLS, PUBLIC SCHOOL FINANCE, STATE SHARE OF DISTRICTS' TOTAL PROGRAM FUNDING -- PURSUANT TO SECTION 22-54-104 (5) (c) (III) (B), C.R.S., THE DEPARTMENT IS REQUIRED TO TRANSFER A PORTION OF THE AMOUNT APPROPRIATED FOR THIS LINE ITEM TO THE LEGISLATIVE COUNCIL TO FUND THE BIENNIAL COST OF LIVING ANALYSIS. THIS AMOUNT TRANSFERRED BY THE DEPARTMENT SHALL NOT EXCEED \$250,000 FOR FISCAL YEAR 2007-08.

Legislative Council staff is required to certify the cost of living factor for each school district every two years based on a cost of living analysis that is typically conducted through a contract. Pursuant to a provision included in S.B. 03-248, beginning in FY 2003-04 and for each budget year thereafter in which a new cost-of-living analysis is required, the Department is to transfer a portion of the amount appropriated in the Long Bill for the state share of districts' total program funding to the Legislative Council to fund the biennial cost of living study. This provision also indicates that the amount transferred by the Department is not to exceed the maximum amount specified in a Long Bill footnote.

The amount identified in the above footnote is higher than the amount identified two years ago (\$182,000) because Legislative Council Staff plans to update the "shopping pattern survey" that was conducted in 1997. This survey of households across the state gathers data indicating where individuals shop (e.g., in or outside the school district, at supercenters or traditional grocery stores or on-line, etc.), thereby allowing one to more accurately evaluate the cost of living in any given district. **Staff further recommends that the Committee include a \$250,000 cash funds exempt appropriation to the Legislative Department in the FY 2007-08 Long Bill to authorize Legislative Council to receive and spend the moneys transferred from the Department of Education.**

(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 2006 (3.6 percent), the General Assembly is required to increase state funding for categorical programs by at least \$9.3 million (4.6 percent) for FY 2007-08.

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

Increases in State Funding for Categorical Programs			
Long Bill Line Item	FY 2006-07 Appropriation, as Amended	Change in Annual Appropriation of State Funds Since FY 2000-01	
Special education - children with disabilities	\$115,953,326	\$44,442,553	62.1%
English language proficiency program	6,132,897	3,031,299	97.7%
Public school transportation	42,869,585	5,947,358	16.1%
Colorado Vocational Act distributions	20,635,922	2,843,072	16.0%
Special education - gifted and talented children	7,808,744	2,308,744	42.0%
Expelled and at-risk student services grant program	6,285,171	496,364	8.6%
Small attendance center aid*	961,817	13,677	1.4%
Comprehensive health education	600,000	0	0.0%
Total	\$201,247,462	\$59,083,067	41.6%

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

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 2007-08 follows, beginning on page 77.

(I) District Programs Required by Statute

Special Education - Children with Disabilities. Pursuant to the federal *Individuals with Disabilities Education Act* and the state *Exceptional Children's Educational Act* [Article 20 of Title 22, C.R.S.], school districts are required to provide free educational services to children, ages three to 21, who by reason of one or more conditions are unable to receive reasonable benefit from ordinary educational services. 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". The Department reports the following distribution of children receiving special education services, by disability classification:

Percent of Children Receiving Special Education Services, by Disability Classification	
Disability Classification	Percent of Total Children with Disabilities
Perceptual or communicative disability	40.6%
Speech / language disability	22.1%
Significant identifiable emotional disability	11.2%
Physical disability	10.2%
Preschool child with a disability	5.5%
Significant limited intellectual capacity	4.4%
Hearing disability, deaf, vision disability, or blind	2.0%
Other / multiple	4.0%
Total	100.0%

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 December 2005, a total of 83,090 pupils were receiving special education services through school districts, including children in preschool programs. In addition, some children with disabilities receive services in five state-operated programs including the Colorado School for the Deaf and the Blind, the Fort Logan and Pueblo Mental Health Institutes, the Division of Youth Corrections, and the Department of Corrections.

In addition to total program funds districts receive to provide educational services to children with disabilities (including three- and four-year-old children ⁸), 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 2006-07, the Department will allocate the following amounts to administrative units and state-operated programs:

State Funding	\$ 115,953,326
Federal IDEA, Part B Grant	124,738,515
Federal IDEA, Part B, Section 619 Grant (Preschool)	<u>3,726,919</u>
Total: SFY 2006-07	244,418,760

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 (15 percent) allocated based on the number of children living in poverty. Pursuant to H.B. 06-1375, the Department will allocate *state funds* among units as follows for FY 2006-07:

- Administrative units will receive \$1,250 for each child with a disability who was reported on the December 2005 (prior year) special education count. [\$104.0 million for FY 2006-07]
- Administrative units will receive an additional \$6,000 per student for a percentage of the children reported on the December 2005 count with the following disabilities: significant limited intellectual disability, significant identifiable emotional disability, hearing disability, vision disability, deaf-blind, autism, traumatic brain injury, and multiple disabilities. The percentage is determined by the appropriation. [\$9.5 million for FY 2006-07]
- Administrative units will receive grants for reimbursement of high costs incurred in providing special education services to a child in the preceding fiscal year. For FY 2006-07, "high costs" are considered those exceeding \$40,000. These grants are to be 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. [\$2.0 million for FY 2006-07]
- A total of \$500,000 is allocated to reimburse administrative units for excess costs paid to eligible facilities within the unit's boundaries for 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

⁸ 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.

Department of Human Services has placed such children within the administrative unit; or (d) who are legally emancipated.

The Department's \$272.6 million request represents a 1.5 percent increase in total funding when compared to the FY 2006-07 appropriation. The Department's request includes \$99.6 million General Fund, \$20.4 million from the State Education Fund, and \$98,000 cash funds exempt and 0.5 FTE funded from a transfer from the Department of Human Services, Division of Vocational Rehabilitation. The request also includes \$152.5 million in federal funds (the same level as for FY 2006-07) that are anticipated to be available to reimburse administrative units and support 54.4 federally-funded Department FTE.

Staff recommends approving the Department's request with respect to federal funds, cash funds exempt transfers, and Department staff. Staff's recommendation related to state funding is discussed at the end of this section.

English Language Proficiency Program. Pursuant to the federal *No Child Left Behind Act* [Title III - English Language Acquisition, Language Enhancement, and Academic Achievement Act], the federal *Civil Rights Act of 1964* [Title VI], and the English Language Proficiency Act [Article 24 of Title 22, C.R.S.], districts are required to identify and provide programs for students whose dominant language is not English. The Department recently 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 indicates 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 (\$8.2 million has been allocated to districts and boards of cooperative services in FY 2006-07), 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. For FY 2006-07, the Department of Education will distribute \$6.1 million in state ELPA funding to 143 school districts for 71,582 eligible students. Nearly two-thirds of state funding is provided for students in kindergarten through third grade.

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 (\$1,215.98 for FY 2006-07), 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 (\$607.99 for FY 2006-07), whichever is greater.

The Department's \$17.7 million request represents a 1.4 percent increase in total funding. The Department's request includes \$4.7 million General Fund, and \$1.7 million from the State Education Fund. The request also includes \$11.3 million in federal funds (the same level as for FY 2006-07) 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. Staff's recommendation related to state funding is discussed at the end of this section.

(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 50.4 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 revenues⁹, 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.

⁹ Districts include: Eagle, Gilpin, Grand - West Grand, Rio Blanco - Rangely, San Miguel - Telluride, and Summit.

The Department's \$45.6 million request includes \$38.1 million General Fund and \$7.5 million from the State Education Fund. **Staff recommends providing the Department with \$450,000 cash funds exempt spending authority from the State Public School Transportation Fund for FY 2007-08.** This fund consists of moneys that are recovered by the Department when it identifies a transportation-related overpayment to a district. This appropriation would allow the Department to re-distribute moneys that are recovered in the current fiscal year in FY 2007-08¹⁰. Staff's recommendation related to state funding is discussed at the end of this section.

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 Colorado Commission on Higher Education indicates that roughly 93 percent of school districts provide vocational educational opportunities to their students.

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 \$21.9 million request includes \$18.3 million General Fund and \$3.5 million from the State Education Fund. Staff's recommendation related to state funding is discussed at the end of this section.

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, districts may "develop and implement a management plan for excellence in education which shall

¹⁰ Please note that H.B. 07-1238 appropriates \$71,040 of current year audit recoveries in FY 2006-07.

include the education of gifted children". Funding that is provided by the state for gifted and talented programs are to supplement, not supplant, programs for students with disabilities.

For FY 2006-07, the Department will allocate \$7.2 million to administrative units. 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 will be used to support ten gifted education regional consultants and professional development.

The Department's \$8.3 million request includes \$7.1 million General Fund and \$1.2 million from the State Education Fund. Staff's recommendation related to state funding is discussed at the end of this section.

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, 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). For FY 2004-05, the Department awarded five-year grants to 53 entities serving students having difficulty in one or more of the following areas:

- academic failure
- attendance concerns or chronic truancy
- behavioral problems, both in the school as well as the community
- social/emotional difficulties stemming from family dysfunction, psychological concerns, and other social stressors which greatly impact school function.

The Department requests a total of \$6.7 million for FY 2007-08, including \$5.8 million General Fund and \$0.9 million from the State Education Fund. Please note that the requested amount includes an increase of \$55,505 General Fund to support 1.0 FTE. Staff has included a

recommendation related to this request below, and staff's recommendation related to state funding for the grants is discussed at the end of this section.

Decision Item #3 - Funding for 1.0 FTE. The Department requests \$55,505 General Fund to support 1.0 FTE to assist in administering this program. *[This Decision Item was prioritized #9 by the State Board of Education.]* Currently the program is supported by the General Department and Program Administration line item with 1.0 FTE with no administrative support or operating budget. Given the growth of the program since 1997, the Department would like to hire an additional 1.0 FTE to provide technical assistance and coaching to grantees to increase their effectiveness. The Department indicates that existing staff is able to conduct about 30 site visits per year, with support provided to other grantees by phone and e-mail. The Department does not feel that this is adequate to properly monitor and support grantees. The additional staff person would assist with the following duties:

- issuing the annual grant application, and reviewing and approving grant awards (using a team of grant readers);
- responding to data requests (from the State Board, districts, and others);
- providing technical assistance to all districts concerning suspension and expulsion, closing the achievement gap, alternative education programs, and drop-out prevention strategies; and
- responding to inquiries from parents of suspended or expelled students (200 - 300 calls and e-mails per year).

The request includes the following components:

1.0 FTE Senior Consultant	\$52,000
Operating expenses	500
Capital outlay (furniture, PC, and software)	<u>3,005</u>
Total FY 2007-08 Request	\$55,505

Staff recommends approving the request. This program was created by H.B. 97-1249 (Anderson/Wells) and was initially supported by an appropriation of \$3.5 million General Fund. No additional funding has been provided for staff to administer the program; the Department has chosen to allocate existing resources in order to assign 1.0 FTE to administer the program. The Department has attempted to use this program to allow districts to test different approaches to keep at-risk youth engaged in school, reduce truancy, reduce suspensions and expulsions, reduce drug and alcohol abuse and violent behavior, improve academic achievement, reduce retention rates, etc. The Department has collected outcome data in order to evaluate the effectiveness of various approaches, and has learned a great deal about what works and what does not. Staff believes that this program could benefit more districts if the Department had

adequate staff to evaluate the outcomes achieved by grantees and sharing best practices with all districts.

However, staff recommends funding this request out of the required increase in state funding for categorical programs. Thus, staff recommends that \$55,505 of the required increase in state funding be allocated to this line item to support 1.0 FTE.

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.]

However, the amounts appropriated annually since FY 1998-99 have provided adequate funding to reimburse eligible districts for the full amount statutorily allowed.

The original FY 2006-07 appropriation was based on an estimate of the number of districts and small attendance centers that would be eligible to receive additional state funding under the statutory formula. The Committee recently approved a mid-year increase of \$71,040 for this line item based on actual pupil counts for eligible districts and small attendance centers. The Department requests \$890,777, which matches the initial FY 2006-07 appropriation. **Staff recommends appropriating \$961,817 for FY 2007-08, which matches the adjusted FY 2006-07 appropriation.**

Comprehensive Health Education. The *Colorado Comprehensive Health Education Act of 1990* encourages every school district to provide a pre K-12th grade planned, sequential health education program. The program stresses parental and community involvement, and parents have the right to exempt students from any or all of the health education program. This line item provides funding for the Department to allocate funds among school districts and BOCES seeking funding for a local comprehensive health education program. 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.

Grants to implement a pre K-12th grade comprehensive health education program are available in three year cycles. The next application period begins this Spring. In FY 2006-07, 18 school districts are receiving grants through this program.

The Department requests a continuation level of funding (\$600,000), including \$300,000 General Fund and \$300,000 from the Comprehensive Health Education Fund (the Fund). **Staff recommends approving the request.** The 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, ranging from \$163,599 to \$788,106 in the last three fiscal years. The fund balance is projected to be sufficient to support a \$300,000 appropriation for FY 2007-08.

Allocation of Required Funding Increase for FY 2006-07. 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 2007-08. **Based on an actual inflation rate of 3.6 percent for CY 2006, the General Assembly is required to provide an additional \$9,257,383 for categorical programs for FY 2007-08.** The General Assembly determines on an annual basis how to allocate the required increase among the various categorical programs.

Last December, 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 provided the Committee with a table providing a comparison of the state funding available for each of these programs for FY 2005-06, and the maximum statutory reimbursement. Based on this comparison, state funding for English Language Proficiency Programs is the least adequate, covering only 9.0 percent of the statutory maximum, followed by special education services for children with disabilities (51.0 percent), transportation (59.2 percent), and vocational education (73.6 percent).

Staff also provided the Committee with a table comparing actual district expenditures for categorical programs to available state and federal funding. This analysis indicated that districts

spent over \$666 million in FY 2004-05 (13.2 percent of districts' total general fund expenditures) on five categorical programs. Districts spent the largest dollar amount of local funds to provide special education services to children with disabilities (\$364.4 million), followed transportation (\$128.1 million), English language proficiency programs (\$101.7 million), vocational education (\$54.5 million), and gifted and talented programs (\$17.9 million). However, in relative terms, state and federal funding for English Language Proficiency Programs is the least adequate, covering only 9.5 percent of districts' actual expenditures.

Finally, staff provided information about whether the costs of providing the service are proportional among districts (i.e., districts spend a similar proportion of their budgets providing the service), or whether certain districts are impacted significantly more than others. This analysis revealed that although districts' local expenditures for five categorical programs represented 13.2 percent of total district expenditures statewide, this percentage ranged from less than two percent to over 23 percent. Further, the variance in the proportion of local expenditures is greatest for three categorical programs: English language proficiency programs (a range of 12.45 percentage points); special education services for children with disabilities (a range of 11.19 percentage points); and transportation (a range of 9.06 percentage points). In addition, while nearly all districts are impacted to some extent by the latter two programs, fewer than half of districts are impacted at all by the provision of services to English language learners. In fact, only 11 districts spent a greater share of their local budget on services for English language learners than the statewide average of 2.0 percent.

The Department's budget request for FY 2007-08 includes a request (*Decision Item #2*) to increase appropriations from the State Education Fund for categorical programs by \$9,111,642 to provide a 4.5 percent increase in state funding. [*This Decision Item was also prioritized #2 by the State Board of Education. The Board did not approve a specific allocation of the increase among categorical programs.*] **Staff recommends approving this request, with several modifications.**

First, staff's recommendation reflects the actual rate of inflation (3.6 percent, rather than 3.5 percent).

Second, consistent with FY 2006-07, staff recommends providing the increase with a proportional mix of General Fund and State Education Fund, rather than covering the full increase with the State Education Fund. For the first several years after Amendment 23 passed, staff recommended that the General Assembly cover the required increases in state funding for categorical programs using the State Education Fund and focus the discussion regarding General Fund support in one area (the State Share line item). Over time, however, and in light of the significant increases in funding for categorical programs approved over the last two fiscal years, this approach has had the effect of exaggerating the percent increase required in the General Fund appropriation for the State Share, and understating the General Fund cost of increasing funding for categorical programs. In order to provide a more accurate reflection of the General Fund cost of the required annual increases in categorical programs, **staff recommends**

increasing General Fund appropriations for categorical programs by a total of \$8,033,070 and State Education Fund appropriations for categorical programs by a total of \$1,224,313.

Third, staff recommends a different allocation of the increase among programs. On the next page, staff has provided a table summarizing the allocation recommended by staff, the allocation requested by the Office of State Planning and Budgeting, as well as two other options for discussion purposes.

Required Increase in <i>State</i> Funding for Categorical Programs for FY 2007-08									
Long Bill Line Item	FY 06-07 Approp.	Examples of Options for Allocating Required Increase							
		A: Staff Recomm.	%	B: OSPB Request	%	C	%	D	%
Special education - children with disabilities	\$115,953,326	\$3,827,112	3.3%	\$4,123,280	3.6%	\$5,333,853	4.6%	\$4,098,307	3.5%
English language proficiency program	6,132,897	1,068,216	17.4%	249,240	4.1%	282,113	4.6%	216,764	3.5%
Public school transportation	42,869,585	1,345,720	3.1%	2,711,350	6.3%	833,123	1.9%	1,503,358	3.5%
Colorado Vocational Act distributions	20,635,922	572,397	2.8%	1,257,959	6.1%	401,036	1.9%	723,664	3.5%
Special education - gifted and talented children	7,808,744	188,433	2.4%	476,019	6.1%	151,754	1.9%	273,838	3.5%
Expelled and at-risk student services grant program	6,285,171	55,505	0.9%	383,142	6.1%	55,505	0.9%	220,410	3.5%
Small attendance center aid	961,817	0	0.0%	(71,040)	-7.4%	0	0.0%	0	0.0%
Comprehensive health education	600,000	0	0.0%	0	0.0%	0	0.0%	21,041	3.5%
Totals (may not sum due to rounding)	201,247,462	7,057,383	3.5%	9,257,383	4.6%	7,057,383	3.5%	7,057,383	3.5%

Description of Potential Allocation Options:

- A: Staff recommendation (described in narrative on the following page)
- B: Official request submitted through the Office of State Planning and Budgeting (adjusted to reflect actual dollar increase required).
- C: Earmark \$2.2 million for child find activities; provide inflation plus 1.0 percent increase for services for children with disabilities and English language proficiency programs, and a 1.9 percent increase for transportation, vocational education, and gifted and talented programs; provide \$55,505 to support 1.0 FTE for the Expelled and At-risk Student Services Grant Program.
- D: Earmark \$2.2 million for child find activities; provide the same percent increase to all programs except small attendance center aid.

The options presented in the table on the previous page are intended to provide a range of possibilities for the Committee's consideration. Staff has included a recommended option (A). **Staff's recommendation concerning the allocation among programs:**

- **Earmarks \$2,200,000 of the required increase in state funding for districts to continue to perform "child find" activities.** Staff recommends appropriating this amount through a separate bill (i.e., the bill that is currently being drafted for the Committee). [As this earmark is consistent with previous Committee action, staff reflected this earmark in options C and D as well.]
- **Allocates \$55,505 of the increase to support 1.0 FTE to administer the Expelled and At-risk Student Services Grant Program.**
- **Using a similar approach as the last two fiscal years, staff's recommendation is based on the relative magnitude of the existing funding "gap" for each program (excluding grant programs).** Specifically, the increase for each program is calculated based on each program's relative share of expenditures that are covered by local funds (e.g., expenditures for services for children with disabilities represent \$364.4 million of the \$666.6 million in local categorical program expenditures in FY 2004-05 (about 54 percent); 54 percent of the increase is allocated to these services.). Staff's recommendation does not include any funding increase for the two grant programs, other than the funding requested to support 1.0 FTE (mentioned above).

LONG BILL FOOTNOTES

Staff recommends continuing the following footnote, as amended:

- 8 **Department of Education, Assistance to Public Schools, Categorical Programs; and Department of Higher Education, Division of Occupational Education, Colorado Vocational Act Distributions pursuant to Section 23-8-102, C.R.S.** -- The Department of Education is requested to work with the Department of Higher Education and to provide to the Joint Budget Committee information concerning the distribution of state funds available for each categorical program excluding grant programs. The information for English language proficiency programs, public school transportation, Colorado Vocational Act distributions, and small attendance center aid is requested to include the following for ~~FY 2005-06~~ FY 2006-07: (a) The total amount distributed to each entity; and (b) the total amount that each entity would be eligible to receive pursuant to state law and/or State Board of Education rule. The information for special education services -- children with disabilities and special education services - gifted and talented children is requested to include the following information for the most recent fiscal year for which data is available: (a) The total amount distributed to each entity; and (b) the total expenditures incurred by each entity.

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

This footnote provides the information that allows staff to inform the Committee concerning the "adequacy" of existing funding for each program.

(C) Grant Programs and Other Distributions

Read-to-Achieve Grant Program. Senate Bill 00-71 and S.B. 00-124 established the Read-to-Achieve Grant Program. Schools may apply for grants through the program to fund intensive reading programs for second- and third-grade students (including students between the third- and fourth-grades) whose literacy and comprehension skills are below grade level. Schools may utilize the funds for in-class support and assistance, one-on-one school day pull-out programs, after school tutoring programs, or summer programs. Schools may request grant funds for up to three years. However, schools are required to demonstrate that at least 25 percent of the 2nd and 3rd grade students enrolled in Read-to-Achieve reached grade level in reading or scored proficient on the statewide reading assessment. A history of program funding and grant awards is provided in the table below.

Summary of Read-to-Achieve Grant Program						
Time Period	Read-to-Achieve Grant Program Appropriations	Number of Schools Receiving Grants	Number of Students Served	Grant Funding per Student		
				Minimum	Average	Maximum
Jan. 2001 to June 2002 (18 mo. grant cycle)	\$36,469,492	553	27,884	\$115	\$1,202	\$1,650
FY 2002-03	16,183,438	508	24,551	101	856	950
FY 2003-04<a>	10,675,732	483	22,292	334	628	630
FY 2004-05	16,331,727	374	16,289	355	1,004	1,058
FY 2005-06	15,922,311	350	14,985	1,078	1,078	1,078
FY 2006-07	4,369,567	335	14,115	282	282	282

<a> In addition to the appropriation reflected above, the Governor allocated \$3.0 million of the federal relief payments received by the State pursuant to the federal *Jobs and Growth Tax Relief Reconciliation Act of 2003* (P.L. 108-27) for the Read-to-Achieve Grant Program. These funds were used these federal funds to increase the per-student grant amount to schools for FY 2003-04 (to \$628 per pupil).

 This amount includes \$11,562,409 General Fund and \$4,359,902 in tobacco settlement moneys.

The Department indicates that from January 2001 through June 2004, just over 75 percent of students with individual learning plans (ILPs) at grades two and three benefitted from the program. In FY 2004-05, only 52 percent of students with ILPs in grades two and three were impacted by the program.

The primary source of funds for the program is the Tobacco Litigation Settlement Cash Fund. This program currently receives five percent of the annual amount of settlement moneys received by the State, up to a maximum of \$8.0 million. The Department is authorized to use up to one percent of moneys in the Read-to-Achieve Cash Fund for the expenses incurred by the Read-to-Achieve Board in administering the program. These costs include expenditures associated with an external evaluator, tobacco oversight costs, outside consultants (who conduct site visits and provide technical assistance), networking days, travel, temporary services, postage, printing/reproduction, supplies, and materials.

Department Request / Staff Recommendation. The Department requests an appropriation of \$4,369,567 for FY 2007-08 from the Read-to-Achieve Cash Fund. Please note that pursuant to H.B. 06-1310, the General Assembly is no longer required to appropriate tobacco settlement moneys to the Read-to-Achieve Cash Fund; instead, these moneys are transferred pursuant to statutory directive. Further, please note that Section 22-7-506 (5) (a), C.R.S., repeals the section authorizing the Read-to-Achieve Grant Program effective July 1, 2007. This provision also requires the Read-to-Achieve Board to be reviewed by the Department of Regulatory Agencies as provided in Section 24-34-104, C.R.S. The resulting "sunset review" report was released October 12, 2006, recommending that the Board and the Program continue through 2014. Senate Bill 07-192 would continue the Program for another seven years as recommended.

Two issues the Committee should be aware of. First, the "sunset review" procedures include a provision indicating that if a board or function is terminated as a result of a sunset review, such function "shall continue to be performed until July 1 of the next succeeding year for the purpose of winding up affairs" [see Section 24-34-104 (5) (b), C.R.S.]. Thus, the Legislative Council Staff Fiscal Note for S.B. 07-192 indicates that the bill does not have a fiscal impact. Second, the statutory transfer of tobacco settlement moneys to the Read-to-Achieve Cash Fund does not repeal under current law. Thus, even if the Read-to-Achieve Grant Program is repealed, a statutory change would be required to stop the transfer of settlement funds.

Staff recommends appropriating \$3,362,920 to reflect the amount of tobacco settlement moneys anticipated to be distributed to the Read-to-Achieve Cash Fund for FY 2006-07. In addition, staff recommends providing additional spending authority to allow the Department to utilize one-third of the balance available in the Read-to-Achieve Cash Fund for FY 2007-08; this additional amount is calculated as follows:

Fund balance as of July 1, 2006	\$ 3,088,837
Less: Fund balance spent in FY 2006-07 to cover shortfall in transfer	(367,541)
Less: Appropriation to Reading Assistance Grant Program Fund	<u>(300,000)</u>
Fund balance available for FY 2007-08	2,421,296

Multiplied by:	<u>0.33</u>
Portion of fund balance recommended to be made available for FY 2007-08	807,099

As FY 2007-08 is the first year of a three-year grant funding cycle, staff recommends allowing the Department to utilize the existing fund balance over the next three fiscal years, thereby stabilizing the funding for the program. Specifically, **staff recommends appropriating a total of \$4,170,019 from the Read-to-Achieve Cash Fund for FY 2007-08**, including \$3,362,920 in projected transfers of tobacco settlement proceeds in FY 2007-08 and \$807,099 of the existing fund balance.

Reading Assistance Grant Program Fund. House Bill 06-1004 established the Reading Assistance Grant Program to provide grants to nonprofit organizations that provide and distribute to school districts and eligible facilities accessible educational materials for students who have difficulty achieving the state model content standards, but are not identified as having a disability [see Section 22-88-101 et seq., C.R.S.]. The act included an appropriation of \$300,000 from the Read-to-Achieve Cash Fund to the newly created Reading Assistance Grant Program Fund for FY 2006-07. Moneys in the new fund are continuously appropriated to the Department, except that the State Board of Education may not award grants totaling more than \$100,000 per fiscal year. The Department is authorized to spend up to one percent of the moneys appropriated to the Reading Assistance Grant Program Fund to offset the costs of implementing the Program. The Program is repealed July 1, 2009.

The Department has not requested, nor does staff recommend, any appropriation for this program for FY 2007-08.

Federal Title I Reading First Grant. The Reading First grant program was established through the *No Child Left Behind Act*, passed by Congress in December 2001 [Title I-B, Subpart 1]. States are eligible to receive federal funds annually to help school districts identify and adopt "scientifically based" reading programs for children in kindergarten through third grade. Up to 10 percent of federal funds are available as target or incentive grants to states that increase the number of students reading at a "proficient" level. States are required to distribute at least 80 percent of their funds to districts, giving priority to high-poverty areas with a high percentage of students in kindergarten through third grade reading below grade level. States are allowed to use remaining funds for a number of related activities, including: teacher preparation, professional development, and licensure and certification (65 percent); technical assistance to help districts implement Reading First (25 percent); and administration, planning, and reporting (10 percent).

Colorado was one of the first three states to have its plan related to Reading First approved, and the State received \$9.0 million for the first year of the program. The majority of these funds (\$8.2 million) were not spent in FY 2002-03 and were "rolled forward" to FY 2003-04. Pursuant to federal law, the funds are awarded competitively to local programs that show they will enhance young children's language and cognitive development by providing high-quality

instruction and ongoing professional development based on scientifically based research. Colorado Reading First currently involves 54 districts and 82 schools across the state. The first set of grants were awarded to 32 schools ("cohort 1") beginning in the Summer of 2003. Eleven of these schools received funding for a fourth year (FY 2006-07). The Department awarded grants to 50 schools ("cohort 2") beginning in the Summer of 2005.

The Department notes that some schools (21 in FY 2003-04 and 38 in FY 2004-05) have received both federal Reading First grants and Read-to-Achieve grants. The Department indicates that these high poverty schools were able to use Read-to-Achieve funds to provide additional intensive instruction (e.g., before and after school programs) for their students most at risk of failure, and to use Reading First funds to provide ongoing professional development and coaching supports for each K-3 teacher as well as special services providers.

The Department indicates that in addition to providing assistance to districts to establish reading programs based on scientifically based reading research for students in kindergarten through third grade classrooms, these federal funds are being used for the following purposes:

- To focus on providing significantly *increased teacher professional development* to ensure that all teachers, including special education teachers, have the skills they need to effectively teach reading; and
- To provide assistance to districts in selecting appropriate *screening and diagnostic assessments* and preparing classroom teachers to effectively screen, identify and overcome reading barriers facing their students.

This line item is included in the Long Bill for informational purposes. **Staff recommends approving the request to reflect \$10,878,225 federal funds and 9.0 FTE related to the Reading First program in the FY 2007-08 Long Bill.**

Family Literacy Education Fund.

Background Information. House Bill 02-1303 established the Family Literacy Education Grant Program through which school districts, community colleges, libraries, and other organizations may receive funding to provide family literacy education, adult literacy education, and English language literacy education services. The program was to be funded with gifts, grants, or donations credited to the Family Literacy Education Fund. The act included provisions stating the intent of the General Assembly that no General Fund be appropriated to support the Program, and repealing the Program if sufficient moneys were not credited to the Family Literacy Education Fund prior to December 1 each year.

Prior to FY 2006-07, a total of \$371,753 was credited to the Family Literacy Education Fund, including \$300,000 received from the Daniels Fund, other private donations totaling \$46,753, and a \$25,000 federal grant received through the Department of Human Services. In addition, last Session, the General Assembly amended the FY 2006-07 Long Bill in the House to

appropriate \$200,000 from the State Education Fund to the Family Literacy Education Fund, and then to provide the Department with the authority to spend that amount out of the Family Literacy Education Fund for FY 2006-07.

Prior to FY 2006-07, 18 programs received grants in FY 2003-04 and FY 2004-05. The Department indicates that grantees also received funding in FY 2005-06 through Colorado's Adult Education and Family Literacy Act and Even Start grants. In the current fiscal year, the Department received eight applications for a total of \$269,385 in response to a request for proposals that was issued in September 2006. The Department awarded seven grants ranging from \$10,000 to \$48,000¹¹. The Department anticipates 222 families (including 344 children) to be impacted by the program, at a cost of about \$900 per family.

Department Request / Staff Recommendation. The Department requests another \$200,000 appropriation from the State Education Fund to the Family Literacy Education Fund for FY 2007-08. **Staff does not recommend approving the request.** As noted by staff during the Briefing last December, there is no statutory authority to appropriate moneys from the State Education Fund for this purpose. Specifically, the legislation adopted by the General Assembly to implement Amendment 23 includes a provision limiting appropriations from the State Education Fund:

"The moneys in the fund shall only be used to comply with the requirements of section 17 (1) of article (IX) of the state constitution and *for such purposes as may be authorized by law and that are consistent with section 17 (4) (b) of article IX of the state constitution.*" [see Section 22-55-103 (3) (a), C.R.S., *emphasis provided*]

The General Assembly's practice, when it has chosen to appropriate moneys from the State Education Fund for a purpose other than complying with the constitutional spending requirements related to base per pupil funding and categorical programs, has been to add a statutory provision specifically authorizing the use of State Education Fund moneys for that particular purpose, including a statement of legislative intent identifying the associated constitutionally authorized purpose.

As current law specifically prohibits the appropriation of General Fund moneys for this Program, staff does not recommend including an appropriation in the FY 2007-08 Long Bill for this Program. Please note that H.B. 07-1271 (currently pending a hearing in House Appropriations Committee), would: (a) eliminate the prohibition on General Fund appropriations for this Program; (b) eliminate the automatic repeal of the Program if sufficient moneys are not credited to the Family Literacy Education Fund; and (c) appropriate \$1.0 million General Fund for this Program for FY 2007-08. During testimony in the House Education Committee, the bill sponsor (Representative A. Kerr) indicated that the \$200,000 appropriated

¹¹ Communities that received grants in FY 2006-07 included Alamosa, Boulder, Delta, Durango, Greeley, Leadville, and Sterling.

through the FY 2006-07 Long Bill was one-time funding for the Program, and H.B. 07-1271 was intended to provide a stable, ongoing source of funding for the Program.

Family Literacy Education Grant Program. This line item provides cash funds exempt spending authority for the Department to spend moneys in the Family Literacy Education Fund from sources other than gifts, grants, and donations. Consistent with the request for the above line item, the Department requests \$200,000 cash funds exempt spending authority. **Consistent with the recommendation for the above line item, staff does not recommend approving the request.**

National Credential Fee Assistance. This program, initially established through H.B. 02-1349, requires the Department to assist individuals seeking a national credential by paying a portion of the fees charged for such credential [see Section 22-60.5-112.5, C.R.S.]. The amount of fee assistance is to be equal to the amount of the national credential fee received by the applying teacher through a federal assistance program. Procedurally, individuals apply for federal fee assistance first. If the federal application is approved, the National Board for Teaching Standards submits a request to the Department for a matching amount of state funds. The General Assembly is to annually appropriate, if available, moneys in the State Education Fund for such purpose. This provision includes a legislative declaration that providing national credential fee assistance to teachers who obtain a national credential from an approved professional organization constitutes a *performance incentive for teachers* and such teachers may therefor receive funding from the State Education Fund.

The General Assembly appropriated \$60,000 from the State Education Fund for this purpose for FY 2002-03. Through S.B. 03-248, the General Assembly made this program subject to available appropriations. Funding was restored in FY 2005-06, and was increased to \$100,000 for FY 2006-07. Data available from the National Board for Professional Teaching Standards (NBTS) indicates that as of December 2006, there were a total of 267 National Board Certified teachers in Colorado. The following table summarizes appropriations to date, along with the number of applicants annually.

National Credential Fee Assistance						
Fiscal Year	Appropriation	Total Cost of National Credential	Federal Fee Assistance Available	State Fee Assistance Available	Number of Applicants (excluding those who withdrew)	Number of Individuals Certified
2002-03	\$60,000	n/a	\$1,000	1,000	60+	19
2003-04	0	2,365	1,000	0	36	35
2004-05	0	2,365	1,000	0	37	34
2005-06	83,000	2,365	1,000	1,000	88	18
2006-07	100,000	2,565	1,000	1,000	86*	39

National Credential Fee Assistance						
Fiscal Year	Appropriation	Total Cost of National Credential	Federal Fee Assistance Available	State Fee Assistance Available	Number of Applicants (excluding those who withdrew)	Number of Individuals Certified
FY 2007-08 (request)	100,000	2,565	1,000	1,000	n/a	n/a

* Department staff indicate that 86 individuals have received reimbursement to date (an expenditure of \$86,000). Additional federal moneys will become available in March, and the NBTS anticipates requesting the remaining \$14,000 prior to the end of the fiscal year.

The Department has requested a continuation level of funding for this purpose for FY 2007-08. Staff recommends approving the request.

Principal Development Scholarship Program . House Bill 06-1001 created the Principal Development Scholarship Program to provide stipends for principals to obtain ongoing professional development (see Section 22-9.5-101 et seq., C.R.S.). The State Board of Education is to award stipends from the Principal Development Scholarship Fund, which consists of any gifts, grants, and donations received for such purpose. The Department is authorized to spend up to one percent of the moneys annually appropriated from the fund to offset the costs of implementing the Program. The act included an appropriation of \$250,000 cash funds exempt to allow the Department to spend up to \$250,000 gifts, grants, or donations received.

The Department has requested a continuation level of spending authority for FY 2007-08. However, no gifts, grants, or donations have been received to date. **Staff thus recommends eliminating the appropriation associated with this Program.**

Summer School Grant Program. House Bill 06-1375 included a provision that recreated and reenacted this program, which was originally established through S.B. 01-129 (see Section 22-7-801 et seq., C.R.S.). This program provides grants for districts to operate summer school programs for students entering the 4th through 8th grades who received an unsatisfactory score on the reading, writing, or math portion of the Colorado student assessment program in the preceding academic year. The Department is authorized to annually withhold up to three percent of the moneys appropriated for this program to offset the direct costs incurred in administering the program and to "evaluate the progress of the summer school programs operated by school districts and Institute charter schools that receive grants" through the program. The act included the following provision concerning funding:

"For the 2006-07 budget hear and for each budget year thereafter, subject to available appropriations, the general assembly shall annually appropriate moneys from the state education fund...to the department to be used to award grants for summer school programs..."

This provision does not include a statement of legislative intent identifying the associated constitutionally authorized purpose. However, it seems reasonable to assume that this program could be considered an "accountable program to meet state academic standards". The act included an appropriation of \$1,000,000 cash funds exempt from the State Education Fund and 0.3 FTE for FY 2006-07 for the new grant program. Thus, the Department is authorized to withhold up to \$30,000 for administrative costs.

The Department requests a continuation level of funding for this program (\$1,000,000 from the State Education Fund and 0.3 FTE). The State Board is required to ensure that all grants awarded through this program are issued to school districts or Institute charter schools on or before April 30. Grant applications for FY 2006-07 are due March 21, 2007. Thus, there is not yet information available to evaluate whether the existing level of funding for the program is appropriate. Absent any information indicating that the existing appropriation is too high or too low, **staff recommends approving the request.**

Facility Summer School Grant Program. House Bill 06-1375 included a provision that amended this program, which was originally established through H.B. 02-1349 (see Section 22-86-101 et seq., C.R.S.). This program, as amended, provides grants to facility schools that operate summer school programs for children residing in the facilities. The Program is designed to assist facility schools in providing intensive educational research-based services for children who are performing below grade level in the areas of reading, writing, or mathematics. The act included the following provision concerning funding:

"For the 2006-07 budget year and for each budget year thereafter, subject to available appropriations, the general assembly shall appropriate moneys from the state education fund...to the department to be used to award grants for facility summer school programs..."

This provision does not include a statement of legislative intent identifying the associated constitutionally authorized purpose. However, it seems reasonable to assume that this program could be considered an "accountable program to meet state academic standards". The act included an appropriation of \$500,000 cash funds exempt from the State Education Fund for FY 2006-07 for the Program.

For FY 2006-07, the Department plans to cover the actual costs¹² of facility schools with applications that meet required criteria, not to exceed \$500 per eligible student. If the \$500,000 appropriation is insufficient, the Department will prorate the per student funding accordingly. The Department indicates that funding levels in subsequent fiscal years will be adjusted subject to available appropriations. However, for FY 2007-08, **the Department requests a continuation**

¹² Actual costs include: salary and benefits of qualified teachers and up to one paraprofessional per qualified teacher; and materials and supplies (not to exceed five percent of the grant). Grant moneys may not be used for staff development, the purchase of equipment, capital construction, or administrative costs.

level of funding for this program (\$500,000 from the State Education Fund). Staff recommends approving the request.

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. The act included the following provision concerning funding:

"For the 2006-07 budget year and each budget year thereafter, the general assembly shall annually appropriate moneys from the general fund or any other source for additional aid to a declining enrollment district in which a new charter school is opened. The additional aid shall be distributed to all declining enrollment districts in which new charter schools are opened in the budget year for which the aid is appropriated. The additional aid shall be distributed among the declining enrollment districts in which new charter schools are opened in the proportion that the declining enrollment district's new charter school enrollment bears to the total new charter school enrollment in all declining enrollment districts statewide in which new charter schools are opened in the budget year for which the additional aid is appropriated."

Please note that this provision does not specifically authorize the use of State Education Fund moneys for the provision of such additional state aid, nor does it include a statement of legislative intent identifying the associated constitutionally authorized purpose.

For FY 2006-07, new charter schools opened in nine school districts ¹³. However, only three of these school districts experienced declining enrollment in FY 2006-07. The following table details the funding that was distributed for FY 2006-07:

Aid for Declining Enrollment Districts with New Charter Schools: FY 2006-07						
District	Funded Pupil Count	Actual Enrollment (FTE)	Difference	FTE in New Charter Schools	Aid Received (\$4,035.78 per FTE in New Charter)	Aid Received / Total Program Funding
Clear Creek	1,038.9	961.0	77.9	89.0	\$359,184	5.3%
Denver	67,975.3	67,585.5	389.8	100.0	403,578	0.1%
Jefferson	81,825.5	81,137.0	688.5	129.0	520,615	0.1%
Total	150,839.7	149,683.5	1,156.2	318.0	1,283,377	n/a

¹³ New charter schools opened in the following school districts: Arapahoe-Aurora, Boulder Valley, Clear Creek, Denver, Douglas, El Paso-Cheyenne Mountain, El Paso-Falcon, Jefferson, and Larimer-Thompson.

The Department requests a continuation level of funding, including \$1,000,000 from the State Education Fund and \$283,377 General Fund.

Staff Recommendation. The General Assembly is required to annually appropriate state moneys to provide additional aid to declining enrollment districts in which new charter schools are opened. While the statute indicates that such aid is "to help mitigate the impact of the enrollment of pupils in the new district charter school who might otherwise have attended a traditional school in the declining enrollment district", it is not clear what basis one should use to determine an appropriate level of funding each fiscal year.

Estimating the number of eligible districts: The Department is required to annually submit an estimate of the number of pupils expected to be enrolled in charter schools for the next fiscal year (for purposes of capital construction funding). The Department's January 2007 report indicates that four new district charter schools will open in FY 2007-08 in three districts (two in Arapahoe-Aurora, one in El Paso-Falcon, and one in Jefferson). However, only one of these three districts is currently projected to experience a decline in enrollment in FY 2007-08. Thus, it appears that Jefferson is the only district that will be eligible for funding through this line item for FY 2007-08. If the Department's request is approved, the full \$1,283,377 would be distributed to Jefferson as follows:

Aid for Declining Enrollment Districts with New Charter Schools: FY 2007-08 Estimate						
District	Funded Pupil Count	Actual Enrollment (FTE)	Difference	FTE in New Charter Schools	Aid Received (\$5,133.51 per FTE in New Charter)	Aid Received / Total Program Funding
Jefferson	81,413.3	80,485.5	927.8	250.0	1,283,377	0.2%

Based on an assumption that the General Assembly intends to provide a similar flat amount per student attending new charter schools in declining enrollment districts from year to year, **staff recommends appropriating \$1,009,000 for this line item for FY 2007-08.** This amount is estimated to provide the one eligible district with \$4,036 for each of the 250 students that are anticipated to attend the new Madison High School in FY 2007-08. Clearly, the Committee can choose to provide more or less funding than recommended by staff, resulting in a greater or lesser amount of funding per student in the new charter school in FY 2007-08.

Staff recommends appropriating the full amount from the General Fund. Although the General Assembly chose to appropriate \$1.0 million of this amount from the State Education Fund for FY 2006-07, the statutory provision does not specifically authorize the use of State Education Fund moneys for the provision of such additional state aid. Further, it is unclear what constitutionally authorized purpose this funding fits under (i.e., accountable education reform? class size reduction?).

Reimbursement for Supplemental On-line Education Courses. House Bill 06-1008 established a program whereby small school districts and certain charter schools could receive reimbursement for the cost of purchasing supplemental on-line education courses (see Section 22-57-101 et seq., C.R.S.). This act included an appropriation of \$531,580 from the State Public School Fund (specifically from federal mineral lease revenues transferred to this fund) for FY 2006-07 to reimburse eligible school districts and charter schools. The Department is authorized to retain up to three percent of the moneys annually appropriated for reimbursements to offset the actual administrative costs incurred.

The Department identified 133 eligible districts (with enrollments of 3,000 or less). Another eight small districts, along with the State Charter School Institute, may not be eligible because they operate online programs within the district. For those districts likely to be eligible, the Department estimated the number of pupils in grades six through 12 would total 515,632.6. Thus, it appears that the Department may be able to fund up to \$10 per pupil in grades six through 12. Eligible districts may submit reimbursement forms by February 15, 2007, and another by June 15, 2007.

This act included a provision repealing the program July 1, 2007. Thus, **the Department has not requested any funding for this line item for FY 2007-08. Staff recommends approving the request, as it is consistent with current law.** [Please note that H.B. 07-1066, which is pending a hearing in the Senate Education Committee, would continue this program in a different form. This bill currently includes appropriations totaling \$530,000 from the State Public School Fund (from federal mineral lease revenues) for FY 2007-08.]

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$540,000 cash funds exempt for FY 2007-08 to provide continued support for this program [*State Board priority #5*]. This request was not included in the Governor's budget request.

S.B. 97-101 Public School Health Services. Pursuant to Section 25.5-5-318, C.R.S. (S.B. 97-101), school districts, boards of cooperative services (BOCES), and state K-12 educational institutions are authorized to be reimbursed through Medicaid for health care services¹⁴ provided to Medicaid-eligible students. In order to do so, districts and BOCES must certify local expenditures on health care services in order to claim and receive federal Medicaid funding.

Districts are required to use the Medicaid funds received for the provision of student health care services. Each district is required to develop a local services plan that identifies the types of health services needed by students and the services it plans on providing. Districts spend the

¹⁴ Services for which districts may bill Medicaid include: targeted case management (e.g., time spent developing an individual education plan for a student eligible for special education services or a health care plan for a student with diabetes); direct services (e.g., providing services as mandated in a student's individual education plan); diagnostic services (e.g., a special education-related evaluation); and health encounters (e.g., a school nurse treating a student with a stomach ache).

Medicaid funds for a variety of health-related purposes. The majority of funds are spent: providing nursing and other health clinic services; providing mental health services; providing speech, language, and vision services; providing physical and occupational therapy services; for health-related materials, equipment, and supplies; and conducting health insurance outreach activities (for Medicaid and CHP+).

The Department of Health Care Policy and Financing is responsible for the Medicaid billing aspects of the program, including developing regulations and administrative guidelines for submitting claims and contracting with individual districts. The Department of Education is responsible for providing technical assistance to districts in meeting administrative requirements and developing local service plans. Up to ten percent of the federal Medicaid funds that districts "earn" may be used to cover administrative costs incurred by the Department of Health Care Policy and Financing and the Department of Education, and the remainder is paid directly to districts and BOCES for the provision of health care services.

The appropriations to the Department of Health Care Policy and Financing (DHCPF) for this program reflect both the federal Medicaid funds (reflected as federal funds) and the local certified matching funds (reflected as cash funds exempt). The total funds appropriated to DHCPF cover the administrative costs incurred by the DHCPF and the Department of Education, as well as actual costs of health care claims. The appropriation to the Department of Education, however, only reflects the federal Medicaid funds that are used by the Department of Education to administer the program ¹⁵; as such funds are transferred from the DHCPF, they are reflected as cash funds exempt.

For FY 2007-08, the Department of Education has requested a continuation level of funding (\$15,713,461 and 1.4 FTE). This amount is the same as the initial FY 2006-07 Long Bill appropriation. The Committee, however, recently approved a request from DHCPF to eliminate much of the duplicate spending authority, and simply reflect the federal Medicaid funds that are used to fund the Department of Education's administration of the program. **Consistent with the Committee's recent action on this supplemental request, staff recommends appropriating \$191,696 and 1.4 FTE for this line item.** Calculations are detailed in the following table.

Summary of Recommendation: S.B. 97-101, Public School Health Services, Department of Education Administrative Costs		
Description	Total Funds	FTE
Personal services portion of appropriation for FY 06-07	\$92,612	1.4
Salary survey awarded in FY 06-07	1,921	

¹⁵ Please note that prior to FY 2006-07, the appropriation to the Department of Education also reflected the federal Medicaid funds anticipated to be distributed to contracting entities for the provision of health care services.

Summary of Recommendation: S.B. 97-101, Public School Health Services, Department of Education Administrative Costs		
Description	Total Funds	FTE
Performance-based pay awarded in FY 06-07	0	
NO base reduction recommended	0	
Contract services portion of appropriation for FY 06-07	<u>45,000</u>	
Subtotal: Continuation personal services	139,533	1.4
Estimated salary survey awarded in FY 07-08	2,575	
Estimated performance-based pay awarded in FY 07-08	<u>989</u>	
Subtotal: Recommended personal services for FY 07-08	143,097	1.4
Health, life, and dental	3,760	
Short-term disability	90	
Operating and travel portion of appropriation for FY 06-07	35,274	
Indirect cost assessment (estimated at 5.2 percent)	9,475	
Recommended authorization related to administration for FY 07-08	191,696	1.4

State Public School Fund, Contingency Reserve. Pursuant to Section 22-54-117 (1) and (4), C.R.S., the State Board is authorized to approve payments from the Contingency Reserve to assist school districts under the following circumstances:

- (1)(a) financial emergencies caused by an act of God or arising from extraordinary problems in the collection of taxes;
- (1)(b) financial emergencies caused by nonpayment of property taxes;
- (1)(b.5) revenues are insufficient to make abatements and refunds of property taxes;
- (1)(c) unforeseen contingencies (e.g., reductions in valuation exceeding 20 percent);
- (1)(d) unusual financial burden caused by the instruction of court-ordered or agency-placed non-resident children;
- (1)(e) unusual financial burden caused by the instruction of children who move into the district following the pupil count date (applies to small districts only);
- (1)(f) unusual financial burden caused by a significant enrollment decline pursuant to a reorganization; and,

- (4) in cases of extreme emergency, other factors that affect the ability of the district to maintain its schools without additional financial assistance.

Section 22-54-117 (1), C.R.S., indicates that, "In deciding the amount to be appropriated to the contingency reserve, the general assembly may take into consideration any recommendations made by the department of education, but nothing in this section shall be construed to obligate the general assembly to provide supplemental assistance to all districts determined to be in need or fully fund the total amount of such need." The following table summarizes amounts paid out to school districts since FY 1993-94.

Contingency Reserve			
Fiscal Year	Actual Payments	Fiscal Year	Actual Payments
1993-94	\$5,544,162	1998-99	\$1,913,133
1994-95	2,108,545	1999-00	1,800,000
1995-96	820,929	2000-01	3,770,983
1996-97	1,170,681	2001-02	1,966,353
1997-98	2,250,231	2002-03	3,900,000
<i>10-Year Average</i>			<i>2,670,094</i>
2003-04	0	FY 2005-06	622,493
2004-05	0	FY 2006-07 YTD	0

Please note that pursuant to Section 22-54-117 (5) (b) and (6) (a), C.R.S., when a school district reimburses the State for supplemental assistance received from the Contingency Reserve, the reimbursement is credited to the Contingency Reserve rather than the General Fund. Thus, these repayments may then be made available to meet other districts' needs. Beginning in FY 2001-02, the appropriation related to the Contingency Reserve has included spending authority related to districts' repayments (in lieu of a General Fund appropriation to the Contingency Reserve). Specifically, \$310,000 of the assistance provided in FY 2001-02 came from district repayments, and \$758,226 of the assistance provided in FY 2002-03 came from district repayments. All other payments were provided through General Fund appropriations.

The General Assembly has not appropriated General Fund moneys for this line item since FY 2002-03. The source of funds for the FY 2006-07 appropriation for this line item (\$4,291,277 cash funds exempt) is reimbursements from Denver Public Schools. In FY 2000-01, the State Board paid Denver Public Schools a total of \$3,948,814 to offset property taxes owed by United Airlines when the company declared bankruptcy. The district reimbursed the State for the amount received plus interest once the bankruptcy case was resolved.

The State Board approved two payments from the Contingency Reserve in FY 2005-06:

- In July 2005, the State Board of Education approved a payment of \$181,505 to the Woodlin School District (Washington county) for assistance with facility repairs required as a result of hail damage to the school, including asbestos exposure. In the event that the district receives reimbursement from another source (e.g., insurance coverage), the district is required to repay the amount received from the State.
- In April 2006, the State Board approved a payment of \$440,988 to the Denver Public School District to offset revenue losses resulting from the bankruptcy filings of Delta and Northwest Airlines. The district is required to repay this amount if it receives payment once the bankruptcy cases are resolved.

The Department's request reflects the same level of funding (\$4,291,277) for FY 2007-08. However, the Department recently received a partial repayment from Denver Public Schools of \$148,451. Thus, **staff recommends reflecting \$4,439,728 in the FY 2007-08 Long Bill for this line item.** Please note that this is an informational appropriation, as the State Board is statutorily authorized to approve payments from the Contingency Reserve as long as there is money available. Finally, please note that if H.B. 07-1237 becomes law prior to introduction of the Long Bill, staff will identify this fund source as the "Contingency Reserve Fund", rather than the "State Public School Fund, Contingency Reserve".

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$2,000,000 General Fund for FY 2007-08 for this line item [*State Board priority #15*]. This request was not included in the Governor's budget request.

State Public School Fund, School Capital Construction Expenditures Reserve.

Background Information: Giardino Lawsuit Settlement Requirements. Pursuant to S.B. 00-181, the General Assembly is required to appropriate a total of \$190.0 million from the General Fund over an eleven-year period to assist school districts with capital improvements. The \$190.0 million is to be split between two funds. A total of \$105.0 million is to be appropriated to the *School Capital Construction Expenditures Reserve*¹⁶ (the Construction Reserve) for capital expenditures of school districts that: (a) address immediate safety hazards or health concerns; (b) relieve excessive operating costs created by insufficient maintenance or construction spending; or (c) relieve conditions that detract from an effective learning environment. The

¹⁶ See Sections 22-54-117 and 24-75-201.1 (4), C.R.S.

remaining \$85.0 million is to be appropriated to the *School Construction and Renovation Fund* (SCRF)¹⁷ to provide matching grants to districts for qualified capital construction projects.

Please note that S.B. 00-181 does not require any of the above appropriations in any fiscal year in which the General Fund revenues do not exceed certain annual obligations by more than \$80.0 million. Specifically, S.B. 00-181 included the following provision:

"(c) Notwithstanding the provisions of paragraph (b) of this subsection (4), in any fiscal year 2000-01 through 2010-11, no appropriation shall be made in such fiscal year if general fund revenues for the applicable fiscal year do not exceed general fund obligations and the moneys required to be allocated to the highway users tax fund pursuant to section 39-26-123 (2) C.R.S., for the applicable fiscal year by more than eighty million dollars as determined by the general assembly as of the time any conference committee report is adopted on the general appropriation bill enacted for the applicable fiscal year.

(d) For purposes of paragraph (c) of this subsection (4), "general fund obligations" include:

(I) General fund appropriations required by permanent statute or constitutional provision;

(II) General fund appropriations up to the limitation established by paragraph (a) of subsection (1) of this section and general fund appropriations that are exceptions to said limitation;

(III) The general fund transfer to the capital construction fund provided in section 24-75-302 (2) including any additional transfers necessary to fund capital construction priorities for the applicable fiscal year;

(IV) Any transfer to the controlled maintenance trust fund pursuant to the provisions of section 24-75-302.5;

(V) Any refunds required to be made by section 20 of article x of the state constitution; and

(VI) The reserve required to be maintained pursuant to paragraph (d) of subsection (1) of this section."

Thus, the General Assembly is not required to make the scheduled General Fund appropriation if revenues are not projected to be sufficient to fund: (1) the operating budget (the full six percent allowable increase); (2) obligations included within "rebates and expenditures" (such as the state contribution to FPPA); (3) General Fund transfers to the Capital Construction Fund and the Controlled Maintenance Trust Fund (including any transfers necessary for FY 2007-08 projects); (4) TABOR refunds; (5) the four percent statutory reserve; plus (6) \$80 million.

¹⁷ See Sections 22-43.7-101, et seq. and 24-75-201.1 (4), C.R.S.

Subsequently, the General Assembly has chosen to waive this provision in certain years, and it passed legislation last Session to allow the General Assembly to appropriate General Fund moneys for the Giardino lawsuit settlement even if General Fund revenues are not projected to exceed the above-described threshold. The deadline for the adoption of the conference committee report on the FY 2007-08 Long Bill is April 13. Thus, this threshold should be applied on a prospective basis based on the March 2007 Legislative Council Staff revenue forecast.

Finally, please note that the General Fund appropriations required by S.B. 00-181 are also a requirement of the final court order for Case # 98-CV-246 (*Giardino v. State Board of Education*). Thus, S.B. 00-181 authorized the General Assembly to identify a cumulative total of \$20.0 million of the required General Fund appropriations as exempt from the six percent statutory limitation on General Fund appropriations.

Moneys Made Available To Date. Due to revenue shortfalls, the General Assembly has not been statutorily obligated to appropriate General Fund moneys for school capital construction, as delineated in S.B. 00-181, since FY 2000-01. However, the General Assembly elected to waive this provision for certain fiscal years. It has also appropriated moneys from the State Education Fund for capital construction purposes. In addition, lottery proceeds have been available for capital construction needs in each of the last five fiscal years. The following table summarizes funding required by S.B. 00-181 (given sufficient revenues) and funding made available to date for capital construction programs (excluding funding specifically for charter schools).

Fiscal Year	Appropriations Required Pursuant to S.B. 00-181 if General Fund Revenues are Sufficient	Funding Made Available To Date for Capital Construction			
		General Fund	State Education Fund	Lottery Proceeds	Total
00-01	\$5,000,000	\$5,000,000	\$0	\$0	\$5,000,000
01-02	10,000,000	10,000,000	6,471,052	0	16,471,052
02-03	15,000,000	0	6,500,060	8,499,940	15,000,000
03-04	20,000,000	0	10,000,000	3,690,377	13,690,377
04-05	20,000,000	0	5,000,000	2,396,438	7,396,438
05-06	20,000,000	25,000,000	5,000,000	1,691,454	31,691,454
06-07	<u>20,000,000</u>	<u>15,000,000</u>	<u>0</u>	<u>12,545,316</u>	<u>27,545,316</u>
Subtotal	110,000,000	55,000,000	32,971,112	28,823,525	116,794,637
07-08	20,000,000				n/a
08-09	20,000,000				n/a
09-10	20,000,000				n/a
10-11	<u>20,000,000</u>				n/a
Total	\$190,000,000	n/a	n/a	n/a	n/a

Department Request / Staff Recommendation. The Department's request reflects a continuation of the \$15.0 million General Fund appropriations included in the FY 2006-07 Long Bill. Based on the December 2006 Legislative Council Staff revenue forecast, revenues are projected to exceed the above-described threshold by over \$100 million in FY 2007-08. Thus, **staff recommends appropriating a total of \$20.0 million General Fund for FY 2007-08, split evenly between the School Capital Construction Expenditure Reserve and to the School Construction and Renovation Fund.**

Specifically with respect to the School Capital Construction Expenditures Reserve line item, staff recommends appropriating \$10.0 million General Fund to the School Capital Construction Expenditures Reserve, and providing a matching amount of cash funds exempt spending authority out of such fund for FY 2007-08. Staff further recommends authorizing the Department to utilize up to \$166,856 cash funds exempt from the School Capital Construction Expenditures Reserve to provide funding to continue to support the 2.0 FTE who administer this, and other, capital construction programs. Staff's recommendation concerning the funding required to support these two positions is detailed in the following table.

Summary of Recommendation: School Capital Construction Expenditures Reserve, Administrative Costs		
Description	Total Funds	FTE
Personal services portion of appropriation for FY 06-07	\$129,915	2.0
Salary survey awarded in FY 06-07	3,264	
Performance-based pay awarded in FY 06-07	0	
NO base reduction recommended	<u>0</u>	
Subtotal: Continuation personal services for FY 06-07	133,179	2.0
Estimated salary survey awarded in FY 07-08	4,553	
Estimated performance-based pay awarded in FY 07-08	<u>1,748</u>	
Subtotal: Continuation personal services and benefits for FY 07-08	139,480	2.0
Health, life, and dental	11,656	
Short-term disability	160	
Operating and travel portion of appropriation for FY 06-07	15,560	
Recommended authorization related to administration for FY 07-08	166,856	0.0

Please note that if H.B. 07-1237 becomes law prior to introduction of the Long Bill, staff will identify this fund source as the "School Capital Construction Expenditures Reserve Fund", rather than the "State Public School Fund, School Capital Construction Expenditures Reserve".

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for a total of \$20,000,000 for capital construction assistance for FY 2007-08 -- \$5.0 million more than the Governor's budget request [State Board priority #13].

Note Concerning Potential Exemption from Six Percent Limit. As noted earlier, the General Fund appropriations required by S.B. 00-181 are also a requirement of the final court order. Thus, S.B. 00-181 authorized the General Assembly to identify a cumulative total of \$20.0 million of the required General Fund appropriations as exempt from the six percent statutory limitation on General Fund appropriations. The following table details the timing and amounts of exemptions specified in S.B. 00-181, and those actually identified to date.

Fiscal Year	Appropriations Exempt from the Six Percent Limit on General Fund Appropriations per S.B. 00-181	Actual Exemptions Identified to Date
00-01	\$5,000,000	\$5,000,000
01-02	5,000,000	5,000,000
02-03	5,000,000	0
03-04	5,000,000	0
04-05	0	0
05-06	0	5,000,000
06-07	<u>0</u>	<u>0</u>
Subtotal	20,000,000	15,000,000
07-08	0	
08-09	0	
09-10	0	
10-11	<u>0</u>	
Total	\$20,000,000	

Thus, the Committee may wish to consider identifying \$5.0 million of the General Fund appropriations for FY 2007-08 as exempt from the six percent limit on General Fund appropriations.

School Construction and Renovation Fund. As described in the narrative associated with the above line item, the General Assembly is required to appropriate \$10.0 million General Fund to the School Construction and Renovation Fund for FY 2007-08. Such funds would be used by the Department to provide matching grants to school districts for capital construction projects that have been prioritized based on statutory criteria. The Department requested an appropriation of \$7.5 million General Fund to the School Construction and Renovation Fund,

and a matching amount of spending authority out of such fund. As described above, based on the December 2006 Legislative Council Staff revenue forecast, **staff recommends appropriating \$10.0 million General Fund to the School Construction and Renovation Fund, and providing a matching amount of spending authority out of such fund for FY 2007-08.**

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. Pursuant to Section 22-54-124 (3) (a) (III) (A), C.R.S., the General Assembly shall appropriate \$5.0 million from the State Education Fund for FY 2007-08 and subsequent fiscal years. This provision includes a legislative declaration indicating that this is a permissible use of the moneys in the State Education Fund since these moneys are being used for "*public school building capital construction*".

Second, any charter school with capital construction costs is eligible to receive funding (except any charter that operates within a state facility). 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. [See Section 22-54-124, C.R.S.]

Department Request. **Consistent with current law, the Department has requested \$5.0 million from the State Education Fund for FY 2007-08.** Please note that H.B. 06-1375 increased the annual required appropriation for this purpose from \$5.0 million to \$7.8 million for FY 2006-07 only. **Staff recommends approving the request.** The following table identifies the amounts eligible charter schools actually received per pupil the last two fiscal years, as well as estimates for the current and request fiscal years.

State Funding for Charter School Capital Construction Costs				
Fiscal Year	Number of Schools Eligible for Funding	Number of Students in Schools Eligible for Funding*	Total Appropriation	Funding per Pupil for Schools Eligible for Funding**
2004-05	105	31,939	\$5,000,000	\$171.06
2005-06	115	36,825	5,000,000	\$145.09
2006-07	125	40,987	7,800,000	\$201.17
2007-08 (projected)	122	43,783	5,000,000	\$121.68

* These figures represent the total number of students enrolled in charter schools eligible to receive state funding, whether or not the school operates in a district facility.

** This figure represents the amount that eligible schools operating in district facilities received; eligible schools operating in a district facility received one-half this amount per student.

Based on a projected enrollment figures, eligible charter schools are estimated to receive \$121.68 per pupil for FY 2007-08 (with eligible schools that are in district facilities receiving one-half that amount). Funding per pupil will continue to decline as the number of students attending eligible charter schools continues to increase.

State Match for Federal School Lunch Program. The National School Lunch Program, which is administered by the Food and Nutrition Service of the U.S. Department of Agriculture, was created in 1946. The program allows public or private non-profit schools and public or private non-profit residential child care facilities to receive cash subsidies and donated commodities from the U.S.D.A. for each meal they serve. Participating schools and facilities must serve meals that meet certain federal requirements and they must offer free or reduced price lunches and after school snacks to eligible children.

Specifically, meals must be free to children whose families are at or below 130 percent of the federal poverty level, and offered at a reduced price (up to \$0.40 per meal) to those with families between 130 percent and 185 percent of the federal poverty level. Children from families with incomes above 185 percent of the federal poverty level must pay full price, but their meals are still subsidized to some extent. For FFY 2006-07, participating schools and facilities receive:

- \$2.40 for each free lunch;
- \$0.65 for each free snack;
- \$2.00 for each reduced price lunch;
- \$0.32 for each reduced price snack;
- \$0.23 for each full price lunch; and
- \$0.06 for each full price snack.

Schools with a high percentage of low-income children may also qualify for higher reimbursement rates. In addition, participating schools and facilities are entitled to receive commodity foods for each meal served. Participation in the federal program has increased steadily since 1946. In Colorado, school districts and child care facilities received about \$72.4 million to serve 336,565 children in FFY 2005-06.

Under federal law, states must comply with a maintenance of effort (MOE) requirement in order to receive a portion of federal funds available through the National School Lunch Program. Colorado must comply with a \$2,472,644 MOE requirement or risk losing about \$11 million of the federal funds available through the program annually. Prior to FY 2001-02, a portion (approximately 80 percent) of Colorado's MOE was met by counting "unrecovered indirect costs". Specifically, school districts in Colorado have not historically recovered the maximum allowable amount of federal funds to cover the indirect costs of operating a school lunch program. Federal funds that could have been used for indirect expenses have instead been spent directly on districts' school lunch programs.

Pursuant to S.B. 01-129, the General Assembly is now required to appropriate by separate line item an amount to comply with the MOE requirement for National School Lunch Program [see Section 22-54-123, C.R.S.]. The state matching funds are allocated by the Department among participating school districts. Districts may only use funds provided by this line item for the school lunch program, and districts that have previously used their own general fund moneys to subsidize school lunch service are not allowed to use moneys received from this line item to supplant that level of subsidy. Senate Bill 01-129 included an appropriation of \$2,472,644 from the State Public School Fund for FY 2001-02, and the General Assembly has appropriated the same amount annually in subsequent fiscal years. Subsequently, the federal government has indicated that states are required to meet the MOE requirement each school year as a condition of the state's receipt of federal "general cash assistance" funds, and the intent of this requirement is that a minimum amount of state revenues be provided to supplement the federal funds provided to schools to support the overall aim of the National School Lunch Program (which is to provide lunches to children in school). States are required to "ensure that State revenues, and State revenues only, can be shown to have been transferred into the school food service accounts of participating schools, or that school food service expenses have been borne by State revenues where these are to be counted in meeting the revenue match".

Staff thus recommends approving the Department's request for a continuation level of funding (\$2,472,644). Staff has reviewed the relevant sections of federal law [Title 42, Chapter 13, Section 1756, Subsection (1) (a), U.S. Code] and the associated federal regulations [Title 7, Chapter II, Part 210, Subpart D, Section 210.17, Subsection (d), U.S. Code of Federal Regulations]. Both the law and regulations indicate that in order to comply with the MOE requirement, *state* moneys must be appropriated or used specifically for National School Lunch Program purposes, excluding state-level administrative expenses. It appears clear that the State would risk the loss of about \$11 million in federal funds if this appropriation were eliminated. Staff recommends continuing to reflect this appropriation as cash funds -- rental income earned on public trust lands.

School Breakfast Program. The federal school breakfast program, administered by the Food and Nutrition Service of the U.S. Department of Agriculture, began as a pilot program in 1966 and was made permanent in 1975. Similar to the federal School Lunch Program, public or private non-profit schools and public or private non-profit residential child care facilities may participate in the program. Participating schools and facilities receive federal subsidies for every meal they serve. Participating schools and facilities must serve breakfasts that meet certain federal requirements and they must offer free or reduced price breakfasts to eligible children. Specifically, meals must be free to children whose families are at or below 130 percent of the federal poverty level, and offered at a reduced price (up to \$0.30) to those with families between 130 percent and 185 percent of the federal poverty level. Children from families with incomes above 185 percent of the federal poverty level must pay full price, but their meals are still subsidized to some extent. For FFY 2006-07, participating schools and facilities receive:

- \$1.31 for each free breakfast;
- \$1.01 for each reduced price breakfast; and
- \$0.24 for each full price breakfast.

Schools may also qualify for higher "severe need" reimbursements (up to \$0.24 higher) if a specified percentage of their breakfasts are free or reduced price. Participation in the federal program has increased steadily since 1970. In Colorado, school districts and child care facilities received about \$15.6 million to serve 78,172 children in FFY 2005-06. The following table details school breakfast program participation in recent years.

School Breakfast Program Participation						
Federal Fiscal Year	Children Participating in School Breakfast Program	Annual % Change	Children Participating in School Lunch Program	Annual % Change	Ratio of Participation in Breakfast Program to Lunch Program	Comparable National Ratio
2002	61,666		325,715		18.9%	29.1%
2003	66,496	7.8%	327,775	0.6%	20.3%	29.7%
2004	74,332	11.8%	335,266	2.3%	22.2%	30.7%
2005	78,172	5.2%	336,565	0.4%	23.2%	31.6%

Pursuant to H.B. 02-1349, as amended by S.B. 03-183 [Section 22-54-123.5, C.R.S.], the General Assembly, may appropriate by separate line item an amount to assist school districts and Institute charter schools that are providing a school breakfast program through participation in the federal School Breakfast Program. The Department of Education is required to allocate the state funds among participating school districts, and school districts are required to use the state moneys to create, expand, or enhance the school breakfast program in each

low-performing school of the receiving district with the goal of improving the academic performance of the students attending such schools.

The Department has requested a continuation level of funding for FY 2007-08. **Staff recommends approving the request for \$500,000 General Fund.** Please note that pursuant to S.B. 06-127, for FY 2006-07 and FY 2007-08, if the General Assembly appropriates \$500,000 or more for this purpose, the Department is required to use \$150,000 of the appropriation to fund the Fresh Fruits and Vegetables Pilot Program [created in Section 22-82.5-105, C.R.S.].

Boards of Cooperative Services.

Background Information. Public school districts and postsecondary institutions are authorized to establish boards of cooperative services (BOCES) for the purpose of offering shared instructional and administrative programs such as data processing, curriculum development, special education, and staff development to member school districts [see Section 22-5-101, et seq., C.R.S.]. Services performed under the direction of the BOCES are financed by member contributions. In addition, BOCES are eligible to receive state funds under three different statutory provisions, as described below.

First, pursuant to Sections 22-5-114 and 115, C.R.S., certain BOCES' are eligible to receive a basic state grant of at least¹⁸ \$10,000 annually to fund professional educator development in standards-based education. A BOCES is entitled to such a grant upon approval by the State Board of Education, and if it:

- (a) serves school districts with a combined total enrollment of not less than 4,000 students; and
- (b) serves school districts in two or more counties or serves multiple school districts located in the same county.

If the amount appropriated is not sufficient to award each eligible BOCES a \$10,000 (or greater) grant, the State Board is to reduce grant awards proportionately.

The Department requested a continuation level of funding for this purpose (\$210,000). Staff recommends approving the request.

The second source of state funding potentially available to BOCES is provided pursuant to Section 22-5-118, C.R.S., which states that in addition to the basic state grant (described above), a BOCES may receive state moneys by submitting to the Department of Education a plan to

¹⁸ Prior to July 1, 2007, the basic grant for each eligible BOCES was \$10,000, subject to available appropriations. Pursuant to S.B. 06-130, the basic grant amount may be higher than \$10,000 if sufficient moneys are appropriated for such purpose. This bill also requires the General Assembly to "annually make a separate appropriation to cover the estimated cost of the basic state grants to eligible [BOCES]".

increase efficiencies and economies in providing education and support services to the board's participating school districts. Any amount appropriated for such purpose is to be divided equally based on the total number of students enrolled in the member school districts of the participating boards and distributed based on the number of students participating in the funded education or support services program from each member school district of each participating board. This provision allows, but does not require, the General Assembly to appropriate moneys to the Department for this purpose in addition to any moneys appropriated for the basic grants described above. It does not appear that the Department has ever requested additional funding for the purposes identified in Section 22-5-118, C.R.S.

Third, pursuant to H.B. 02-1053 [Section 22-2-122 (3), C.R.S.], the Department is required to annually allocate to those BOCES that provide a wide range of services to their member school districts or school districts with student populations of less than 4,000 students, an amount equal to one percent "of the amount appropriated to all education grant programs for that fiscal year", or \$250,000, whichever is less. BOCES receiving such funding are required to use the moneys to assist member school districts and schools in applying for grants from education grant programs. For FY 2005-06, the Department allocated \$214,966 to 15 eligible BOCES, including \$152,114 from appropriations for the Read-to-Achieve Grant Program, and \$62,852 from the Expelled and At-risk Student Services Grant Program.

Colorado History Day. House Bill 04-1202, concerning the funding of "Colorado History Day", requires the Department to assist school districts in developing and promoting programs that engage students in the process of discovery and interpretation of historical topics. While this bill authorizes the Department to accept gifts, grants, and donations for such purpose, it also includes the following provision [see Section 22-1-104 (5) (c), C.R.S.]:

"It is the intent of the general assembly that the objectives specified in paragraph (a) of this subsection (5) are to be funded through the state education fund created in section 17 (4) of article IX of the state constitution. The general assembly hereby finds that the development, promotion, and maintenance by the school districts of the state of programs for elementary and secondary students that engage such students in the process of discovery and interpretation of historical topics assists these students in meeting state academic standards and may therefore be funded from moneys in the state education fund."

The Department has requested a continuation level of funding of \$10,000 from the State Education Fund for FY 2007-08. Staff recommends approving the request.

LONG BILL FOOTNOTES

Staff recommends continuing the following footnote, as amended:

9 Department of Education, Assistance to Public Schools, Grant Programs and Other Distributions -- The Department is requested to provide information to the Joint Budget

Committee by November 1, ~~2006~~, 2007, concerning the allocation of funding to eligible boards of cooperative services (BOCES) pursuant to section 22-2-122 (3), C.R.S. Specifically, the Department is requested to detail the sources of funds and the allocations made to each BOCES in fiscal year ~~2005-06~~: 2006-07.

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

Pursuant to a provision added by H.B. 02-1053 (Young/Taylor), the Department is required to annually allocate funds to those boards of cooperative services (BOCES) that provide a wide range of services to their member school districts, or school districts with student populations of less than four thousand students. Specifically, up to \$250,000 is to be allocated annually using 1.0 percent of amounts appropriated for various education grant programs for that fiscal year; moneys are to be allocated proportionately on a per school district basis, based on the total number of school districts that have student populations of less than four thousand students and are members of eligible BOCES. The BOCES that receive allocations are to use such moneys to assist member school districts and schools in applying for grants. The BOCES use these funds to provide direct grant writing services (provided through BOCES staff or contracted professional staff), support to school staff, and training to member school districts.

(D) Appropriated Sponsored Programs

This section of the Long Bill reflects federal funding anticipated to be received by the Department. This section also provides cash funds spending authority for the Department to receive fees related to conferences and transfers from other agencies. The vast majority of funds reflected in this section are distributed directly to local school districts, and the balance is utilized by the Department to fund state-wide efforts, to provide technical assistance to school districts, and to cover Department administrative costs.

Sponsored Programs. The Department requests a total of \$317,393,174 and 105.7 FTE for this line item, based on preliminary estimates of federal funding that will be available for FY 2007-08. Staff recommends approving the request. The table that begins on the following page provides more detail regarding estimates of funds anticipated to be available for FY 2006-07 and FY 2007-08, as well as actual amount received and spent in FY 2005-06 (for purposes of comparison).

Description	FY 2005-06 Actual		FY 2006-07 Current Estimate		Annual Change		FY 2007-08 Estimate		Annual Change	
	Funding	FTE	Funding	FTE	Funding	%	Funding	FTE	Funding	%
Cash Funds: Department-sponsored conference fees	\$435,247	0.0	\$806,350	0.0	\$371,103	85.3%	\$810,000	0.0	\$0	0.0%
Cash Funds Exempt:										
Child care grants from Department of Human Services	2,581,632	3.4	2,588,648	3.0	7,016	0.3%	2,588,648	3.5	0	0.0%
Mary Jones Trust	49,283	1.5	80,000	1.5	30,717	62.3%	80,000	1.5	0	0.0%
Donations to the library	75,264	1.0	50,000	1.0	(25,264)	-33.6%	50,000	1.0	0	0.0%
Consortium for Identification/ Recruitment - Migrant Education	0	0.0	36,000	0.0	36,000	100.0%	36,000	0.0	0	0.0%
Math star project	67,329	0.7	54,000	0.8	(13,329)	-19.8%	0	0.0	(54,000)	-100.0%
Other	<u>300,121</u>	<u>0.0</u>	<u>346,415</u>	<u>0.0</u>	<u>46,294</u>	<u>15.4%</u>	<u>261,000</u>	<u>0.0</u>	<u>(85,415)</u>	<u>95.6%</u>
Subtotal: Cash Funds Exempt	3,073,629	6.6	3,155,063	6.3	81,434	2.6%	3,015,648	6.0	(139,415)	-4.4%
Federal Funds:										
Title I-A: No Child Left Behind (NCLB)	110,726,875	9.9	128,769,152	11.4	18,042,277	16.3%	129,302,912	12.3	533,760	0.4%
U.S.D.A. Food and Nutrition Services	92,128,977	8.4	106,550,080	8.4	14,421,103	15.7%	106,550,080	8.4	0	0.0%
Title II-A: State Grant for Improving Teacher Quality (NCLB)	32,667,499	7.5	31,464,200	8.1	(1,203,299)	-3.7%	31,464,200	8.3	0	0.0%
After School Learning Centers	9,707,417	2.7	9,051,108	5.6	(656,309)	-6.8%	9,545,172	5.6	494,064	5.5%
Title I-C: Migrant Education (NCLB)	7,770,115	8.0	7,456,545	7.7	(313,570)	-4.0%	7,400,347	8.3	(56,198)	-0.8%
Adult Education - Workforce Investment Act	6,092,329	8.3	6,448,585	7.5	356,256	5.8%	6,450,673	7.8	2,088	0.0%
Title V-B: Charter Schools (NCLB)	4,623,466	3.1	5,525,000	2.5	901,534	19.5%	4,875,000	2.5	(650,000)	-11.8%

Description	FY 2005-06 Actual		FY 2006-07 Current Estimate		Annual Change		FY 2007-08 Estimate		Annual Change	
	Funding	FTE	Funding	FTE	Funding	%	Funding	FTE	Funding	%
Title IV-A: Drug-Free Schools and Communities (NCLB)	3,990,243	2.8	3,034,262	2.1	(955,981)	-24.0%	2,715,664	1.8	(318,598)	-10.5%
Title II D: Technology (NCLB)	4,853,267	2.3	2,619,880	1.5	(2,233,387)	-46.0%	2,619,880	1.5	0	0.0%
Library Services and Technology Act	2,646,013	20.1	2,579,047	21.5	(66,966)	-2.5%	2,579,047	21.8	0	0.0%
Title I-A: School Improvement Grants	0	0.0	0	0.0	0	??	2,065,786	2.0	2,065,786	??
Title II-B: Mathematics and Science Partnership	1,083,394	0.3	1,867,339	0.3	783,945	72.4%	1,870,213	0.5	2,874	0.2%
Title V: Innovative Programs (NCLB)	3,812,492	8.1	1,902,604	6.2	(1,909,888)	-50.1%	1,486,267	6.2	(416,337)	-21.9%
Coordinated School Health Programs / Aids Prevention	917,816	4.9	891,735	5.5	(26,081)	-2.8%	897,800	5.5	6,065	0.7%
Title X: Education of Homeless Children (NCLB)	565,248	1.0	620,562	1.3	55,314	9.8%	619,616	1.3	(946)	-0.2%
Title I-D: Neglected and Delinquent Children (NCLB)	452,945	0.0	483,364	0.0	30,419	6.7%	507,548	0.0	24,184	5.0%
Title VI-B: Rural and Low-income Schools (NCLB)	378,292	0.2	350,040	0.2	(28,252)	-7.5%	350,041	0.2	1	0.0%
Learn and Serve America - CHESP/YAMC	277,293	0.7	350,000	1.1	72,707	26.2%	350,000	1.1	0	0.0%
Statewide Migrant Education Even Start Consortium / Even Start	1,762,578	1.7	1,177,501	1.4	(585,077)	-33.2%	919,334	1.1	(258,167)	-21.9%
National Commission on Community Service	277,818	0.4	217,605	1.0	(60,213)	-21.7%	241,677	1.0	24,072	11.1%
NAEP State Administrator	117,998	1.0	123,141	1.0	5,143	4.4%	210,000	1.0	86,859	70.5%
Refugee Children School Impact	154,543	0.0	206,146	0.0	51,603	33.4%	206,146	0.0	0	0.0%

Description	FY 2005-06 Actual		FY 2006-07 Current Estimate		Annual Change		FY 2007-08 Estimate		Annual Change	
	Funding	FTE	Funding	FTE	Funding	%	Funding	FTE	Funding	%
Advanced Placement Incentive Program	292,428	0.0	112,050	0.0	(180,378)	-61.7%	143,310	0.0	31,260	27.9%
Javits Gifted and Talented	67,190	0.0	133,371	0.0	66,181	98.5%	112,839	0.0	(20,532)	-15.4%
Performance Based Data Management	25,469	1.0	50,000	1.0	24,531	96.3%	50,000	1.0	0	0.0%
Title I-F: Comprehensive School Reform (NCLB)	3,184,314	1.6	56,578	1.4	(3,127,736)	-98.2%	33,947	0.5	(22,631)	-40.0%
Katrina Relief	3,090,450	0.0	0	0.0	(3,090,450)	-100.0%	0	0.0	0	0.0%
Teacher Quality Enhancement Grant	1,979,198	1.5	2,272,847	2.3	293,649	14.8%	0	0.0	(2,272,847)	-100.0%
Other	<u>1,053,663</u>	<u>0.0</u>	<u>(6,269,463)</u>	<u>0.6</u>	<u>(7,323,126)</u>	<u>-695.0%</u>	<u>27</u>	<u>0.0</u>	<u>6,269,490</u>	<u>-100.0%</u>
Subtotal: Federal Funds	294,699,330	95.5	308,043,279	99.6	13,343,949	4.5%	313,567,526	99.7	5,524,247	1.8%
TOTAL	298,208,206	102.1	312,004,692	105.9	13,796,486	4.6%	317,393,174	105.7	5,388,482	1.7%

Matching requirements for the federal funds, where required, are met by using other Department funds, school district funds, and other “non-state” funds. Thus, no General Fund appropriation is included in this line item.

Please note that staff advised the Committee in the Fall of 2005 that staff may recommend including separate line items in the FY 2006-07 Long Bill for some of the more significant sources of federal funds (e.g., Title 1). Staff still believes that this would provide better, more accessible information to members of the General Assembly and other interested parties. However, due to the significant workload issues facing the Department's accounting and budget staff, staff again recommends delaying any such changes.

(3) LIBRARY PROGRAMS

Statutory Authorization and Responsibilities. Article IV, Section 20 of the Colorado Constitution states that the "superintendent of public instruction shall be the ex officio state librarian." Pursuant to Section 24-90-104, C.R.S., the State Library is a division within the Department of Education, and its operation "is declared to be an essential administrative function of state government". The State Librarian has a number of statutory duties and responsibilities, including the following [see Section 24-90-105, C.R.S.]:

- to furnish library or information services to state officials, departments, institutional libraries, and persons who are blind and physically disabled;
- to contract for the furnishing of library resources to ensure equal access to information for all Coloradans;
- to provide for the collection, analysis, publication, and distribution of statistics and information relevant to the state library and to public, school, academic, and institutional libraries;
- to contract for the lending of books and other resources to publicly-supported libraries and institutions and to encourage contractual and cooperative relations to enhance resource sharing among all types of libraries and agencies throughout the state;
- to encourage contractual and cooperative relations to enhance resource sharing among all types of libraries and agencies throughout the state;
- to further library development and to promulgate service standards for school, public, and institutional libraries; and
- to receive and administer federal funds for libraries.

Recent Funding Reductions. As noted in the narrative at the beginning of this packet, prior to FY 1987-88, funding for library staff and library programs was appropriated through distinct line items. In FY 1987-88, however, funding for library program staff was consolidated with funding for other Department management and administrative staff to facilitate a \$2.5 million reduction in General Fund appropriations for the administration of the Department and library programs. This reduction ultimately resulted in the elimination of 35.0 FTE (a 25 percent reduction). From FY 2001-02 through FY 2004-05, base General Fund appropriations for staff supported through the consolidated line item were been reduced by another \$1.8 million. As a result, the number of Department FTE supported by General Fund has decreased by another 31.5 FTE (39 percent), including 3.0 FTE library program staff (a 14 percent reduction). Positions that were eliminated include staff at the Talking Book Library and staff responsible for institutional library programs.

This section of the Long Bill includes line items associated with library programs, other than Department library program staff. The \$1,420,819 General Fund currently appropriated in this section of the Long Bill for library programs for FY 2006-07 represents 19 percent of the total General Fund appropriated by the General Assembly for library programs for FY 2001-02.

Colorado Library Consortium.

Background Information. Historically, seven regional organizations of publicly-funded libraries (school, public, academic, and special libraries), known as "regional library service systems", provided cooperative services in designated geographic areas of Colorado. The seven regional systems provided the following services to member libraries:

- professional development and technical assistance for librarians, particularly those who work in school and public libraries (e.g., developing professional collections of books and videos on all aspects of library and school media services and loaning such materials to libraries and schools across the State);
- administration of cooperative purchasing programs for member libraries (negotiating significant discounts on books and other library materials); and
- coordination of interlibrary lending (including courier services) for member libraries.

Regional systems' budgets covered all program operations including personnel salaries and benefits, rent for office space, travel costs, and general program operations. The appropriation of state funds previously provided about 70 percent of regional systems' revenues; other revenues available to the regional systems included courier and other fees paid by member libraries. While a small portion of the state funding was used for cooperative projects, the majority of state funding was distributed to the regional systems based on a formula which accounted for each region's population, its geographic size, and the number of libraries in the region.

Previous Funding Levels. For purposes of providing a historical comparison, the following table provides a history of appropriations for regional library service systems in FY 1984-95, and over the last ten years:

Regional Library Service Systems			
Fiscal Year	Appropriation (General Fund, unless otherwise noted)	Dollar Increase	Percent Change
1984-85	\$1,111,679		
1997-98	2,019,128		
1998-99	2,449,893	430,765	21.33%
1999-00	2,449,893	0	0.00%
2000-01	2,449,893	0	0.00%
2001-02	2,425,394	(24,499)	-1.00%
2002-03	2,462,436	37,042	1.51%

Regional Library Service Systems			
Fiscal Year	Appropriation (General Fund, unless otherwise noted)	Dollar Increase	Percent Change
2003-04*	600,000	(1,862,436)	-75.63%
2004-05	600,000	0	0.00%
2005-06	600,000	0	0.00%
2006-07	1,000,000	400,000	66.67%

* Pursuant to S.B. 03-282, this funding was from tobacco settlement moneys.

Primarily in response to a 76 percent reduction in state funding in FY 2003-04, the seven regional systems were collapsed into a statewide cooperative called the "Colorado Library Consortium". Primarily, this cooperative provides administrative support for a statewide courier contract that allows libraries throughout Colorado to purchase courier services at a lower cost than they could individually, and it provides continuing education and technical assistance for librarians across the state. In May 2004, the Colorado Library Advisory Board established a task force to gather information from the library community statewide and prepare a strategic plan (2005 through 2010). The library community participated in a process to prioritize goals and objectives. The six objectives selected by the library community as most crucial include the following:

1. Find new funding sources for libraries;
2. Find financial support for the courier;
3. Provide statewide access and funding for electronic resources;
4. Develop a single locator system for all Colorado library holdings;
5. Create a statewide continuing education plan for library staff; and
6. Provide sustainable access to statewide virtual services.

Last year the General Assembly approved a requested \$400,000 increase to help offset the costs of courier service to member libraries. The library courier transports four million items annually between 450 libraries as part of providing equitable library services to all state residents. These items include print material (books, journal articles, magazines, and newspapers), audiovisual material (CD's, computer disks, DVD's, and tapes), and correspondence between libraries (Summer reading program materials, promotional materials, etc.). This service saves libraries over \$6 million in mailing costs. In addition, it reduces the cost of adding to and maintaining local library collections while providing patrons with access to materials statewide. The courier offers next day delivery to most locations.

The Department requests a continuation level of funding (\$1,000,000) for FY 2007-08. **Staff recommends approving the request.**

Colorado Virtual Library. In 1990, the General Assembly created the "Colorado Computer Information Network" to connect existing library information networks (e.g., the Colorado

Alliance for Research Library Network), thereby providing all Colorado residents with equal access to library information [H.B. 90-1230]. In 2003, Section 24-90-301 et seq., C.R.S., was amended and the network was renamed the Colorado Virtual Library. The State Librarian is currently responsible for providing electronic resources through libraries to all Colorado residents and to students and staff at higher education institutions and public schools. The Colorado Virtual Library is thus a statewide, Internet-based library network that provides free access to:

- on-line catalogs of the holdings of Colorado libraries;
- locally produced databases; and
- digitized collections of Colorado resources.

The network is also to facilitate resource sharing among Colorado libraries. Subject to available appropriations, the State Librarian is to procure, through a competitive bid process, on-line databases necessary to provide on behalf of all publicly-supported libraries indexes and full text database products to serve the needs of the people of the State.

The Colorado Virtual Library is managed cooperatively by the State's library community, including the Department of Education. The General Fund appropriation for this line item provides funding for ongoing operations, including:

\$162,510	Contract technical staff for operations and programming
115,416	Contract training and user support staff and in-state travel
66,970	Annual hardware and software maintenance fees
7,500	Leased space, database archiving services, backup tapes, etc.
7,100	T1 circuit and Internet connectivity
<u>300</u>	Annual domain name registration fees
359,796	Total General Fund appropriation

The Department requests a continuation level of funding (\$379,796), including \$359,796 General Fund and \$20,000 cash funds exempt spending authority for potential donations. **Staff recommends approving the request.** The Colorado Virtual Library is one of the most basic services provided through the State Library for school, public, and academic libraries throughout the state.

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$162,000 General Fund and 0.5 FTE for FY 2007-08 [*State Board priority #12*]. This request was not included in the Governor's budget request. The following information was provided by the Department:

"The Department of Education requests restoration of \$162,006 to the general fund for the Interlibrary Loan program (also known as "Payment for Lending" in State Board of Education Rules 1 CCR 301-23). To improve interlibrary loan efficiency, the Department

requests that the general funds be added to the existing Colorado Virtual Library line item, not reinstated as a separate line in Library Programs. This request is supported by the State Board of Education goal 3(b); participate in prioritization and protection of the budget, including libraries.

Library Programs, administered through the Department of Education by the State Library division, lost 79%, or approximately \$8.5 million in state general funds between FY2002 and 2004. Interlibrary Loan was the smallest of the various fund sources eliminated during this time, accounting for .02% of the total. The program is authorized in CRS 24-90-302 (3)(e) "The library shall provide electronic resources through libraries to all Colorado residents, to the students, faculty, and staff of institutions of higher education, and to the students and faculty of elementary and secondary schools...[with]...an interlibrary loan system facilitating resource sharing throughout Colorado."

Using the funds to support a centralized interlibrary loan service benefiting [sic] all libraries is more cost effective than reimbursing a few individual libraries for using disparate interlibrary loan services as was called for in 1 CCR 301-23. The existing Rules would require repeal or revision to reflect how the program serves libraries. Restoration of this amount to the existing Colorado Virtual Library fulfills the statutory provisions for creation and management of a resource sharing system involving interlibrary loan. It creates efficiency by allowing the State Library division to manage a centralized service for the benefit of all libraries and residents. Oversight through the Colorado Virtual Library will allow the program to expand to meet the growing needs of the public for access to educational resources through the state's library system."

Colorado Talking Book Library, Maintenance and Utilities Expenses.

Background Information. The Colorado Talking Book Library is part of a national library program providing Braille and recorded materials for blind, physically, and reading disabled persons in Colorado. The Colorado Talking Book Library is one of the original 19 libraries established pursuant to the federal Pratt Smoot Act in 1931. Library services are provided to eligible individuals free of charge. The library's recorded materials and tape machines are provided by the Library of Congress; this collection is enhanced by recordings of local materials taped by volunteers and library staff. Since 1991, the library has been located at 180 Sheridan Boulevard in Denver. The building was purchased after the General Assembly appropriated \$750,000 from the Capital Construction Fund for FY 1989-90 (H.B. 90-1297). In FY 1997-98 the General Assembly appropriated \$238,607 from the Capital Construction Fund to replace the roof of the building. This building also currently houses backup computer equipment for the Department of Education.

The Library operates in a very cost-effective manner. State funds currently support approximately 49 percent of operating expenses and 5.5 FTE (these are currently funded from allocations from the "General Department and Program Administration" line item), with the balance supported through federal funds and donations. The Library currently operates with a total of 12.0 FTE staff and 140 volunteers who work hours equivalent to 7.0 FTE; American Library Association guidelines indicate that the Library should have 30.3 FTE. In addition, the

National Library for the Blind and Physically Handicapped (NLS), within the Library of Congress, provides playback equipment and supplies, Braille and recorded books and magazines. The value of NLS support is estimated at over \$630,000 annually, and the existing inventory of materials and equipment provided by NLS is valued at over \$5.5 million. Finally, the U.S. Postal Service subsidizes mail service for materials sent to and returned from Library patrons, a savings of approximately \$2.3 million annually.

In addition to funding associated with the Talking Book Library facilities, the General Assembly has historically provided state funding for three purposes:

- A portion of the funding appropriated through the "General Department and Program Administration" line item is allocated to support some of the library staff.
- Prior to FY 2003-04, the General Assembly provided an annual appropriation of funds for the Talking Book Library and for 42 libraries in state residential institutions (e.g., correctional facilities, the Mental Health Institutes, youth corrections facilities, the Colorado School for the Deaf and the Blind, and nursing homes) to purchase periodicals, books, and other resources (e.g., \$97,823 General Fund for FY 2002-03).
- Prior to FY 2003-04, the General Assembly provided an annual appropriation of funds to cover the library's maintenance and utility expenses (e.g., \$44,034 General Fund for FY 2002-03).

In addition, the Library has access to interest earned on the Mary Jones Trust, which was established in 1981 with a donation of \$91,000. As of June 30, 2006, the balance in the Trust was \$1,136,978. While the Trust was intended to support projects that have an impact on a large number of library patrons, in recent years interest earnings have been used to cover operating expenses.

Department Request. This line item was restored in the FY 2006-07 Long Bill to provide funding for maintenance and utilities expenses of the Talking Book Library. The existing appropriation consists of \$48,464 General Fund from the "General Department and Program Administration" line item, plus \$12,559 new General Fund to cover the projected costs of electricity, natural gas, water/sewer, and building maintenance for FY 2006-07. **The Department requests a continuation level of funding (\$61,023). Staff recommends approving the request.**

Reading Services for the Blind. Pursuant to Sections 24-90-105.5 (5) and 40-17-104, C.R.S., the General Assembly is to annually appropriate moneys out of the Colorado Disabled Telephone Users Fund (which consists of surcharges paid on telephone access lines provided by local exchange companies) to the Reading Services for the Blind Cash Fund for use by the State Librarian in support of privately operated reading services for the blind. Moneys in the Disabled Telephone Users Fund that are not used for this purpose are continuously appropriated

to the Public Utilities Commission for the reimbursement of providers who render telecommunications relay services for disabled telephone users.

From FY 1999-00 through FY 2004-05, the General Assembly annually appropriated \$93,800 for the Department to contract for radio reading services. The Department used these funds to contract with Radio Reading Service of the Rockies, a non-profit on-the-air volunteer reading service for the blind, visually impaired, and print handicapped citizens of Colorado. Services provided do not duplicate existing broadcast information that is generally available through other media; programming consists largely of local newspapers and magazines and government publications.

Over the last two fiscal years, the General Assembly has increased this appropriation to \$200,000 and included a footnote expressing the intended use of the additional funding. The State Board of Education approved two payments from this line item for FY 2006-07. First, the Board approved \$150,000 for the Radio Reading Service of the Rockies (the same amount approved for FY 2005-06) to continue providing free access to ink print materials statewide through various broadcasts (via television SAP feed, Internet, telephone, and podcasts), related audio services, and listener equipment for listeners.

The Board also approved a payment of \$50,000 to the National Federation for the Blind (NFB) for its Newline service (an increase of \$10,000 compared to FY 2005-06), which provides eligible Coloradans access to newspapers nationwide and a few magazines via touchtone telephone. Anyone who is a patron of the Colorado Talking Book Library (CTBL) is eligible to access Newline services. The CTBL is able to sign patrons up for the Newline service through their existing database.

Staff recommends approving the request for a continuation level of cash funds exempt spending authority (\$200,000) out of the Reading Services for the Blind Fund to the Department of Education for the support of radio reading services.

Please note that the appropriation to the Department of Education is cash funds *exempt* because it essentially involves spending moneys from a reserve. There is an associated annual appropriation of \$200,000 *cash funds* from the Disabled Telephone Users Fund to the Department of Regulatory Agencies, Public Utilities Commission. Thus, the revenues that support this line item are included in "fiscal year spending" for purposes of the Taxpayer's Bill of Rights (TABOR).

State Board of Education Initiative (received January 9, 2007).

Please note that the budget request approved by the State Board of Education included a request for \$2,000,000 General Fund for FY 2007-08 to restore funding for the State Grants to Publicly Supported Libraries Program [*State Board priority #14*]. The State Board approved a similar request last year. Neither request was included in the Governor's budget request.

Background Information. This program, created through S.B. 00-85, makes state moneys available to public libraries, school libraries, and academic libraries to obtain educational resources they would otherwise be unable to afford. The Department is responsible for awarding grants based on the criteria specified in statute, as well as reviewing and monitoring the expenditure of grant moneys. The bill created the State Grants to Publicly-Supported Libraries Fund, which consists of all moneys appropriated by the General Assembly and any other moneys collected by the State Librarian for such purpose. The Department is authorized to spend up to 2.5 percent of amount appropriated from the Fund each year for administrative expenses; the Department is authorized to distribute whatever portion of the 2.5 percent that is not spent for administrative expenses to the Regional Library Service System to assist publicly-supported libraries in meeting grant eligibility criteria. The program is subject to annual appropriation. This program was funded in FY 2000-01 and FY 2001-02 (\$2 million per year); funding was eliminated in FY 2002-03 as part of the budget balancing process.

LONG BILL FOOTNOTES

Staff recommends continuing the following footnote:

- 10 Department of Education, Library Programs, Reading Services for the Blind** -- This appropriation is for the support of privately operated reading services for the blind, as authorized by Section 24-90-105.5, C.R.S. It is the intent of the General Assembly that \$150,000 of this appropriation be used to provide access to radio and television broadcasts of locally published and produced materials, and \$50,000 of this appropriation be used to provide telephone access to digital transmissions of nationally published and produced materials.

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

(4) SCHOOL FOR THE DEAF AND THE BLIND

Background Information. The Colorado School for the Deaf and the Blind (CSDB) is a state-funded school that was established for the purpose of providing comprehensive educational services for children who are blind and/or deaf and under the age of twenty-one. Originally named the "Colorado Institute for the Education of Mutes", the School opened in a rented house in April 1874 with an appropriation from the Territorial Legislature. The student population rapidly outgrew the space available and in 1876 the School moved to its current campus, made possible with a donation of ten acres by the founder of the city of Colorado Springs. The CSDB received its initial accreditation from the Department of Education in 1961, and in 1977, the CSDB was transferred from the Department of Institutions to the Department of Education.

The CSDB currently occupies 18 buildings on 37 acres. Colorado students from the ages of birth to twenty-one are eligible to receive services either at or through the CSDB. Students enrolled at CSDB must have a documented hearing and/or vision loss and meet the enrollment criteria established by the Board of Trustees. Students may also be enrolled on a diagnostic basis in order to make an accurate determination of the student's eligibility status. A staffing team, including a CSDB staff member, the student's parents, and a local school district representative, determine if the CSDB is the appropriate learning environment based on the educational needs of the student. If a student's parents or legal guardians reside within Colorado and outside the El Paso County area, the student is eligible to participate in the residential living program during the week. There is no tuition for room and board. Out-of-state students are considered on a space available basis and are required to pay tuition.

In addition, pursuant to Section 22-80-102 (2), C.R.S. (added in 1991), the CSDB is to "be a resource to school districts, state institutions, and other approved education programs." In this capacity, the CSDB is to provide the following services:

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

In November 2002, the CSDB estimated that 1,824 students in Colorado were deaf, hearing impaired, blind, or vision impaired¹⁹ -- 0.3 percent of the total number of public school students

¹⁹ Per the Department's November 2002 "Targeted Base Review" concerning the CSDB, this figure includes 1,385 deaf/hearing impaired students, 360 blind/vision impaired students, and 79 deaf and blind students.

in grades one through 12. In FY 2002-03, the CSDB received per pupil funding for 197 on-campus students, representing about ten percent of the estimated total number of students with hearing or vision impairments. With respect to students who are blind/vision impaired, the School gathers data from districts annually for purposes of providing Braille and large print materials to districts. The School indicates that in FY 2005-06, there were a total of 836 blind/visually impaired students enrolled in 56 districts. The School served 57 blind/visually impaired, or 6.8 percent of these students.

As summarized in the table below, the School had an on-campus enrollment of 224 students (ages 3 to 21) in the 2005-06 school year, a decrease of 1.3 percent. The School's total enrollment was 488 students, including 264 children under age three. Compared to FY 2004-05, the School's total enrollment decreased by 55 students (10.1 percent). The most significant decrease occurred with respect to deaf/hearing impaired children under age three, decreasing by 56 (19.2 percent). Total enrollment included 402 deaf children and 86 blind children. Of the total number of students receiving on-campus services, 120 resided at the School (returning home only on weekends) and the remaining 104 students only attended classes during the day.

Of the total number of students enrolled, 288 were infants, preschool students, attending classes part-time in local public schools, or in the transition program, and were thus not eligible for per pupil operating revenue. As a result, the School only received per pupil operating revenue for 200 students. The CSDB indicates that the per pupil operating revenue covered about 13 percent of the average costs per student (including both residential and non-residential students).

Colorado School for the Deaf and the Blind: FY 2005-06 Enrollment						
Description	Children Under 3		On-campus Students		Total Enrollment	
	Number	Annual % Change	Number	Annual % Change	Number	Annual % Change
Deaf / Hearing Impaired	235	-19.2%	167	1.8%	402	-11.6%
Blind / Visually Impaired	29	16.0%	57	-9.5%	86	-2.3%
Total Enrollment⁶	264	-16.5%	224	-1.3%	488	-10.1%
Number of Residential Students	0	0.0%	120	0.0%	120	0.0%
Number of FTE for Whom Per Pupil Operating Revenues are Transferred from School Districts	0	0.0%	200	-4.3%	200	-0.5%
<i>Percent of FTE for Whom Per Pupil Operating Revenues are Transferred from Districts</i>	<i>0.0%</i>		<i>89.3%</i>		<i>41.0%</i>	

This section of the Long Bill is comprised of two sections: School Operations and Special Purpose.

(A) School Operations

Personal Services. This line item provides funding for most School employees' salaries and wages, as well as the associated state contribution to the Public Employees Retirement Association and the state share of federal Medicare taxes. This line item also provides funding for certain professional and temporary services. This line item provides over 66 percent of the funding for the School, supporting all school staff with the exception who are supported by specific grants or direct payments from districts. In addition, beginning in FY 2006-07, those staff devoted to early intervention programs are now funded through a separate line item (a description follows). The Department requests \$8,528,077 and 141.3 FTE for this line item for FY 2007-08.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Superintendent/ Accountants/ Other Administrative Staff	22.3	22.5	22.5	22.5
Teachers/ Teacher Aides/ Special Education Technicians	75.5	75.4	75.4	75.4
Counselors/ Nurses/ Other Specialists	12.3	13.0	13.0	13.0
Facility Maintenance and Other Operational Support Staff	30.3	30.4	30.4	30.4
Early Intervention	4.9	See separate line item		
TOTAL	145.3	141.3	141.3	141.3

Staff recommends providing a continuation level of funding (\$8,446,920) to support 141.3 FTE, calculated in accordance with Committee policy and detailed in the table below. Staff's recommendation includes an estimated \$168,000 for substitute teachers and \$508,000 for contractual services (including physicians, interpreters, therapists, summer school services, security, facilities labor, professional development services, and background checks).

Summary of Recommendation: CSDB - Personal Services		
Description	Total Funds	FTE
Personal services portion of appropriation for FY 06-07	\$8,266,658	141.3
Salary survey awarded in FY 06-07	219,312	
Performance-based pay awarded in FY 06-07	0	

Summary of Recommendation: CSDB - Personal Services		
Description	Total Funds	FTE
Base reduction per common policy (0.5%; <u>not</u> applied to \$168,000 used for substitute teachers and \$508,000 for contractual services)	(39,050)	
Recommended Personal Services appropriation for FY 07-08	8,446,920	141.3

Staff's recommendation is lower than the School's request for two reasons: (1) staff applied a higher base reduction per common policy (a difference of \$22,078); and (2) the School's request includes \$59,077 for PERA amortization equalization disbursement ("AED"); the AED for School employees will be included in the AED line item for the Department as a whole.

Funding Splits. Pursuant to Section 22-80-113 (4), C.R.S., for those pupils eligible for funding under the School Finance Act, the School receives funding from students' "home" school districts. The Department effects such transfers by withholding amounts from the appropriation for the State Share of Districts' Total Program Funding that would otherwise be paid to the home school district. The amount the School receives for each eligible pupil is equal to the statewide per pupil *operating* revenue; for FY 2007-08, this amount is estimated as follows:

Estimated statewide average per pupil funding	\$6,650.08
Less: amount related to capital/insurance reserve	<u>(292.00)</u>
Estimated statewide average per pupil <i>operating</i> revenue	6,358.08

Based on recent declines in the number of students for whom per pupil operating revenues are transferred from school districts, staff recommends reducing the pupil count that is used to estimate the portion of the appropriation that will be supported by cash funds exempt transfers. Staff's recommendation thus includes a total of \$1,246,184 cash funds exempt transferred from the State Share line item, calculated as follows:

$$196 \text{ funded pupil count} \times \$6,358.08 = 1,246,184$$

In previous fiscal years, the School has received \$60,000 in federal National School Lunch Act and Child Nutrition Act funds through the Department (thus appearing as cash funds exempt) based on the number of meals served. Expenses that are not covered by these cash funds exempt transfers are covered by General Fund:

Total Funding for Personal Services	\$8,446,920
Less: Per Pupil Operating Revenues	(1,246,184)
Less: Federal Nutrition Funds	<u>(60,000)</u>
General Fund Share of Personal Services line item	7,140,736

Early Intervention Services.

Background Information. Since April 2001, the "Colorado Home Intervention Program" (called "CHIP") has been operating within the School. This program was first started with federal grants in 1969, and it operated within the Colorado Department of Public Health and Environment from 1975 through March 2001. This home-based, family-centered early intervention program serves hearing impaired children (ages zero to three), and their parents. The program involves a facilitator: working with the child to develop language skills; providing parents with information and counseling to identifying strategies to use in communicating with their child; and assessing the dynamics of the parent-child interaction and providing support to improve it.

Prior to FY 2006-07, this program was supported by existing personal services funding, as well as various federal grants, donations, and in-kind services. Last year, the School requested an increase of \$462,620 General Fund and 1.8 FTE to continue and expand two early literacy development programs. These programs involve specially trained fluent sign language instructors/tutors (many of whom are deaf or hard of hearing themselves) visiting families weekly to provide support and instruction in techniques to build the child's literacy. One program (the Shared Reading Program) is designed for families who rely on American Sign Language; the second program (Integrated Reading Program) is designed for families who use English-based sign language and some speech. In addition, these initiatives involve coordinating with preschool and elementary school teachers so they may reinforce the family's use of early literacy strategies, thereby easing the child's transition into public school. The General Assembly approved the request. In addition, Long Bill appropriations were modified to separately identify funds and staff associated with early intervention programs. Thus, the FY 2006-07 Long Bill includes a line item consisting of the following:

- \$462,620 General Fund and 1.8 FTE approved as requested;
- \$637,488 General Fund and 6.9 FTE transferred from the Personal Services line item; and
- \$153,608 cash funds exempt grants and 1.3 FTE transferred from the "Grants" line item.

For FY 2007-08, the Department requests a total of \$1,270,750 (including \$1,117,142 General Fund) and 10.0 FTE for this line item.

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Early Education Director	n/a	1.0	1.0	1.0
Early Intervention Specialist - blind children	n/a	1.2	1.2	1.2
Early Intervention Specialist - deaf children	n/a	0.4	0.4	0.4

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Early Literacy Development Initiative	n/a	1.4	1.4	1.4
Regional Colorado Hearing Resource Coordinators ("CO-Hears")	n/a	4.7	5.2	5.2
Staff funded by grants	n/a	1.3	0.8	0.8
TOTAL	n/a	10.0	10.0	10.0

Staff recommends providing a continuation level of funding (\$1,263,773) to support 10.0 FTE, calculated in accordance with Committee policy and detailed in the table below. Staff's recommendation includes an estimated \$441,200 for contractual services and \$153,608 in grant funding.

Summary of Recommendation: CSDB - Early Intervention Services				
Description	Total Funds	General Fund	Cash Funds Exempt	FTE
Appropriation for FY 06-07	\$1,253,716	\$1,100,108	\$153,608	10.0
Salary survey awarded in FY 06-07	13,419	13,419	0	
Performance-based pay awarded in FY 06-07	0	0	0	
Base reduction per common policy (0.5%; <u>not</u> applied to \$441,200 used for contractual services and \$153,608 in grant funding)	(3,362)	(3,362)	0	
Recommended Appropriation for FY 07-08	1,263,773	1,110,165	153,608	10.0

Staff's recommendation is lower than the School's request for two reasons: (1) the School did not include any base reduction while staff applied common policy (\$3,362); and (2) the School's request includes \$3,615 for PERA amortization equalization disbursement ("AED"); the AED for School employees will be included in the AED line item for the Department as a whole.

Shift Differential. This line item is used to pay for the adjustment to compensate employees for work performed outside a Monday through Friday, 8:00 a.m. to 5:00 p.m. work schedule. Currently, the State pays percentage increases for shift differential (7.5 percent for second shift and 10.0 percent for third shift). Unlike the other awards, the entire base budget and any increases have historically been included in the centrally-appropriated budget line at 80.0 percent of the total estimated costs. This Department uses its shift differential to provide 24-hour staff coverage for residential students at the School. The Department requests \$82,257 for

this line item for FY 2007-08. **Consistent with Committee policy, staff recommends approving the request.** However, staff recommends appropriating the full amount from General Fund, as all the cash funds exempt sources that support School staff (other than grant-funded staff) are applied against the Personal Services line item.

Operating Expenses. This line item provides funding for supplies and materials, as well as for certain services that are not covered by other line items such as capital outlay²⁰, custodial services, equipment rental, storage, dues and subscriptions, and printing. The Department requests a continuation level of funding for this line item. **Consistent with Committee policy, staff recommends appropriating \$417,277 for FY 2007-08, calculated as detailed in the following table.**

Summary of Recommendation: CSDB - Operating Expenses	
Description	General Fund
Appropriation for FY 06-07	\$400,077
Supplemental increase for variable vehicle costs	15,490
Inflationary increase (1.8 percent) for food expenses projected for FY 2007-08 (object code 3118)	1,693
Inflationary increase (2.0 percent) for medical expenses projected for FY 2007-08 (object code 3119, medical supplies)	16
Recommended Operating Expenses appropriation for FY 06-07	417,277

Vehicle Lease Payments. This line item provides funding for annual payments to the Department of Personnel and Administration for the cost of administration, loan repayment, and lease-purchase payments for new and replacement motor vehicles [see Section 24-30-1117, C.R.S.]. The current appropriation covers costs associated with a total of 12 vehicles²¹ that are all utilized at the School. The Department's request for \$46,349 General Fund for FY 2007-08 represents an increase of \$1,289 compared to the original appropriation for FY 2006-07. The School is requesting funding to replace one 2002 seven-passenger van (license #505DHS). **Staff recommends the Committee approve the request to replace one vehicle, as it's mileage is projected to exceed 134,000 by March 2008. The dollar amount of staff's recommendation is pending Committee policy.** Staff will ultimately reflect Committee policy in the appropriation for this line item.

²⁰ Capital outlay includes replacement of equipment, furniture, and other items that cost less than \$50,000, as well as building repair and remodeling costing less than \$15,000.

²¹ Currently, these vehicles include: seven vans, one mini-bus with a wheelchair lift, one truck, and three passenger vehicles.

Communications Services Payments. This line item provides funding to pay to the Department of Personnel and Administration the Department of Education's share of the costs associated with operating the public safety communications infrastructure. The Department requests \$3,353 for this purpose for FY 2007-08. **The staff recommendation on this line items is pending a Committee common policy for communications services.** Staff will ultimately reflect Committee policy in the appropriation for this line item.

Utilities. This line item provides funding for the School's water and sewer, electricity, and natural gas expenses. The School requests \$562,228 General Fund for this line item, which represents a \$64,134 increase compared to the FY 2006-07 appropriation, as adjusted by the supplemental bill). The School provided detailed rate and utilization information and projections. The following table provides a recent history of utility expenses and a comparison of the Department's FY 2007-08 request and the staff recommendation.

Colorado School for the Deaf and the Blind Utilities Expenses					
Service	FY 2004-05 Actual	FY 2005-06 Approp.	FY 2006-07 Appropriation (as amended)	FY 2007-08	
				Request	Recomm.
Natural gas	\$234,550	\$231,239	\$229,029	\$261,923	\$255,244
Electricity	133,532	145,001	147,240	163,852	146,174
Water and sewer	59,601	70,979	56,825	80,204	59,495
Other	0	0	65,000	56,249	0
Total	427,683	447,219	498,094	562,228	460,913

Staff recommends appropriating \$460,913 for FY 2007-08. Staff's recommendation is based on the following:

- Actual utilization from February 2006 through January 2007; and
- Projected increases in rates, provided by the School, including: 10.0 percent increases in natural gas rates in June 2007 and in January 2008; a 5.0 percent increase in electricity rates in January 2008; and a 9.0 percent increase in water/sewer rates in January 2007.

The projected rates for natural gas appear a bit high, but given the volatility of rates in recent years (ranging from a rate decrease of 8.4 percent in June 2006 to an increase of 30.6 percent in August 2005), staff is comfortable using the School's rate projections at this time. Staff will review both rates and utilization next January to determine if the appropriation is too high or too low. The projected rates for electricity and water/sewer appear to be reasonable given actual rate fluctuations since July 2005.

Allocation of State and Federal Categorical Program Funding . The School receives an allocation of state and federal moneys available for special education services for children with disabilities based on its December pupil count. In addition, the School may receive allocations from other categorical programs (e.g., in recent years the School has received allocations related to English language proficiency programs, special education for gifted and talented children, and the Expelled and At-risk Student Services Grant Program). **The Department requests a continuation level of cash funds exempt spending authority (\$150,000 and 0.4 FTE). Staff recommends approving the request.**

Medicaid Reimbursements for Public School Health Services. Similar to school districts, the School is authorized to enter into contracts and receive federal matching funds for moneys spent in providing student health services [i.e., preventive, diagnostic, therapeutic, rehabilitative, or palliative items or services that are furnished to students by a school district, a board of cooperative services, or a state educational institution pursuant to the S.B. 97-101 Public School Health Services program]. It is staff's understanding that the School has been participating in this program since FY 2000-01, and receives federal Medicaid moneys annually based on claims submitted. Section 26-4-531 (2) (b), C.R.S., states that "any moneys provided to a school district pursuant to a contract entered into under this section shall not supplant state or local moneys provided to school districts" for:

- (a) special education services for children with disabilities;
- (b) the Colorado preschool program; or
- (c) the School Finance Act.

Based on this provision, the School has used the additional federal Medicaid moneys available to increase special education services to its students (e.g., providing an additional day of occupational or physical therapy, in accordance with a student's individual education program).

The Department requests \$85,000 and 1.5 FTE based on anticipated claims. Staff recommends approving the request.

(B) Special Purpose

Fees and Conferences. This line item provides spending authority for the Department to receive fees charged and received for various conferences or meetings held at the School. Examples of conferences include the annual statewide deaf symposium, nursing conferences, and summer camps. These fees offset additional custodial, maintenance, and security costs incurred. **Staff recommends appropriating \$75,000, as requested, which represents a continuation level.**

Federal Funds Transferred from School Districts. The School is charged with being a resource to school districts by providing several services, including: assessment and identification of educational needs; special curricula; equipment and materials; and staff development. Districts currently transfer federal funds to the School for three purposes:

- The School occasionally accepts students from Colorado school districts for extended diagnostic periods prior to the student meeting School enrollment criteria. Typically, these students require a one-on-one aide who must be supplied by the home school district. Often the districts themselves are unable to find qualified applicants willing to work for district-level salaries while living in the Colorado Springs area. Due to union agreements, however, districts are unable to pay these employees more than other district employees. To address this issue, this line item provides cash funds exempt spending authority for the School to hire these professionals using federal special education funds transferred from school districts.
- School employees travel to districts to provide training for district staff and/or to provide direct support to students. Districts pay the School for their staff time and travel expenses.
- Each district pays a flat amount (e.g., \$200/student) for each blind/visually impaired student enrolled in the district. These moneys are collected by the School and paid to the Colorado Instructional Materials Center (CIMC) to provide Braille and large print materials for students

The Department requests a continuation level of funding (\$269,000 and 2.8 FTE). This amount is estimated to include: \$95,000 for one-on-one aides (four individuals through the school year or 2.8 FTE); \$28,000 for teacher visits to districts; and \$146,000 for Braille and large print materials. Staff recommends approving the request.

Tuition from Out-of-state Students (CSDB Decision Item Priority #1).

Background Information. The School is authorized to admit students from other states "...upon payment to the superintendent of such a sum quarterly as the board of trustees determines, to be not less than the total cost per capita of the students for the year immediately preceding the year in which the application is made." [see Section 22-80-110, C.R.S.] The School is not allowed to admit a student from another state, however, to the exclusion of any Colorado resident. Historically, the School has admitted students from Wyoming who cannot be appropriately served in their home school district. Wyoming does not have a state school to serve children who are deaf and/or blind. To date, the School has required Wyoming to pay their students' tuition using federal funds (available under the federal *Individuals with Disabilities Education Act*), which are treated as cash funds exempt and are not subject to the limitation on state fiscal year spending imposed by Section 20 of Article X of the State Constitution ("TABOR").

Department Request. **The Department requests a new line item for the FY 2007-08 to provide \$200,000 of cash funds spending authority to allow the School to accept tuition payments from other states for up to four students.** Apparently Wyoming school districts would prefer to use state funds to pay the tuition for students attending the School, because the State of Wyoming reimburses school districts for 100 percent of their costs of providing special education services

to students with disabilities. At least one Wyoming district has discontinued sending their students to the School because they are required to continue using federal funds to pay tuition. The Department thus requests \$200,000 in cash funds spending authority because tuition paid with state funds would be subject to TABOR. This would ensure that children from neighboring states could be served at the School (given available space) if it is determined that it is the best setting for the child. The School indicates that the tuition payments are most likely to be used for curriculum, technology, and dorm furniture.

Staff recommends approving the request because it allows children from neighboring states to receive services from the School when it is deemed the most appropriate setting. Staff has confirmed with staff from the Controller's Office that state moneys received from other states would be subject to TABOR.

Summer Olympics Housing. This line item provides spending authority for the Department to receive fees charged to participating athletes for custodial, maintenance, and security costs associated with housing deaf/blind athletes in summer months. **Staff recommends providing the requested spending authority of \$10,000, which represents a continuation level.**

Grants. This line item provides spending authority for the School to receive various federal grants transferred from other line items within the Department. This spending authority excludes amounts related to categorical programs and Medicaid reimbursements for public school health services, as these amount are now appropriated through separate line items (discussed above). The Department requests an appropriation of \$1,250,000 and 9.0 FTE based on funds anticipated to be available. **Staff recommends approving the request.**

LONG BILL FOOTNOTES

Staff recommends discontinuing the following footnote:

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

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

This footnote was put in place to ensure that the School and the Department of Human Services are coordinating the provision of early intervention services for children under age three who are deaf or hard-of-hearing, and minimizing any duplication that may be occurring. The two departments worked together over the interim and provided the report as request. The Department of Human Services indicated that they plan to modify the data system in the Spring of 2007 to allow for reporting on eligibility based on hearing impairment separate from other sensory or developmental criteria. This should allow the School and the Department to better track deaf and hard-of-hearing children that may be receiving services through both the School and the Part C system, as well as the costs of such services.

SUMMARY OF STATE EDUCATION FUND APPROPRIATIONS

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

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

Table 1, which begins on the following page, provides a summary of appropriations from the State Education Fund for FY 2001-02 through FY 2006-07. To date, \$1.6 billion has been appropriated from the State Education Fund for *public school finance*, representing 87.7 percent of all appropriations from the Fund. Appropriations for *categorical programs* (\$118.8 million to date) and *capital construction programs* (\$71.1 million to date) comprise another 10.2 percent of Fund appropriations. Annual State Education Fund appropriations increased significantly in FY 2002-03, when the General Assembly increased State Education Fund appropriations by \$122.7 million mid-year to: (a) fund a higher than anticipated student enrollment and a higher than anticipated increase in the proportion of at-risk students; (b) offset lower than anticipated local property tax revenues; and (c) offset a \$90.2 million reduction in General Fund appropriations required due to a two-year decline in General Fund revenues. Appropriations from the Fund have remained fairly consistent in subsequent fiscal years, ranging from \$336 million to \$352 million.

As detailed in Table 2, which provides a comparison of annual State Education Fund revenues to annual expenditures, the Fund balance declined from FY 2001-02 through FY 2004-05 because annual expenditures exceeded annual revenues. Although the Fund balance increased in FY 2005-06 and is projected to increase again in FY 2006-07, the projected balance represents only three-fifths of annual appropriations (60.7 percent for FY 2006-07).

TABLE 1

History of Appropriations from the State Education Fund

Description	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Public School Finance, State Share of Districts' Total Program Funding:						
Partial funding for required inflationary increases, and funding changes associated with statutory changes (e.g., adding or full-day kindergarten or preschool slots, changing the at-risk factor, increasing minimum per pupil funding, etc.)	\$70,507,812	\$174,204,086	\$305,711,812	\$308,438,356	\$237,849,107	\$308,628,360
Mid-year appropriation adjustments	<u>31,086,493</u>	<u>122,727,527</u>	<u>10,742,837</u>	<u>5,000,000</u>	<u>62,069,780</u>	<u>0</u>
Subtotal: School Finance	101,594,305	296,931,613	316,454,649	313,438,356	299,918,887	308,628,360
<i>*Percent of Total Appropriations</i>	65.8%	89.8%	90.0%	90.3%	89.3%	89.3%
Annual Required Increases for Categorical Programs (and continued funding of prior year increases)						
	7,207,141	15,715,680	20,291,334	23,700,826	25,524,255	26,315,507
<i>*Percent of Total Appropriations</i>	4.7%	4.8%	5.8%	6.8%	7.6%	7.6%
School Capital Construction:						
Charter school capital construction	6,471,052	7,813,943	5,000,000	5,000,000	5,000,000	7,800,000
School Capital Construction Expenditures Reserve	6,471,052	6,500,060	5,000,000	2,500,000	5,000,000	0
School Construction and Renovation Fund	0	0	5,000,000	2,500,000	0	0
Charter School Debt Reserve Fund	<u>n/a</u>	<u>1,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal: Capital Construction	12,942,104	15,314,003	15,000,000	10,000,000	10,000,000	7,800,000
<i>*Percent of Total Appropriations</i>	8.4%	4.6%	4.3%	2.9%	3.0%	2.3%

TABLE 1

History of Appropriations from the State Education Fund

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

TABLE 1						
History of Appropriations from the State Education Fund						
Description	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Other:						
Aid for declining enrollment districts with new charter schools	n/a	n/a	n/a	n/a	n/a	1,000,000
Civic education	n/a	n/a	n/a	n/a	200,000	200,000
Financial literacy	n/a	n/a	n/a	39,114	39,114	40,000
Subtotal: Other	0	0	0	39,114	239,114	1,240,000
<i>*Percent of Total Appropriations</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.1%</i>	<i>0.4%</i>
TOTAL	\$154,513,369	\$330,696,296	\$351,745,983	\$347,188,296	\$335,775,256	\$345,793,867

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

TABLE 2							
Comparison of State Education Fund Revenues and Expenditures/Appropriations (\$ millions)							
Description	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Beginning Fund Balance	\$0.0	\$166.2	\$298.5	\$202.4	\$142.6	\$118.4	\$156.7
Actual/Proj. Revenues*	166.2	286.4	235.9	293.4	323.1	373.7	399.0
Actual Expend./ Approp.**	0.0	(154.1)	(331.9)	(353.3)	(347.3)	(335.4)	(345.8)
Ending Fund Balance	\$166.2	\$298.5	\$202.4	\$142.6	\$118.4	\$156.7	\$209.9

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

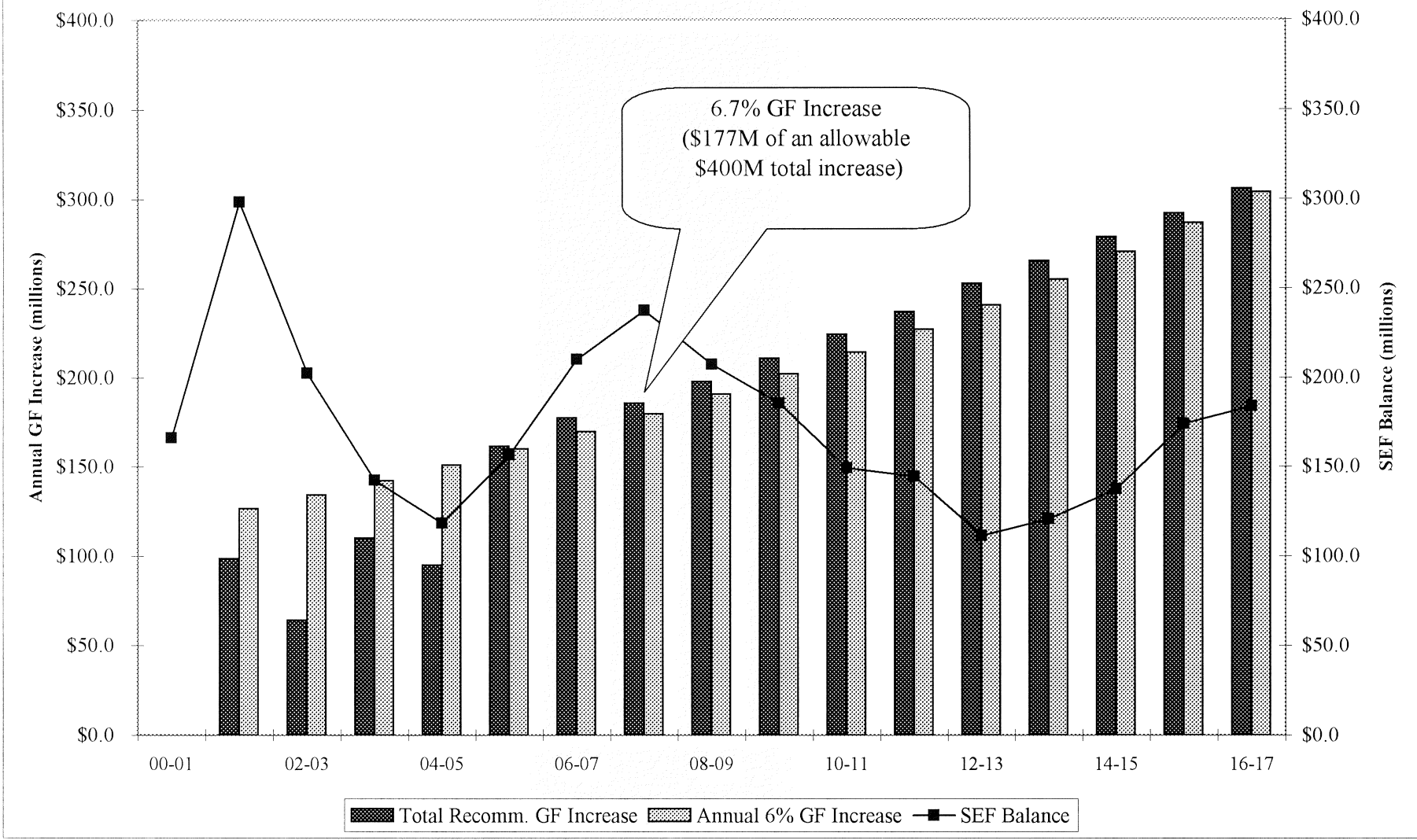
** Actual expenditures are reflected for FY 2000-01 through FY 2005-06; appropriations are reflected for FY 2006-07.

Projected State Education Fund Balance and Required General Fund Increases (\$ Millions)

Assumes GF and SEF Appropriations for Categorical Programs Grow Proportionally

Fiscal Year	State Education Fund (SEF)					General Fund		
	Spending for School Finance & Categoricals	Annual Amount of Optional Spending	Total SEF Spending	Change in Spending from Prior Year	State Education Fund Balance	General Fund Approp. For School Finance	Annual Dollar Increase	Annual % Increase
2000-01	N/A	\$0	\$0.0	N/A	\$166.2	\$1,974.7	N/A	N/A
2001-02	\$107.2	\$45.7	\$152.9	\$152.9	\$298.5	\$2,073.4	\$98.7	5.00%
2002-03	\$312.0	\$18.0	\$330.0	\$177.2	\$202.4	\$2,137.6	\$64.2	3.10%
2003-04	\$335.1	\$15.0	\$350.1	\$20.1	\$142.6	\$2,247.9	\$110.3	5.16%
2004-05	\$336.9	\$10.0	\$347.0	(\$3.2)	\$118.4	\$2,342.8	\$94.9	4.22%
2005-06	\$325.1	\$10.3	\$335.4	(\$11.6)	\$156.7	\$2,480.5	\$137.7	5.88%
2006-07	\$334.9	\$10.9	\$345.8	\$10.4	\$209.9	\$2,648.8	\$168.4	6.79%
2007-08	\$388.6	\$6.9	\$395.4	\$49.6	\$237.4	\$2,826.3	\$177.5	6.70%
2008-09	\$474.3	\$6.9	\$481.2	\$85.7	\$207.3	\$3,015.6	\$189.4	6.70%
2009-10	\$491.5	\$6.9	\$498.3	\$17.2	\$185.5	\$3,217.7	\$202.0	6.70%
2010-11	\$532.3	\$6.9	\$539.2	\$40.9	\$149.3	\$3,433.3	\$215.6	6.70%
2011-12	\$532.6	\$6.9	\$539.5	\$0.3	\$144.3	\$3,663.3	\$230.0	6.70%
2012-13	\$595.9	\$6.9	\$602.8	\$63.3	\$111.5	\$3,908.8	\$245.4	6.70%
2013-14	\$590.2	\$6.9	\$597.1	(\$5.7)	\$120.8	\$4,166.7	\$258.0	6.60%
2014-15	\$624.1	\$6.9	\$631.0	\$33.9	\$137.5	\$4,437.6	\$270.8	6.50%
2015-16	\$648.5	\$6.9	\$655.3	\$24.4	\$173.8	\$4,721.6	\$284.0	6.40%
2016-17	\$722.6	\$6.9	\$729.4	\$74.1	\$183.9	\$5,019.0	\$297.5	6.30%
2017-18	\$747.5	\$6.9	\$754.3	\$24.9	\$218.4	\$5,320.2	\$301.1	6.00%
2018-19	\$806.3	\$6.9	\$813.1	\$58.8	\$247.7	\$5,639.4	\$319.2	6.00%
2019-20	\$815.0	\$6.9	\$821.8	\$8.7	\$324.9	\$5,949.5	\$310.2	5.50%
2020-21	\$899.3	\$6.9	\$906.1	\$84.3	\$380.1	\$6,276.8	\$327.2	5.50%
2021-22	\$961.5	\$6.9	\$968.3	\$62.2	\$438.0	\$6,622.0	\$345.2	5.50%
2022-23	\$1,049.2	\$6.9	\$1,056.0	\$87.7	\$476.8	\$6,986.2	\$364.2	5.50%
2023-24	\$1,108.3	\$6.9	\$1,115.1	\$59.1	\$528.4	\$7,370.4	\$384.2	5.50%
2024-25	\$1,177.2	\$6.9	\$1,184.0	\$68.9	\$587.8	\$7,775.8	\$405.4	5.50%
2025-26	\$1,225.3	\$6.9	\$1,232.2	\$48.1	\$680.9	\$8,203.5	\$427.7	5.50%

**Complying With Amendment 23:
Scenario 1 - Smoothing Out the Annual GF Increases**



Projected State Education Fund Balance and Required General Fund Increases (\$ Millions)

Assumes GF and SEF Appropriations for Categorical Programs Grow Proportionally

Fiscal Year	State Education Fund (SEF)					General Fund		
	Spending for School Finance & Categoricals	Annual Amount of Optional Spending	Total SEF Spending	Change in Spending from Prior Year	State Education Fund Balance	General Fund Approp. For School Finance	Annual Dollar Increase	Annual % Increase
2000-01	N/A	\$0	\$0.0	N/A	\$166.2	\$1,974.7	N/A	N/A
2001-02	\$107.2	\$45.7	\$152.9	\$152.9	\$298.5	\$2,073.4	\$98.7	5.00%
2002-03	\$312.0	\$18.0	\$330.0	\$177.2	\$202.4	\$2,137.6	\$64.2	3.10%
2003-04	\$335.1	\$15.0	\$350.1	\$20.1	\$142.6	\$2,247.9	\$110.3	5.16%
2004-05	\$336.9	\$10.0	\$347.0	(\$3.2)	\$118.4	\$2,342.8	\$94.9	4.22%
2005-06	\$325.1	\$10.3	\$335.4	(\$11.6)	\$156.7	\$2,480.5	\$137.7	5.88%
2006-07	\$334.9	\$10.9	\$345.8	\$10.4	\$209.9	\$2,648.8	\$168.4	6.79%
2007-08	\$433.6	\$6.9	\$440.5	\$94.7	\$192.2	\$2,781.3	\$132.4	5.00%
2008-09	\$569.6	\$6.9	\$576.5	\$136.0	\$64.0	\$2,920.3	\$139.1	5.00%
2009-10	\$512.7	\$6.9	\$519.6	(\$56.9)	\$12.7	\$3,196.4	\$276.1	9.45%
2010-11	\$488.7	\$6.9	\$495.6	(\$24.0)	\$10.7	\$3,476.9	\$280.4	8.77%
2011-12	\$519.5	\$6.9	\$526.4	\$30.8	\$11.3	\$3,676.4	\$199.5	5.74%
2012-13	\$555.1	\$6.9	\$562.0	\$35.6	\$12.2	\$3,949.5	\$273.1	7.43%
2013-14	\$593.2	\$6.9	\$600.1	\$38.1	\$13.0	\$4,163.7	\$214.2	5.42%
2014-15	\$633.8	\$6.9	\$640.6	\$40.6	\$14.0	\$4,427.9	\$264.2	6.34%
2015-16	\$676.9	\$6.9	\$683.8	\$43.1	\$15.0	\$4,693.1	\$265.2	5.99%
2016-17	\$722.7	\$6.9	\$729.6	\$45.8	\$16.0	\$5,018.9	\$325.7	6.94%
2017-18	\$771.5	\$6.9	\$778.3	\$48.8	\$17.2	\$5,296.2	\$277.3	5.53%
2018-19	\$823.2	\$6.9	\$830.0	\$51.7	\$18.4	\$5,622.5	\$326.4	6.16%
2019-20	\$860.9	\$6.9	\$867.7	\$37.7	\$36.7	\$5,903.7	\$281.1	5.00%
2020-21	\$953.1	\$6.9	\$959.9	\$92.2	\$21.8	\$6,222.9	\$319.3	5.41%
2021-22	\$998.6	\$6.9	\$1,005.4	\$45.5	\$22.4	\$6,584.9	\$361.9	5.82%
2022-23	\$1,063.2	\$6.9	\$1,070.1	\$64.6	\$23.8	\$6,972.2	\$387.3	5.88%
2023-24	\$1,132.8	\$6.9	\$1,139.6	\$69.6	\$25.4	\$7,345.9	\$373.8	5.36%
2024-25	\$1,206.7	\$6.9	\$1,213.5	\$73.9	\$27.1	\$7,746.4	\$400.4	5.45%
2025-26	\$1,285.0	\$6.9	\$1,291.9	\$78.4	\$28.9	\$8,143.8	\$397.4	5.13%

**Complying With Amendment 23:
Scenario 2 - Minimum General Fund Increases Allowed**

