

The following file contains two documents:

- A memorandum to the Joint Budget Committee members dated January 21, 2011. This memorandum includes a summary of the Education Department supplemental request concerning school finance (described in greater length in the next document), as well as a new staff recommendation concerning technical adjustments to workers' compensation and Capitol Complex leased space line items.
- A packet dated January 18, 2011, concerning Education Department supplemental requests for FY 2010-11.

MEMORANDUM

TO: Joint Budget Committee Members

FROM: Carolyn Kampman (303-866-4959)

SUBJECT: Staff "Comebacks" Concerning Mid-year Adjustments to FY 2010-11 Appropriations to the Department of Education

DATE: January 21, 2011

The Joint Budget Committee acted on the Department of Education's supplemental requests for FY 2010-11 on January 18, 2011. The Committee chose to delay taking action on the Department request concerning school finance-related appropriations (and related budget balancing options). Staff has included a brief summary of this request below, along with staff's recommendation. In addition, staff has included a new staff-initiated supplemental to make technical corrections to the FY 2010-11 appropriations for workers' compensation and Capitol Complex leased space.

Department's 1/14/11 Request Concerning School Finance-related Appropriations

JBC delayed action on this request.

	Request*	Recommendation
Total	<u>\$22,943,108</u>	<u>\$22,943,108</u>
General Fund	22,947,568	0
Cash Funds - State Education Fund	(4,460)	(4,460)
Cash Funds - State Public School Fund	0	22,947,568

* The Department's request reflects the above changes to appropriations, consistent with current law. However, **the request also includes the following statement: "Due to State budget constraints, the Department recommends that his supplemental request not be funded."**

Total Program Funding. Both the overall number of students and the number considered "at-risk" under the school finance formula are higher than anticipated. Typically, this would require a mid-year increase in appropriations to fully fund the formula. However, pursuant to H.B. 10-1369, it appears that the General Assembly intends to maintain total state and local funding ("total program funding") at the level that was used as the basis for the initial FY 2010-11 appropriation (\$5,440 million). Thus, no increase has been requested or recommended for this purpose. Absent an increase in state funds, **statewide average per pupil funding will decrease by \$10.44 (0.2 percent) due to the higher than anticipated number of students and at-risk students.** This will be accomplished through an increase in the State Budget Stabilization Factor from 6.3 percent to 6.5 percent. The following table summarizes the changes in various components that affect the amount of state funding required for FY 2010-11.

TABLE E: Changes to School Finance Based on Actual Enrollment and Local Revenues				
School Finance: Total Program	FY 09-10 Actual	FY 10-11		
		Data Used for Initial Appropriation	Data Related to Revised Appropriation	Mid-year Change
Funded Pupil Count	789,496.6	797,438.5	798,676.7	1,238.2
<i>Annual Percent Change</i>	<i>1.5%</i>	<i>1.0%</i>	<i>1.2%</i>	
Statewide <u>Base</u> Per Pupil Funding	\$5,507.68	\$5,529.71	\$5,529.71	
<i>Annual Percent Change</i>	<i>4.9%</i>	<i>0.4%</i>	<i>0.4%</i>	
Total Program Funding PRIOR TO FY 09-10 Recision or FY 10-11 State Budget Stabilization Factor (SBSF)	\$5,717,292,423	\$5,806,792,365	\$5,822,814,150	\$16,021,785
LESS: Recision/ SBSF Reduction	(\$129,527,120)	(\$365,411,313)	(\$381,211,101)	(\$15,799,788)
<i>Recision/ SBSF as Percent of Total Program</i>	<i>-2.3%</i>	<i>-6.3%</i>	<i>-6.5%</i>	
LESS: Portion of local revenues that districts must spend on categorical programs	n/a	<u>(\$1,488,060)</u>	<u>(\$1,602,337)</u>	(\$114,277)
EQUALS: Adjusted Total Program Funding	\$5,587,765,303	\$5,439,892,992	\$5,440,000,712	\$107,720
<i>Annual Percent Change</i>	<i>2.7%</i>	<i>-2.6%</i>	<i>-2.6%</i>	
Statewide Average Per Pupil Funding (for adjusted total program funding)	\$7,077.63	\$6,821.71	\$6,811.27	(\$10.44)
<i>Annual Percent Change</i>	<i>3.0%</i>	<i>-3.6%</i>	<i>-3.8%</i>	
<u>Local Share</u> of Districts' Total Program Funding	<u>\$2,068,895,672</u>	<u>\$2,040,075,596</u>	<u>\$2,017,235,748</u>	<u>(\$22,839,848)</u>
Property Tax Revenue	\$1,920,473,157	\$1,889,426,743	\$1,879,407,871	(\$10,018,872)
Specific Ownership Tax Revenue	\$148,422,515	\$150,648,853	\$137,827,877	(\$12,820,976)
<i>Annual Percent Change on Total</i>	<i>5.8%</i>	<i>-1.4%</i>	<i>-2.5%</i>	
<u>State Share</u> of Districts' Total Program Funding	\$3,518,869,631	\$3,399,817,396	\$3,422,764,964	\$22,947,568
<i>Annual Percent Change</i>	<i>3.7%</i>	<i>-3.4%</i>	<i>-2.7%</i>	
<i>State Share as Percent of Districts' Total Program</i>	<i>63.0%</i>	<i>62.5%</i>	<i>62.9%</i>	

State Share of Total Program Funding. As detailed in the lower section of the above table, **local tax revenues available for school finance are \$22.8 million lower than anticipated.** Thus, to maintain total state and local funding at the level that was used as the basis for the initial FY 2010-11 appropriation, the appropriation of *state* funds would need to be increased.

In addition, state funds would need to be increased by another \$107,720 to ensure that the additional mid-year reduction that would have been sustained by those districts that receive little or no state funding for school finance is not shifted to other districts.

State Share Request and Recommendation. To comply with current law, the Department submitted a supplemental request to increase the appropriation for the State Share of Districts' Total Program Funding by \$22.9 million General Fund. In light of the revenue shortfall, however, the Governor's Office is recommending that the General Assembly not approve this request (and amend statute to reflect a lower total program funding amount for FY 2010-11). **Staff recommended increasing the appropriation for the State Share by \$22.9 million, consistent with current law, but providing the increase from the State Public School Fund rather than the General Fund.** The balance in this fund, at the end of FY 2009-10, was \$31,198,417. This fund balance was \$20.8 million higher than anticipated, primarily due to federal mineral lease revenues, state public school lands revenues (pursuant to S.B. 09-260 and S.B. 10-150), and school district audit recoveries.

In addition, staff recommended that the Committee introduce a companion bill to make adjustments to the School Finance Act that are consistent with the recommended level of funding, including: (1) Clarifying mid-year adjustments to the state budget stabilization factor and the level of total program funding; (2) Eliminating language that compares the total program figure to the initial estimate for total program funding for FY 2009-10 (this is the \$260 million figure that was referenced in the 2010 Session); and (3) Specifying that districts should count kindergarten students as 0.58 FTE for FY 2010-11 and future fiscal years.

Hold-harmless Full-day Kindergarten Funding. Those districts that had previously elected to use Colorado Preschool Program (CPP) slots to provide full-day kindergarten receive additional state funding based on the number of kindergarten students previously served through CPP. This additional funding is based on districts' per pupil funding. Thus, **due to the mid-year reduction in per pupil funding, the Department has requested a small reduction** (-\$4,460 cash funds from the State Education Fund) **in the appropriation for this program to better reflect actual expenditures.** Staff recommended approving the request.

BUDGET BALANCING OPTIONS

Staff suggested that the Committee consider two options related to school finance to help balance the budget in FY 2010-11 and/or FY 2011-12:

1. **Add only a portion or none of the \$22.9 million as recommended by staff for FY 2010-11** (from the State Public School Fund). This would require the state budget stabilization factor to be even larger in FY 2010-11 (an increase from 6.5 percent up to 6.9 percent), and require school districts and the State Charter School Institute schools to either use more of their reserves in FY 2010-11, or make even larger reductions in expenditures in the current school year. The General Assembly would need to amend current law to reduce the "floor" for total program funding for FY 2010-11. This would, however, leave more money available in the State Public School Fund for appropriation for FY 2011-12. In turn, these funds could mitigate the need to make further reductions in total program funding in FY

2011-12, and/or reduce the amount of General Fund required for school finance for FY 2011-12.

2. **Use a portion or all of the \$22.9 million in the State Public School Fund that is recommended by staff to reduce General Fund appropriations for FY 2010-11.** This would have the same effect on school districts in FY 2010-11 as described for the above option. In addition, it would likely require even greater reductions in funding for school finance in FY 2011-12.

Please note that if the Committee ultimately chooses to approve a school finance appropriation for FY 2010-11 that is different than the level recommended by staff, the appropriation for Hold-harmless Full-day Kindergarten Funding (and potentially other school finance-related appropriations) will need to be reduced accordingly. In addition, earlier this week the Committee approved a second request to reduce state funding for school finance by \$156.3 million based on the availability of federal funding. Once the Committee takes action on the above request to finalize the amount of state funding for school finance for FY 2010-11, staff will calculate the specific adjustments to appropriations to the Departments of Education and Higher Education related to the \$156.3 million funding adjustment.

**JBC Staff-initiated Supplemental #3 [NEW RECOMMENDATION]
Technical Corrections to Fund Sources - Workers' Compensation and Capitol Complex
Leased Space**

FY 2010-11	Recommendation
Total	<u>\$21,940</u>
General Fund	(48,510)
Cash Funds	72,224
Reappropriated Funds	(1,774)
Federal Funds	0

Department Request: The Department did not request this supplemental, but staff's recommendation is based on data provided by the Department.

Staff Recommendation: Staff recommends adjusting two line item appropriations to correctly reflect the allocation of costs among fund sources and to address an over expenditure that occurred in FY 2009-10. Specifically:

- The FY 2009-10 appropriation for Workers' Compensation did not correctly reflect the allocation of costs among fund sources. In order for the Department to correctly book expenditures based on the sources of funds that support each employee, it had to over expend its appropriations from cash funds (by \$795) and reappropriated funds (by \$21,145). As a result, the FY 2010-11 appropriations from these fund sources have been restricted by these amounts. Staff recommends increasing the FY 2010-11 appropriation for Workers'

Compensation by \$21,940 (including \$795 cash funds and \$21,145 reappropriated funds) to address this over expenditure.

- The FY 2010-11 appropriation for Workers' Compensation does not correctly reflect the allocation of costs among fund sources. Staff recommends adjusting these fund sources to correct this error, resulting in \$0 net change to the appropriation.
- The FY 2010-11 appropriation for Capitol Complex Leased Space does not correctly reflect the allocation of costs among fund sources. Staff recommends adjusting these fund sources to correct this error, resulting in \$0 net change to the appropriation.

As detailed in the following table, **these adjustments will decrease General Fund appropriations for FY 2010-11 by \$48,510.**

Summary of Recommended Adjustments	Total	General Fund	Cash Funds	Reappr. Funds	Federal Funds
<u>Workers' Compensation</u>					
Existing Appropriation	\$281,151	\$122,610	\$34,441	\$23,729	\$100,371
Increase to Address FY 2009-10 Over Expenditures	21,940	0	795	21,145	0
Adjustment to Fund Sources for FY 2010-11	<u>0</u>	<u>(51,166)</u>	<u>27,205</u>	<u>23,961</u>	<u>0</u>
Adjusted Appropriation	303,091	71,444	62,441	68,835	100,371
<u>Capitol Complex Leased Space</u>					
Existing Appropriation	\$547,414	\$107,019	\$50,417	\$120,103	\$269,875
Adjustment to Fund Sources for FY 2010-11	<u>0</u>	<u>2,656</u>	<u>44,224</u>	<u>(46,880)</u>	<u>0</u>
Adjusted Appropriation	547,414	109,675	94,641	73,223	269,875
Total Recommended Adjustments	21,940	(48,510)	72,224	(1,774)	0

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2010-11

DEPARTMENT OF EDUCATION

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

**Prepared By:
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January 18, 2011**

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**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE OF CONTENTS

	Narrative Page	Numbers Page
Department's 1/14/11 Request Concerning School Finance-related Appropriations (<i>includes budget balancing options</i>)	1	34
 Prioritized Supplementals in Department-Assigned Order		
Early Supplemental #1 - School Finance - General Fund Reduction and ARRA Proportionality (<i>includes budget balancing option</i>)	13	35
Department Supplemental #1 - Spending Authority for the GED Self-funded Program	20	36
Department Supplemental #2 - Address State Charter School Institute FY 2009-10 Over Expenditure	22	N.A.
Department Supplemental #4 - Broadband Technology Opportunities Program (BTOP) Grant Funding	24	36
 Non-prioritized Supplementals		
JBC Staff-initiated Supplemental #1 - Spending Authority for Start Smart Program	26	37
JBC Staff-initiated Supplemental #2 - Technical Corrections to Line Item Names and Letter Notation for the Colorado School for the Deaf and the Blind	28	N.A.
Previously Approved Interim Supplemental #1 - Contingency Reserve to Assist School Districts with Cash Flow (<i>includes budget balancing option</i>)	29	38
Previously Approved Interim Supplemental #2 - Spending Authority for Average Daily Attendance Study	30	38

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Statewide One Percent Across the Board General Fund Personal Services Reduction	31	39
Statewide Common Policy Supplemental Requests	32	40
Totals for All Supplementals	N.A.	40

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Department's 1/14/11 Request
Concerning School Finance-related Appropriations**

	Request*	Recommendation
Total	<u>\$22,943,108</u>	<u>\$22,943,108</u>
General Fund	22,947,568	0
Cash Funds - State Education Fund	(4,460)	(4,460)
Cash Funds - State Public School Fund	0	22,947,568

* The Department's request reflects the above changes to appropriations, consistent with current law. However, **the request also includes the following statement: "Due to State budget constraints, the Department recommends that his supplemental request not be funded."**

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
The Department and staff agree that this supplemental is the result of <i>data that was not available when the original appropriation was made.</i>	

This request requires separate legislation.

Department Request: The Department requests two line item adjustments related to the School Finance Act. First, the Department requests an increase of \$22,947,568 General Fund to increase the State's share of funding for school districts' "total program" funding (*i.e.*, the total amount of state and local funding pursuant to the school finance act formula). This increase is requested to offset a shortfall in local tax revenues available for school finance, consistent with current law (and specifically H.B. 10-1369). Second, the Department requests a \$4,460 reduction in the cash funds appropriation from the State Education Fund for "Hold-harmless Full-day Kindergarten Funding". This reduction is requested to better reflect anticipated expenditures.

However, as noted above, the request also includes the following statement: "Due to State budget constraints, the Department recommends that his supplemental request not be funded."

Staff Recommendation: Staff recommends increasing state funding for districts' total program funding as required under current law. However, staff recommends appropriating the additional funds from the State Public School Fund rather than the General Fund. In addition, staff recommends that the Committee introduce a companion bill to make some technical adjustments to the School Finance Act that are consistent with the requested level of funding.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Please note that staff has offered the Committee two budget balancing options, including the Department's suggestion of not increasing funding as recommended by staff, beginning on page 12.

Staff Analysis:

Background Information. While the applicable inflation rate is known at the time the Long Bill appropriation for school finance is established (and thus the required increase in base per pupil funding is known), other data that affects funding for public school finance are not known. Specifically, the initial appropriation is based on estimates of the funded pupil count, the number of at-risk students, available local tax revenues, and certain sources of state revenues. Subsequently:

- school districts conduct a student count (on or near October 1);
- county assessors certify to the Department of Education the total valuation for assessment of all taxable property (by August 25) and the State Board of Equalization certifies assessors' abstracts of assessments (by December 20); and
- school district boards, with the assistance of the Department, certify to the board of county commissioners and inform the county treasurer of the district's mill levy for school finance (by December 15).

By early January within the fiscal year, this data has been collected by school districts and compiled by the Department of Education. Pursuant to Section 22-54-106 (4) (b), C.R.S., the Department is required to submit a request for a supplemental appropriation in an amount that will fully fund the state share of districts' total program funding. If existing appropriations are insufficient and the General Assembly does not provide additional funds, or a supplemental appropriation is made to reduce existing appropriations, the Department is required to reduce state aid for each school district and each Institute charter school on a pro rata basis [see Section 22-54-106 (4) (c), C.R.S.]. Table A provides a history of supplemental appropriations for school finance since the existing School Finance Act was enacted, as well as the mid-year adjustment required to fully fund the existing statutory formula for FY 2010-11.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE A: History of Mid-Year Appropriation Adjustments for School Finance /a				
Fiscal Year	Total State Share Appropriation Made in Session Preceding Fiscal Year	Mid-year Adjustments		Final Appropriation
		Dollars	% Change	
FY 1994-95	\$1,442,667,337	(\$15,087,733)	-1.0%	\$1,427,579,604
FY 1995-96	1,528,611,353	(2,341,892)	-0.2%	1,526,269,461
FY 1996-97	1,646,300,014	1,404,276	0.1%	1,647,704,290
FY 1997-98	1,730,007,374	(4,414,173)	-0.3%	1,725,593,201
FY 1998-99	1,855,911,414	(5,065,406)	-0.3%	1,850,846,008
FY 1999-00	1,941,784,338	(11,649,747)	-0.6%	1,930,134,591
FY 2000-01	2,056,039,525	(7,965,651)	-0.4%	2,048,073,874
FY 2001-02	2,221,879,782	8,156,453	0.4%	2,230,036,235
FY 2002-03	2,455,147,022	29,395,541	1.2%	2,484,542,563
FY 2003-04	2,604,731,215	22,342,837	0.9%	2,627,074,052
FY 2004-05	2,732,460,144	11,444,662	0.4%	2,743,904,806
FY 2005-06	2,838,429,178	32,800,098	1.2%	2,871,229,276
FY 2006-07	3,040,302,744	20,866,091	0.7%	3,061,168,835
FY 2007-08	3,266,328,775	(113,617,998)	-3.5%	3,152,710,777
FY 2008-09 b/	3,393,363,222	(418,016)	0.0%	3,392,945,206
FY 2009-10 c/	3,696,288,785	(177,332,868)	-4.8%	3,518,955,917
FY 2010-11 (change required under existing law to offset shortfall in local share)	3,399,817,396	22,947,568	0.7%	3,422,764,964

a/ Amounts include additional state aid related to locally negotiated business incentive agreements, and exclude appropriations to transfer moneys from the General Fund to the State Education Fund.

b/ In FY 2008-09 the General Assembly did not approve a \$26.3 million supplemental request to fully fund the existing statutory total program funding formula. The General Assembly passed legislation (S.B. 09-215) to adjust base per pupil funding for FY 2008-09, eliminating the additional \$19.72 per pupil that was not constitutionally required, thereby reducing total program funding by \$20.0 million. Ultimately, the Department was required to rescind \$5,777,656.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

c/ The 2009 school finance bill (S.B. 09-256) included a provision requiring school districts and the State Charter School Institute to create and budget an amount in FY 2009-10, equivalent to about 1.9 percent of total program funding (a total of \$110 million statewide), to a fiscal emergency restricted reserve. The act allowed districts to spend the moneys in the reserve beginning January 29, 2010, unless the General Assembly reduced state appropriations for school finance prior to that date. The General Assembly subsequently reduced state appropriations by \$177 million, including a reduction of \$110 million as contemplated in S.B. 09-256, as well as a reduction of \$67 million to reflect higher than anticipated local revenues. This mid-year adjustment did not add \$19.8 million to fund a higher than anticipated number of funded pupils and at-risk pupils. Thus, the Department was required to rescind a total of \$129,813,999.

The Department has provided information indicating that the FY 2010-11 appropriation of *state* funds should be increased by \$22.9 million (0.7 percent) based on the existing statutory formula. This mid-year increase is primarily due to lower than anticipated local revenues. Table E, beginning on page 8, summarizes the changes in various components that affect the amount of state funding required for FY 2010-11. Each major change is described in detail below.

Total Funding Need for FY 2010-11, Based on Current Law

Funded Pupil Count. The actual funded pupil count is higher than anticipated. The original appropriations were based on an estimated funded pupil count of 797,438; the Department indicates that the actual funded pupil count is 798,677 -- 1,238 FTE (0.2 percent) higher than anticipated. As indicated in Table B, this is a relatively small mid-year adjustment. Typically, an increase in the funded pupil count would increase districts' total program funding. **However**, pursuant to H.B. 10-1369, it appears that the General Assembly intends to maintain districts' total program funding at the level that was used as the basis for the initial FY 2010-11 appropriation. Thus, **the Department has not requested, nor is staff recommending, any additional state funding based on the higher than anticipated pupil count.**

TABLE B: Comparison of Estimated and Final Funded Pupil Counts				
Fiscal Year	Estimate for Initial Appropriation	Mid-Year Adjustment		Estimate for Final Appropriation
		Funded Pupils	Percent Change	
FY 2001-02	705,782.3	1,435.7	0.2%	707,218.0
FY 2002-03	715,793.4	1,955.3	0.3%	717,748.7
FY 2003-04	725,360.6	(2,130.6)	-0.3%	723,230.0
FY 2004-05	728,575.3	841.2	0.1%	729,416.5
FY 2005-06	738,014.1	3,389.2	0.5%	741,403.3
FY 2006-07	750,306.8	3,031.2	0.4%	753,338.0

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE B: Comparison of Estimated and Final Funded Pupil Counts				
Fiscal Year	Estimate for Initial Appropriation	Mid-Year Adjustment		Estimate for Final Appropriation
		Funded Pupils	Percent Change	
FY 2007-08	768,416.3	(7,499.0)	-1.0%	760,917.3
FY 2008-09	776,017.0	2,118.9	0.3%	778,135.9
FY 2009-10	788,648.3	2,118.9	0.3%	789,511.1
FY 2010-11	797,438.5	1,238.1	0.2%	798,676.6

Per Pupil Funding. The number of students considered "at-risk" under the School Finance formula¹ is higher than anticipated. Specifically, the number of at-risk students increased by 17,430 (6.5 percent), compared to a projected increase of 8,522 (3.2 percent). Typically, a higher number of at-risk students results in a higher statewide average per pupil funding amount. Again **however**, pursuant to H.B. 10-1369, it appears that the General Assembly intends to maintain districts' total program funding at the level that was used as the basis for the initial FY 2010-11 appropriation. Thus, **the Department has not requested, nor is staff recommending, any additional state funding based on the higher than anticipated at-risk pupil count.**

Without an increase in state funds, statewide average per pupil funding will decrease by \$10.44 (0.2 percent) due to the higher than anticipated number of students and at-risk students. The magnitude of this mid-year change is fairly typical, as indicated in Table C.

TABLE C: Comparison of Estimated and Final Statewide Average Per Pupil Funding				
Fiscal Year	Estimate for Initial Appropriation	Mid-Year Adjustment		Estimate for Final Appropriation
		Per Pupil Funding	Percent Change	
FY 2001-02	\$5,449.97	\$3.06	0.1%	\$5,453.03
FY 2002-03	\$5,782.95	\$11.26	0.2%	\$5,794.21
FY 2003-04	\$5,930.26	\$12.90	0.2%	\$5,943.16

¹ Districts receive additional funding based on the number and concentration of students eligible for free meals under the federal school lunch program and the number of English language learners.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE C: Comparison of Estimated and Final Statewide Average Per Pupil Funding				
Fiscal Year	Estimate for Initial Appropriation	Mid-Year Adjustment		Estimate for Final Appropriation
		Per Pupil Funding	Percent Change	
FY 2004-05	\$6,066.50	\$7.31	0.1%	\$6,073.81
FY 2005-06	\$6,163.99	\$3.44	0.1%	\$6,167.43
FY 2006-07	\$6,375.68	(\$16.76)	-0.3%	\$6,358.92
FY 2007-08	\$6,658.37	\$2.66	0.0%	\$6,661.03
FY 2008-09	\$6,904.49	(\$22.58)	-0.3%	\$6,881.91
FY 2009-10 (prior to mid-year recision)	\$7,225.40	\$16.28	0.2%	\$7,241.68
FY 2010-11 (change if total program funding remains unchanged) a, b/	\$6,821.71	(\$10.44)	-0.2%	\$6,811.27

a/ Please note that the Statewide Average Per Pupil Funding amounts for FY 2010-11 reflect total program funding after the application of the state budget stabilization factor reduction and they exclude property tax revenues that certain districts will be required to spend on categorical programs.

b/ The Final Statewide Average Per Pupil Funding amount for FY 2010-11 assumes that the General Assembly will increase the appropriation of state funds by \$22,947,568 to offset the shortfall in local revenues. If this request is not approved, the mid-year adjustment will be larger.

State Funding Need for FY 2010-11, Based on Current Law

If the amount of available local tax revenues matched the estimates used to determine the FY 2010-11 appropriation, the state share of funding could remain unchanged pursuant to H.B. 10-1369. However, **actual local tax revenues are \$22.8 million lower than projected last May.** Specifically, property tax revenues are \$10.0 million (0.5 percent) lower than projected, and specific ownership taxes² are

² Vehicle registration taxes are collected by counties and shared with school districts. Pursuant to Section 22-54-106 (1) (a) (I), C.R.S., each district's local share of funding for total program includes a portion of these district "specific ownership tax revenues" -- specifically, that portion that was collected for the previous budget year that is attributable to all property tax levies made by the school district, except those levies made for the purpose of satisfying bonded indebtedness obligations (both principal and interest) and those authorized pursuant to voter approval to raise and expend additional ("override") property tax revenues in excess of the district's total program [see Section 22-54-103 (11), C.R.S.]. Total specific ownership tax revenues are directly related to the number and taxable value of vehicles. The portion of these revenues that count toward the local share of total program funding is impacted by school districts' general fund mill levies

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

\$12.8 million (8.5 percent) lower than projected. Table D provides a history of mid-year adjustments related to local tax revenues.

TABLE D: Comparison of Estimated and Final <i>Local</i> Share of Funding				
Fiscal Year	Estimate for Initial Appropriation	Mid-Year Adjustment		Estimate for Final Appropriation
		Local Funding	Percent Change	
FY 2001-02	\$1,629,630,908	\$1,833,498	0.1%	\$1,631,464,406
FY 2002-03	1,686,085,389	(10,006,172)	-0.6%	1,676,079,217
FY 2003-04	1,699,224,722	(25,647,702)	-1.5%	1,673,577,020
FY 2004-05	1,689,777,616	(1,149,886)	-0.1%	1,688,627,730
FY 2005-06	1,711,822,927	(9,357,746)	-0.5%	1,702,465,181
FY 2006-07	1,744,552,387	(14,398,874)	-0.8%	1,730,153,513
FY 2007-08	1,850,072,036	65,707,519	3.6%	1,915,779,555
FY 2008-09	1,965,055,671	(9,186,989)	-0.5%	1,955,868,682
FY 2009-10	2,002,007,038	66,609,048	3.3%	2,068,616,086
FY 2010-11 a/	2,040,075,596	(22,839,848)	-1.1%	2,017,235,748

Thus, existing appropriations of state funds are \$22.8 million lower than the amount required to maintain districts' total program funding at the level that was used as the basis for the initial FY 2010-11 appropriation.

In addition to the \$22.8 million described above, the Department's request includes another \$107,720 state funds. Under current law, school districts are required to set their property tax mill levies based on the total program funding formula, prior to the application of the state budget stabilization factor. If a district's local tax revenues exceed its adjusted total program funding (i.e., after the application of the state budget stabilization factor), the additional revenues are required to be spent on categorical

in relation to other school district mill levies, as well as other local mill levies.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

programs³, up to the amount of state funding the district would otherwise be eligible to receive for categorical programs. This is called "categorical buyout". This mechanism is designed to reduce total program funding for those districts that receive little or no state aid by the same proportion as that of other districts. However, if the amount of state aid a district receives plus the total amount of its categorical buyout exceed the amount of the reduction that results from the application of the state budget stabilization factor, the district's funding will be reduced by a lesser percentage than other districts.

Under the current school finance formula, the state budget stabilization factor will increase based on the higher than anticipated increases in the numbers of students and at-risk students (increasing from -6.3 percent to -6.5 percent). **The Department's request includes an additional \$107,720 state funds to ensure that other districts are not required to absorb the additional mid-year reduction that would have been sustained by those districts that receive little or no state funding for school finance.** Staff's recommendation includes this requested increase.

Summary of Changes for FY 2010-11

Table E summarizes the above-described changes in the funded pupil count, total program funding, and the state and local shares of such funding based on the statutory formula and the Department's request.

TABLE E: Changes to School Finance Based on Actual Enrollment and Local Revenues				
School Finance: Total Program	FY 09-10 Actual	FY 10-11		
		Data Used for Initial Appropriation	Data Related to Revised Appropriation	Mid-year Change
Funded Pupil Count	789,496.6	797,438.5	798,676.7	1,238.2
<i>Annual Percent Change</i>	<i>1.5%</i>	<i>1.0%</i>	<i>1.2%</i>	
Statewide <u>Base</u> Per Pupil Funding	\$5,507.68	\$5,529.71	\$5,529.71	
<i>Annual Percent Change</i>	<i>4.9%</i>	<i>0.4%</i>	<i>0.4%</i>	

³ These programs include: special education programs for both children with disabilities and gifted/talented children, English language proficiency programs, transportation, career/technical education programs, and small attendance center aid.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE E: Changes to School Finance Based on Actual Enrollment and Local Revenues				
School Finance: Total Program	FY 09-10 Actual	FY 10-11		
		Data Used for Initial Appropriation	Data Related to Revised Appropriation	Mid-year Change
Total Program Funding PRIOR TO FY 09-10 Recision or FY 10-11 State Budget Stabilization Factor (SBSF)	\$5,717,292,423	\$5,806,792,365	\$5,822,814,150	\$16,021,785
LESS: Recision/ SBSF Reduction	(\$129,527,120)	(\$365,411,313)	(\$381,211,101)	(\$15,799,788)
<i>Recision/ SBSF as Percent of Total Program</i>	-2.3%	-6.3%	-6.5%	
LESS: Portion of local revenues that districts must spend on categorical programs	n/a	(\$1,488,060)	(\$1,602,337)	(\$114,277)
EQUALS: Adjusted Total Program Funding	\$5,587,765,303	\$5,439,892,992	\$5,440,000,712	\$107,720
<i>Annual Percent Change</i>	2.7%	-2.6%	-2.6%	
Statewide Average Per Pupil Funding (for adjusted total program funding)	\$7,077.63	\$6,821.71	\$6,811.27	(\$10.44)
<i>Annual Percent Change</i>	3.0%	-3.6%	-3.8%	
<u>Local Share</u> of Districts' Total Program Funding	<u>\$2,068,895,672</u>	<u>\$2,040,075,596</u>	<u>\$2,017,235,748</u>	<u>(\$22,839,848)</u>
Property Tax Revenue	\$1,920,473,157	\$1,889,426,743	\$1,879,407,871	(\$10,018,872)
Specific Ownership Tax Revenue	\$148,422,515	\$150,648,853	\$137,827,877	(\$12,820,976)
<i>Annual Percent Change on Total</i>	5.8%	-1.4%	-2.5%	
<u>State Share</u> of Districts' Total Program Funding	<u>\$3,518,869,631</u>	<u>\$3,399,817,396</u>	<u>\$3,422,764,964</u>	<u>\$22,947,568</u>
<i>Annual Percent Change</i>	3.7%	-3.4%	-2.7%	
<i>State Share as Percent of Districts' Total Program</i>	63.0%	62.5%	62.9%	

Staff Recommendation: Staff recommends increasing the appropriation for the State Share of Districts' Total Program Funding by \$22.9 million. Rather than appropriating this amount from the General Fund, staff recommends increasing the appropriation from the State Public School Fund, as detailed in the following Table F and described below.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE F: Recommended Adjustments to FY 2010-11 Appropriations for School Finance			
Fund Source	Initial Appropriation	Recommended Appropriation	Recommended Adjustments
General Fund	\$3,013,683,712	\$3,013,683,712	\$0
Cash Funds: State Education Fund	284,307,808	284,307,808	0
Cash Funds: State Public School Fund	<u>101,825,876</u>	<u>124,773,444</u>	<u>22,947,568</u>
Total State Funds	3,399,817,396	3,422,764,964	22,947,568

Staff recommends increasing the appropriation from the State Public School Fund by \$22,947,568. The initial appropriation from this fund was based on projected revenues. The fund balance at the end of FY 2009-10 was \$20.8 million higher than anticipated, primarily due to three revenue sources:

- *Federal Mineral Lease Revenues:* Federal mineral lease revenues credited to the State Public School Fund in FY 2009-10 were higher than anticipated (\$56.6 million compared to \$47.1 million).
- *State Public School Lands Revenues (S.B. 09-260 and S.B. 10-150):* The Joint Budget Committee introduced, and the General Assembly passed, two acts to temporarily direct certain state public school lands moneys to the State Public School Fund, rather than the Public School “Permanent” Fund. This transfer has been authorized for FY 2008-09 through FY 2010-11. The revenues made available for appropriation as a result were higher than anticipated in FY 2009-10 (\$43.4 million compared to \$37.0 million).
- *Audit Recoveries:* The Department may recover funds from school districts as a result of financial audits. In FY 2009-10, the Department received \$5.8 million from school districts pursuant to these audits.

Finally, staff recommends that the Committee introduce a companion bill to make the following technical adjustments to the School Finance Act that are consistent with the requested level of funding:

- *Mid-year adjustments to State Budget Stabilization Factor.* House Bill 10-1369 added a provision to the School Finance Act [see Section 22-54-104 (5) (g), C.R.S.] that affects both FY 2010-11 and FY 2011-12. This provision requires the Department to reduce total program funding for all school districts and Institute charter schools through the application of a state budget stabilization factor. This provision then requires the Department and the staff of the Legislative Council to recalculate this factor mid-year based on actual pupil enrollment and

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

local tax revenues. However, the current language is confusing, appearing to establish a total program dollar amount that is both a floor and a ceiling (emphasis added):

"...for the 2010-11 and 2011-12 budget years, the department of education and the staff of the legislative council shall determine, based on budget projections, the amount of such reduction to ensure that the sum of the total program funding for all districts, including the funding for institute charter schools, for the 2010-11 and 2011-12 budget years is not less than [\$5,438,295,823]... except that the department of education and the staff of the legislative council shall make mid-year revisions to replace projections with actual figures including, but not limited to, actual pupil enrollment, assessed valuations, and specific ownership tax revenue from the prior year, to determine any necessary changes in the amount of the reduction to ensure that the total program funding for each of the 2010-11 and 2011-12 budget years does not exceed [\$5,438,295,823]..."

Staff recommends that the Committee amend this section to clarify that the intent is to maintain total program funding at the level that served as the basis for the appropriation in the prior legislative session (make this change applicable to both FY 2010-11 and FY 2011-12).

Staff also recommends eliminating language that compares the total program figure (shown in brackets above) **to the initial estimate for total program funding for FY 2009-10** (this is the \$260 million figure that was referenced last Session). Staff believes that this reference creates confusion and does not provide a meaningful comparison.

Finally, staff requests permission to work with staff from the Department of Education, the Governor's office, and the Legislative Council to draft this legislation for the Committee's final approval.

- *Supplemental Kindergarten Enrollment definition.* Current law [Section 22-54-103 (15), C.R.S.] specifies that districts may count kindergarten students as 0.58 FTE for FY 2008-09 and FY 2009-10, but it is silent for FY 2010-11. The appropriation for FY 2010-11 is based on districts continuing to receive 58 percent of per pupil revenues for each kindergarten student. **Staff thus recommends that the Committee amend this section to specify that this factor is 0.58 FTE for FY 2010-11 and each budget year thereafter.** This change will clarify the basis for funding in FY 2010-11, and it will provide clear direction for the Committee and the Department for FY 2011-12 and future fiscal years. If and when the General Assembly wishes to change this factor, it can be amended through a separate bill.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Staff Analysis Related to Hold-harmless Full-day Kindergarten Funding:

Background Information. Under current law [Section 22-28-104 (2) (a) (III), C.R.S.], a total of 20,160 half-day preschool slots are authorized for the Colorado Preschool Program (CPP) for FY 2010-11. Pursuant to H.B. 08-1388, CPP slots can no longer be used to provide full-day kindergarten. For those districts that had previously elected to use CPP slots to provide full-day kindergarten, this act included a "hold harmless" provision. Thus, these districts currently receive 0.58 FTE funding for all kindergarten students, plus an additional amount of per pupil funding (0.42 FTE) based on the number of kindergarten students previously served through CPP.

Reason for Request. Consistent with its request related to the State Share line item, the Department has requested a small reduction in the appropriation for this program based on actual student enrollment data and the resulting changes in districts' per pupil funding amounts. **Staff recommends approving the request to better reflect anticipated program expenditures.**

Please note that staff reviewed several other line item appropriations related to school finance to determine whether additional mid-year adjustments are appropriate. If the Committee approves staff's recommendation, the statewide average per pupil funding amount will decrease by \$10.44 (0.2 percent) compared to the initial estimate. This change, in turn, affects funding for several related line item appropriations including the following:

Department of Education

- Small Attendance Center Aid
- Facility School Funding
- Facility Schools Unit and Facility Schools Board
- Colorado School for the Deaf and the Blind, Personal Services

Department of Human Services

- Mental Health and Alcohol and Drug Abuse Services, Mental Health Institutes

Given the minimal impact of the decrease statewide average per pupil funding amount, staff is not recommending any changes to the above line item appropriations for FY 2010-11.

BUDGET BALANCING OPTIONS

The Committee could consider two options related to school finance to help balance the budget in FY 2010-11 and/or FY 2011-12:

- **Add only a portion or none of the additional funds as recommended by staff for FY 2010-11 (\$22,947,568 from the State Public School Fund).** This would require the state budget

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

stabilization factor to be even larger in FY 2010-11 (an increase from 6.5 percent up to 6.9 percent), and require school districts and the State Charter School Institute schools to either use more of their reserves in FY 2010-11, or make even larger reductions in expenditures in the current school year. The General Assembly would need to amend current law to reduce the "floor" for total program funding to \$5,417,053,144 – at least for FY 2010-11. This would, however, leave more money available in the State Public School Fund for appropriation for FY 2011-12. This would, in turn, mitigate the need to make further reductions in total program funding in FY 2011-12, and/or reduce the amount of General Fund required for school finance for FY 2011-12.

- **Use a portion or all of the \$22.9 million in the State Public School Fund that is recommended by staff to reduce General Fund appropriations for FY 2010-11.** This would have the same effect on school districts in FY 2010-11 as described for the above option. In addition, it would likely require even greater reductions in funding for school finance in FY 2011-12.

Please note that if the Committee ultimately chooses to approve a school finance appropriation for FY 2010-11 that is different than the level recommended by staff, the appropriation for Hold-harmless Full-day Kindergarten Funding (and potentially other school finance-related appropriations) will need to be reduced accordingly. In addition, the adjustments described in the next supplemental request will need to be adjusted accordingly (but such adjustments could be designed to be General Fund-neutral).

Prioritized Supplementals

Early Supplemental Request #1

School Finance - General Fund Reduction and ARRA Proportionality

Department of Education	Request	Recommendation
Total	<u>(\$292,666)</u>	<u>\$0</u>
General Fund	(219,528,715)	(216,355,384)
Cash Funds (State Education Fund)	(292,666)	0
Federal Funds	219,528,715	216,355,384

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Department of Higher Education	Request	Recommendation
Total	<u>\$60,644,975</u>	<u>\$57,599,798</u>
General Fund	63,197,164	60,023,833
Reappropriated Funds	60,644,975	57,599,798
Federal Funds	(63,197,164)	(60,023,833)

Statewide Totals	Request	Recommendation
Total	<u>\$60,352,309</u>	<u>\$57,599,798</u>
General Fund	(156,331,551)	(156,331,551)
Cash Funds	(292,666)	0
Reappropriated Funds	60,644,975	57,599,798
Federal Funds	156,331,551	156,331,551

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
The early supplemental request did not identify an applicable criteria. Staff would classify the request as the result of <i>data that was not available when the original appropriation was made</i> .	

This request requires separate legislation.

Department Request: The Department requests four adjustments to FY 2010-11 appropriations, which would result in General Fund savings totaling \$156.3 million:

- Add a line item to the FY 2010-11 Long Bill to reflect \$156.3 million in federal funds that will be available to school districts and the State Charter School Institute through the Education Jobs Fund Program;
- Reduce the General Fund appropriation for the State's Share of Districts' Total Program Funding for FY 2010-11 by \$156.3 million;
- Shift \$63.2 million of federal State Fiscal Stabilization Fund moneys from the Department of Higher Education to the Department of Education as required by federal law (based on a comparison of FY 2010-11 and FY 2008-09 funding levels for each department); and
- Hold higher education institutions "harmless" by shifting \$63.2 million General Fund from the Department of Education to the Department of Higher Education.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Staff Recommendation: Staff recommends approving the request, including the introduction of a companion bill to establish a lower total program funding floor for FY 2010-11, with two adjustments. First, based on staff's previous recommendation, staff recommends shifting only \$60.0 million federal funds from the Department of Higher Education to the Department of Education, and only \$60.0 million General Fund from the Department of Education to the Department of Higher Education. Second, staff recommends that the companion bill state the General Assembly's intent that various distributions and allocations that are tied to per pupil revenues (e.g., facility school funding) be calculated based on per pupil revenues before the decrease in state funding based on the availability of federal funds.

Staff Analysis:

Background Information - State Fiscal Stabilization Funds. Through the federal American Recovery and Reinvestment Act of 2009 (ARRA), Colorado received more than \$620 million in federal State Fiscal Stabilization Fund moneys. These moneys were intended to be passed through to local education agencies (either K-12 or higher education) in order to stimulate the economy, create jobs, and improve student achievement. These funds were further intended to "restore state support" to previous levels. To date, all of these funds have been allocated to higher education institutions, including \$150 million in FY 2008-09, \$382 million in FY 2009-10, and the remaining \$89 million in FY 2010-11. These funds must be expended prior to September 30, 2011.

Federal law requires that states allocate these moneys proportionally between K-12 and higher education based on the relative shortfall in state funding relative to FY 2008-09 appropriations. Based on existing FY 2010-11 appropriations, state appropriations for K-12 are \$6.9 million higher than FY 2008-09 levels, so no shortfall exists; state appropriations for higher education are \$150.7 million lower than in FY 2008-09. Thus, all of these ARRA moneys have been allocated to higher education.

Background Information - Education Jobs Fund Program. In August 2010, the President signed into law a new federal program that provides \$10 billion in assistance to states to save or create education jobs for the 2010-11 school year [Public Law No. 111-226]. The amount allocated to each state was based on both total population and the number of individuals between the ages of five to 24. Colorado's total allocation was \$159,521,991. Of this amount, \$3,190,441 (2.0 percent) may be used for state-level administration. Thus, on August 16, 2010, the Department notified all school districts and the State Charter School Institute of their shares of this federal grant – a total of \$156,331,551. These moneys must be expended prior to September 30, 2012.

The Governor decided to distribute the State's share of these funds based on the School Finance Act formula, rather than using the allocation of federal Title I funding (the two allowable options). The Department notified school districts that the allocation of these moneys would be adjusted mid-year

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

based on actual data concerning student enrollment and local tax revenues. Local education agencies have the sole discretion for the use of these funds, as long as they comply with related federal requirements.

Request. The Governor's October 2010 budget balancing proposal includes a multi-part proposal:

K-12 Funding Shift (\$156.3 million reduction in General Fund appropriations): **Reflect, for informational purposes, the \$156.3 million in federal moneys** that are available to school districts and the State Charter School Institute in the FY 2010-11 Long Bill. **Reduce the General Fund appropriation for the State Share of Districts Total Program Funding for FY 2010-11 by \$156.3 million.**

Shift of ARRA Moneys from Higher Education to K-12 (\$0 net change in General Fund appropriations): The proposed \$156.3 million funding shift would reduce state appropriations for K-12 below FY 2008-09 levels. Thus, ARRA would require the remaining \$89 million in State Fiscal Stabilization Fund (SFSF) moneys to be allocated proportionally between K-12 and higher education based on the relative shortfall in state funding when compared to FY 2008-09 appropriations. Based on existing appropriations, less \$156.3 million as described above, the Governor would need to **shift \$63.2 million of federal SFSF moneys from the Department of Higher Education to the Department of Education.** The Governor thus proposes reflecting this change in both department's FY 2010-11 Long Bill appropriations.

In addition, **hold higher education institutions "harmless" by shifting \$63.2 million General Fund from the Department of Education to the Department of Higher Education.**

Statutory Changes to School Finance Act: The Department indicates that while these federal funds will be allocated based on the school finance formula, these funds cannot be considered part of districts' total program funding. Thus, **the School Finance Act will need to be amended to specify a lower total program funding "floor" for FY 2010-11.** Specifically, the Department proposes replacing existing references to \$5,438,295,823 with \$5,221,852,337, in order to reflect only the lower level of state funding that would be paid out through the school finance formula.

Hold-harmless Full-day Kindergarten Funding: **Reduce the cash funds appropriation from the State Education Fund for Hold-harmless Full-day Kindergarten Funding by \$292,666.** Funding for this program is linked to the level of per pupil revenues as calculated through the school finance formula. Thus, if total program funding is established at a lower level, expenditures for this program will also be lower.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

The following table summarizes the proposed adjustments to FY 2010-11 appropriations for both departments.

Summary of Proposed Adjustments	Total	General Fund	Cash Funds	Reappr. Funds	Federal Funds
<u>Department of Education</u>					
State Share of Districts' Total Program Funding	(\$219,528,715)	(\$219,528,715)	\$0	\$0	\$0
Hold-harmless Full-day Kindergarten Funding	(292,666)	0	(292,666)	0	0
Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA [NEW LINE ITEM]	63,197,164	0	0	0	63,197,164
Education Jobs Fund Program [NEW LINE ITEM]	<u>156,331,551</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>156,331,551</u>
Subtotal	(292,666)	(219,528,715)	(292,666)	0	219,528,715
<u>Department of Higher Education</u>					
College Opportunity Fund Program, Fee-for-service Contracts with State Institutions	\$60,644,975	\$60,644,975	\$0	\$0	\$0
Various Governing Boards*	0	0	0	60,644,975	(60,644,975)
Local District Junior College Grants*	0	1,437,941	0	0	(1,437,941)
Division of Occupational Education, Area Vocational School Support*	<u>0</u>	<u>1,114,248</u>	<u>0</u>	<u>0</u>	<u>(1,114,248)</u>
Subtotal	60,644,975	63,197,164	0	60,644,975	(63,197,164)
Total	60,352,309	(156,331,551)	(292,666)	60,644,975	156,331,551

* The proposed allocation among the various governing boards, local district junior colleges, and area vocation schools is proportional based on the amount of federal SFSF moneys currently reflected in the FY 2010-11 Long Bill.

***Staff Recommendation.* Staff recommends approving the request, including introducing a bill to implement necessary statutory changes, with two adjustments. First, consistent with staff's recommendation for the previous request, shift a smaller amount of federal SFSF moneys (\$60,023,833) between the two departments. Second, as described more fully below, staff does not recommend reducing the appropriation for Hold-harmless Full-day Kindergarten based on this proposal.**

To implement this proposal, the Committee will need to introduce legislation to amend the School Finance Act. Specifically, the total program "floor" established through H.B. 10-1369 will need to be replaced with a lower number that is consistent with the lower level of state funding that would be paid

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

out through the school finance formula (including both the adjustments in this proposal as well as the previous supplemental request). This lower level of total program funding will, in turn, reduce districts' per pupil revenues. Several line item appropriations, distributions, and allocations are tied to per pupil revenues under current law, including the following:

- Hold-harmless Full-day Kindergarten Funding
- Small Attendance Center Aid
- Facility School Funding (and related transfers to the School for the Deaf and the Blind and the Mental Health Institutes)
- Per pupil funding for multi-district online programs and the Accelerating Students Through Concurrent Enrollment (ASCENT) Program
- District allocations for the Colorado Preschool Program (when a district contracts for services with one or more private child care providers)
- District allocations to charter schools

The Governor's proposal is intended to essentially maintain existing K-12 and higher education funding levels for FY 2010-11. State funding for school districts and the State Charter School Institute would decrease, but this decrease would be fully offset for every district and the Institute by two sources of federal funds. **Consistent with the overall objective of maintaining existing K-12 funding levels, staff recommends that the Committee's companion bill clarify the General Assembly's intent that related programs, distributions, and allocations be maintained at existing levels as well.**

The following table summarizes the recommended adjustments to FY 2010-11 appropriations for both departments.

Summary of Recommended Adjustments	Total	General Fund	Cash Funds	Reappr. Funds	Federal Funds
<u>Department of Education</u>					
State Share of Districts' Total Program Funding	(\$216,355,384)	(\$216,355,384)	\$0	\$0	\$0
Hold-harmless Full-day Kindergarten Funding	0	0	0	0	0
Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA [NEW LINE ITEM]	60,023,833	0	0	0	60,023,833
Education Jobs Fund Program [NEW LINE ITEM]	<u>156,331,551</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>156,331,551</u>
Subtotal	0	(216,355,384)	0	0	216,355,384

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Summary of Recommended Adjustments	Total	General Fund	Cash Funds	Reappr. Funds	Federal Funds
<u>Department of Higher Education</u>					
College Opportunity Fund Program, Fee-for-service Contracts with State Institutions	\$57,599,798	\$57,599,798	\$0	\$0	\$0
Various Governing Boards*	0	0	0	57,599,798	(57,599,798)
Local District Junior College Grants*	0	1,365,737	0	0	(1,365,737)
Division of Occupational Education, Area Vocational School Support*	<u>0</u>	<u>1,058,298</u>	<u>0</u>	<u>0</u>	<u>(1,058,298)</u>
Subtotal	57,599,798	60,023,833	0	57,599,798	(60,023,833)
Total	57,599,798	(156,331,551)	0	57,599,798	156,331,551

* The recommended allocation among the various governing boards, local district junior colleges, and area vocation schools is proportional based on the amount of federal SFSF moneys currently reflected in the FY 2010-11 Long Bill.

Finally, staff requests permission to work with staff at the Department of Education, the Department of Higher Education, the Governor's Office, and the Legislative Council to: (1) verify that any shift of ARRA SFSF is consistent with federal law; and (2) to draft legislation necessary to implement this proposal and the previous supplemental adjustment.

BUDGET BALANCING OPTION

As stated in the Joint Budget Committee staff document concerning supplemental requests from the Department of Higher Education, dated January 13, 2011, General Fund appropriations for higher education institutions are currently at the minimum level necessary to meet the maintenance of effort requirements of ARRA and any reductions could trigger federal sanctions. However, if SFSF funds are shifted from higher education to K-12 education due to the relative funding shortfalls, there is no federal requirement that the State provide additional state funds to backfill higher education institutions' loss of these federal funds. The Committee could thus choose to appropriate less than \$60.0 million General Fund to the Department of Higher Education, as reflected in staff's recommendation. If the Committee elects to reduce this amount, the Committee would need to decide whether to make such a reduction proportionally among the governing boards, local district junior colleges, and area vocational schools (i.e., based on existing appropriations of ARRA funds), or use another methodology. In addition, staff will need to recalculate the amount of SFSF funds that need to be shifted between the two departments (because the amount is contingent on the level of state funding provided to both departments).

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Supplemental Request, Department Priority #1
Spending Authority for the GED Self-funded Program**

	Request	Recommendation
Total - Cash Funds (GED fees)	\$29,411	\$29,411
FTE	0.4	0.4

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of <i>an unforeseen contingency</i> .	

Department Request: The Department requests a \$29,411 increase in cash funds spending authority and a corresponding 0.4 FTE increase for the GED Program to address a significant workload increase. The Department has submitted a related request to increase the existing appropriation by \$74,997 and 1.0 FTE for FY 2011-12.

Staff Recommendation: Staff recommends approving the request.

Staff Analysis:

Background Information - General Education Development (GED) Program. The Department administer's Colorado's GED Program under an annual contract with the national GED Testing Service of the American Council on Education. Individuals generally take the GED test in order to obtain or maintain employment, to enter the military, or to enroll in a higher education institution or a technical/trade program. The State GED Administrator currently oversees 54 testing centers, and 102 addendum sites. These test centers and addendum sites operate independently under the auspices of a host facility, such as a community college, library, correctional facility, or other adult education-related organization. These centers and sites currently employ 161 certified chief examiners, plus additional staff to operate the centers.

The Department's administration of the GED Program is supported entirely by fees paid by individuals, including: \$1.00 of each test administration fee paid to testing centers; a document duplication fee of \$15.00 for a diploma or transcript; and an age verification fee of \$5.00, when necessary. The existing appropriation (\$103,442 cash funds) supports the salary, benefits, and operating expenses associated with 1.5 FTE, including:

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

- an office records manager (1.0 FTE) who manages walk-in business; responds to mail, phone, and fax inquiries; fulfills transcript and diploma requests; and performs associated accounting duties; and
- a program administrator (0.5 FTE) who is responsible for complying with requirements of the annual contract with the GED Testing Service, including maintaining proper set-up, management, training, certification, and monitoring of all chief examiners and staff at each testing site. [The other half of this person's compensation is currently supported through Adult Education and Family Literacy Act federal funds.]

Reason for the Request. The number of residents tested annually has increased substantially in recent years. Specifically, from 2007 to 2009, the number of individuals taking the GED test increased from 14,667 to 17,203 (an increase of 2,536 or 17.3 percent). As of last December the Department was projecting that more than 21,000 individuals would take the GED test in 2010. In addition, since 2007, the number of GED testing sites has increased from 106 to 156. This significant growth in the number of sites and the number of test takers has increased the Department's workload, so the Department is seeking an increase in cash funds spending authority and FTE to ensure that it is capable of complying with the requirements of the GED Testing Service and fulfilling its obligations to individuals and testing sites.

The Department plans to increase staffing for the GED Program from 1.5 FTE to 2.5 FTE, including one full-time Program Administrator (a better reflection of the amount of time currently spent administering this program) and 1.5 FTE Administrative Assistant I. For FY 2010-11, the Department requests an increase of \$29,411 cash funds and 0.4 FTE. The Department has submitted a related request to increase the existing appropriation by \$74,997 and 1.0 FTE for FY 2011-12.

Staff Recommendation. Staff recommends approving the request. This program is entirely self-supporting, and approving the Department's request to spend existing fee revenue should ensure that it is capable of complying with the requirements of the GED Testing Service and fulfilling its obligations to individuals and testing sites.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Supplemental Request, Department Priority #2
Address State Charter School Institute FY 2009-10 Over Expenditure**

No fiscal impact

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
The Department submitted this request under the category "technical error which has a substantial effect on the operation of the program". While Department staff may have made technical errors last year, this request is not related to a technical error in calculating the original appropriation. Rather, staff would describe this request as the result of <i>an unforeseen contingency</i> .	

Department Request: The State Charter School Institute is requesting legislative authorization for the State Controller to release state warrants being held due to the over expenditures in FY 2009-10.

Staff Recommendation: Staff recommends approving the request.

Staff Analysis:

Background Information - State Charter School Institute. The State Charter School Institute, an independent agency in the Department of Education, is allowed to authorize "institute charter schools" located within a school district's boundaries under certain circumstances. A nine-member board oversees the operations of the Institute, and the Institute employs staff and contracts for various services. Similar to other public schools, Institute charter schools are funded through the School Finance Act.

Procedurally, the Department withholds a portion of the State Share of Districts' Total Program Funding that corresponds to students enrolled in Institute charter schools from the school district where an Institute charter school is located, and forwards the withheld amount to the Institute. Up to five percent of the amount withheld for Institute charter schools is used for the following purposes:

- the Department is authorized to retain up to 1.0 percent "as reimbursement for the reasonable and necessary costs to the department to implement the provisions of [Part 5 of Title 22, Article 30.5, C.R.S.]"⁴;

⁴ See Section 22-30.5-513 (4) (a) (I), C.R.S.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

- another 1.0 percent is credited to the Institute Charter School Assistance Fund to award grants and interest-free loans to assist Institute charter schools with capital construction needs⁵; and
- the Institute may retain up to 3.0 percent for the Institute's actual administrative overhead costs⁶.

Thus, the Institute's budget is based on the number of students enrolled in Institute charter schools and the per pupil funding for these students. These moneys are credited to the State Charter School Institute Fund. The annual Long Bill includes a single line item cash funds appropriation from this fund to the Institute based on projections of the number of Institute charter schools, enrollment, and per pupil funding. Due to significant increases in both the number of schools and overall enrollment, this appropriation has increased from \$473,087 and 5.0 FTE for FY 2006-07 to \$1,736,338 and 17.5 FTE for FY 2010-11.

Reason for the Request. For FY 2009-10, the General Assembly provided an appropriation of \$1,742,772 reappropriated funds and 16.5 FTE, as requested. While actual expenditures incurred in FY 2009-10 did not exceed this appropriation, they did exceed available revenues and fund balance. These over expenditures primarily occurred in personal services (payroll as well as vacation/sick leave pay outs) and operating expenses. Institute staff failed to restrict their appropriation to ensure that expenditures did not exceed available revenues, and as a result over expenditures were not detected until the end of the fiscal year. The State Charter School Institute Fund thus had a negative fund balance of \$192,246 as of June 30, 2010.

The State Controller is unable to release warrants totaling \$31,829 for 18 outstanding payments to vendors and former employees for goods, services, and travel reimbursements. These warrants cannot be released until the deficit fund balance is addressed. The corresponding expenditures, however, were properly booked to FY 2009-10, and are reflected in the fiscal year-end fund balance.

The Institute board appointed a new Executive Director in February 2010, and financial staff were subsequently replaced. The Institute has taken several steps to control expenditures in FY 2010-11, including: implementing appropriate accounting system controls to prevent over expenditures; performing monthly reconciliations of revenue to expenditures; and reducing budgeted expenditures in all categories (while taking into account increased expenditures related to unemployment claims). Based on these actions, the Institute projects a positive fund balance of \$4,000 at the end of FY 2010-

⁵ See Section 22-30.5-515.5, C.R.S.

⁶ See Section 22-30.5-513 (2) (b), C.R.S.]

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

11 (after the pending warrants are released). The Department is thus requesting legislative authorization for the State Controller to release the FY 2009-10 warrants being held.

Staff Recommendation. Staff recommends approving the request. The Institute has taken actions necessary to eliminate the deficit fund balance by the end of FY 2010-11. If these warrants are not released, impacted vendors may bring claims to the Attorney General for settlement. In order for the General Assembly to authorize the State Controller to release the warrants, staff recommends adding the following language to the letter note associated with the relevant line item appropriation in the FY 2010-11 Long Bill:

"... IN ADDITION TO THE AUTHORITY PROVIDED IN SECTION 24-75-109, C.R.S., FOR FY 2010-11 THE STATE CONTROLLER IS AUTHORIZED TO RELEASE WARRANTS BEING HELD DUE TO THE OVER EXPENDITURE OF THIS APPROPRIATION IN FY 2009-10."

Staff has confirmed the above language with staff at the Controller's office and the Department of Education. Staff at the Office of Legislative Legal Services (OLLS) is in the process of reviewing this language. Staff requests the Committee's permission to amend the above language if so advised by OLLS staff.

**Supplemental Request, Department Priority #4
Broadband Technology Opportunities Program (BTOP) Grant Funding**

	Request	Recommendation
Total	\$1,557,711	\$1,557,711
FTE	<u>2.3</u>	<u>2.3</u>
Cash Funds	279,847	279,847
Federal Funds	1,277,864	1,277,864

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Department Request: The Department requests a new line item appropriation totaling \$1,557,711 to reflect the receipt of a three-year federal grant as well as an associated matching grant. These moneys will be used to expand broadband access to the general public and vulnerable populations. The

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Department's request for FY 2010-11 includes \$1,277,864 federal funds, \$279,847 cash funds, and 2.3 FTE. The Department has also submitted a request to continue this line item for the next two fiscal years, including an appropriation for FY 2011-12 consisting of \$776,186 federal funds, \$443,274 cash funds, and 4.5 FTE.

Staff Recommendation: Staff recommends approving the request.

Staff Analysis: The Colorado State Library recently received a \$2,275,526 federal Broadband Technology Opportunities Program (BTOP) grant from the Department of Commerce to implement public computer centers in 76 under served communities. The Department has also received a matching grant of \$790,000 from the Bill and Melinda Gates Foundation. These grant moneys will be spent over three state fiscal years and will support 4.5 FTE through September 2013. For FY 2010-11, the Department anticipates spending a total of \$1,557,711, including \$1,277,864 federal funds and \$279,847 cash funds. The Department thus requests that a new line item be added to the FY 2010-11 Long Bill to reflect the federal grant for informational purposes and to authorize the Department to spend the matching grant. As the new positions will only be filled for a portion of FY 2010-11, the Department requests that the line item reflect 2.3 FTE.

The State Library has partnered with Native American tribes and the State's neediest libraries to enhance computer access at 76 locations where broadband penetration is low due to poverty and/or geography. The State Library has also partnered with community organizations and state agencies to meet major programmatic needs in computer/Internet skills training, education, workforce development, and access for disabled individuals. Grant funds will be used to replace out-of-date computers, and to add new computers, projectors, screens, headphones, and updated wiring to expand capacity. Grant funds will also pay for marketing materials customized for each library's local market, 4.0 FTE to provide training to library staff and their patrons, and a 0.5 FTE compliance officer to assist libraries in data gathering, procurement, and federal compliance and in submitting required reports to granting authorities. These staff will be hired as at-will, temporary staff for the duration of the grant period.

Staff recommends approving the request to accurately reflect a new federal grant and allow the Department to spend a matching grant.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Non-prioritized Supplementals

**JBC Staff-initiated Supplemental #1
Spending Authority for Start Smart Program**

	Request	Recommendation
Total -	<u>\$0</u>	<u>\$124,229</u>
Cash Funds (existing balance in the Start Smart Nutrition Program Fund)	0	94,229
Reappropriated Funds (authority to spend General Fund that has been credited to the Start Smart Nutrition Program Fund in FY 2010-11)	0	30,000

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
This supplemental is the result of both <i>a technical error</i> and <i>data that was not available when the original appropriation was made</i> .	

Department Request: The Department did not request this supplemental.

Staff Recommendation: Staff recommends increasing the appropriation for the Start Smart Nutrition Program from the Start Smart Nutrition Program Fund by a total of \$124,229, including the authority to spend \$30,000 from the current year General Fund appropriation to the Fund, along with \$94,229 from the balance available in the Fund (from an available fund balance of \$253,547). The additional funds are intended to: (1) address a \$26,019 over expenditure that occurred in FY 2009-10; and (2) eliminate the need for co-payments to be collected from children eligible for and receiving reduced price breakfasts under the federal school lunch program.

Staff Analysis:

Background Information: Senate Bill 07-59 created the Start Smart Nutrition Program to eliminate the amount paid by students participating in the federal school breakfast program who are eligible for reduced-price meals (\$0.30 per meal). Other objectives of the program include increasing the number of students who consume a nutritious breakfast each day, decreasing statewide health care costs by improving the health of school-age children, and lessening students' risk of obesity by providing nutritious breakfast options. This act requires the General Assembly to annually appropriate at least \$700,000, but not more than \$1,500,000, to the newly created Start Smart Nutrition Program Fund for

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

such purpose. Thus, this program requires two duplicative appropriations annually: one to appropriate General Fund moneys into a cash fund, and another to authorize the Department to spend moneys in the cash fund to administer the program. The Department is authorized to spend up to 1.0 percent of moneys appropriated from the Fund to cover associated administrative costs.

Need for Supplemental Appropriation: For the first two years of implementing this program, the Department's expenditures fell short of the cash fund spending authority provided by the General Assembly. Thus, the balance in the Start Smart Nutrition Program Fund increased annually. In FY 2009-10, however, the Department's expenditures exceeded the \$670,000 spending authority by \$26,019. Apparently, program staff did not understand the structure of Long Bill appropriations for this program (described above), and thus believed that the full \$700,000 General Fund that had been appropriated to the Fund in FY 2009-10 was available for expenditure in FY 2009-10. Due to this over expenditure, the State Controller has restricted the FY 2010-11 appropriation from the Start Smart Nutrition Program Fund by \$26,019, thereby reducing spending authority for the program in FY 2010-11 to \$643,981.

Based on continued increases in the number of students eligible for reduced price meals and participating in the school breakfast program, the costs of the program have increased every year. In FY 2010-11, the Department projects expenditures to total \$768,210. Thus, the Department requires a total of \$794,229 spending authority from the Start Smart Nutrition Program Fund in FY 2010-11. If this additional spending authority is not provided, the Department will need to notify school districts that state funds will fall about 16 percent short of the amount needed to subsidize reduced priced meals this school year, and districts will need to notify families that co-payments will be required for reduced price meals for a portion of the school year (probably the last six or seven weeks of the school year).

Staff Recommendation: Last Session, the Joint Budget Committee and the General Assembly were not aware that the appropriation for this program would need to increase in FY 2010-11 if the Program was intended to continue to subsidize reduced price meals throughout the school year. The language in Section 22-82.7-104, C.R.S., implies that the General Assembly intends to appropriate at least \$700,000 and up to \$1.5 million General Fund annually to eliminate the reduced price paid by families for school breakfasts. Thus, staff recommends increasing the appropriation for the Start Smart Nutrition Program from the Start Smart Nutrition Program Fund by a total of \$124,229, including \$30,000 from the current year General Fund appropriation to the Fund, and \$94,229 from the balance available in the Fund (from an available \$253,547).

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

JBC Staff-initiated Supplemental #2

Technical Correction to Line Item Names and Letter Notation for the Colorado School for the Deaf and the Blind

No fiscal impact

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
This supplemental is the result of <i>technical errors in the original appropriation</i> .	

Department Request: The Department did not request this supplemental.

Staff Recommendation: Staff recommends that the Committee approve three technical changes to the FY 2010-11 Long Bill:

- Make the following line item change to correctly reflect the statutory name of a program: "START Smart ~~Start~~ Nutrition Program Fund".
- Implement the following change to a line item name, as approved by the Joint Budget Committee last Spring: "~~Charter School Capital Construction~~ STATE AID FOR CHARTER SCHOOL FACILITIES".
- Correct a letter notation describing the sources of reappropriated funds that support the operations of the Colorado School for the Deaf and the Blind, as follows:

"^a Of this amount, \$1,362,690 shall be transferred from the Assistance to Public Schools, ~~Public School Finance, State Share of Districts' Total Program Funding~~ GRANT PROGRAMS, DISTRIBUTIONS, AND OTHER ASSISTANCE, FACILITY SCHOOLS, FACILITY SCHOOL FUNDING line item; \$149,842 shall be transferred from various line items in the Assistance to Public Schools, Categorical Programs section; \$83,254 shall be from federal Medicaid funds transferred from the Department of Health Care Policy and Financing pursuant to the S.B. 97-101 Public School Health Services program; and \$35,000 shall be transferred from federal Child Nutrition Act funds appropriated in the Assistance to Public Schools, Grant Programs, Distributions, and Other Assistance, Other Assistance, Appropriated Sponsored Programs line item."

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Previously Approved Interim Supplemental #1
Contingency Reserve to Assist School Districts with Cash Flow**

Previously Approved	
Total - General Fund	\$2,946,551

Description of Supplemental: On September 20, 2010, the Joint Budget Committee partially approved a Department request for a \$3,423,383 General Fund appropriation to the Contingency Reserve Fund to provide assistance to school districts experiencing temporary cash flow deficits in the absence of the State Treasurer's Interest Free Cash Flow Loan Program. The Cash Flow Loan Program was suspended pending the outcome of Amendment 61 in November. [Further information about this loan program, Amendment 61, and the Contingency Reserve Fund, see the original staff write-up concerning this request, dated September 20, 2010.] The following table provides the detail related to the anticipated needs of the six school districts for whom the Department requested funding.

County - School District	Amount of Anticipated Cash Flow Deficit Through November 2010
Gunnison - Gunnison	\$1,872,982
Routt - South Routt	665,000
Teller - Cripple Creek	401,867
Grand - East Grand	249,864
Custer - Westcliffe	163,670
Eagle - Eagle *	<u>70,000</u>
Total Request	3,423,383

* Eagle School District planned to issue \$15 million in tax anticipation notes (TANs) on a short term basis to alleviate the anticipated cash flow deficit through December 2010, pending the outcome of Amendment 61. This request included funds to reimburse the district for the underwriting costs (\$50,000) and interest (\$20,000) associated with the TANs.

The State Board of Education would approve payments to the above districts from the Contingency Reserve Fund, a fund that is intended to be used by the Board to provide supplemental assistance to districts determined to be in need. The five districts other than Eagle would be required to repay the loans prior to December 31, 2010 if Amendment 61 failed; the payment to Eagle would be classified as a grant to cover the district's costs associated with issuing tax anticipation notes.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

The Joint Budget Committee approved a staff recommendation to appropriate \$2,946,551 General Fund to the Contingency Reserve Fund, and to require the Department to use existing moneys in the Fund to cover the balance of the anticipated need.

The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves. Staff will include this supplemental in the Department's supplemental bill.

Update/ BUDGET BALANCING OPTION: The Department has provided more recent data indicating that only \$1,635,000 of the \$3.4 million originally estimated to be needed will be spent. Of this amount, \$1,565,000 has been paid out to three districts (Gunnison, South Routt, and Cripple Creek); these districts will repay these amounts by June 2011. The Department anticipates reimbursing the Eagle school district for the underwriting and interest expenses associated with the tax anticipation notes once expenditure documentation is submitted by the district. Thus, staff estimates that \$3,853,383 will be available in the Contingency Reserve Fund balance at the end of FY 2010-11⁷.

The Joint Budget Committee could consider transferring a portion or all of this fund balance back to the General Fund to help address the revenue shortfall for FY 2010-11 or FY 2011-12. If the Committee chooses to introduce legislation to make such a transfer, staff recommends that the Committee consider leaving a reasonable amount of money available in the Fund (\$1,000,000) to allow the State Board of Education to meet any emergency needs of school districts that might arise in the near term. Thus, staff would recommend transferring no more than \$2,853,383 to the General Fund.

**Previously Approved Interim Supplemental #2
Spending Authority for Average Daily Attendance Study**

Previously Approved	
Total - Cash Funds (Gifts, grants and donations credited to the Average Daily Membership Fund)	\$52,000

⁷ This calculation is based on the following: a beginning fund balance of \$1,476,832; ultimate approval of the \$2,946,551 appropriation to the Contingency Reserve Fund; districts' full repayment of the \$1,565,000 paid out to three school districts last Fall; a \$70,000 payment to Eagle school district; and the transfers totaling \$500,000 from the Contingency Reserve Fund to the Great Teachers and Leaders Fund as authorized by S.B. 10-191.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Description of Supplemental: On September 20, 2010, the Joint Budget Committee approved a Department request for \$52,000 in cash funds spending authority out of the Average Daily Membership Study Fund to conduct the study required by S.B. 10-008. This Fund consists of gifts, grants, and donations.

Senate Bill 10-008 requires the Department to contract with a "private or private nonprofit Colorado-based education policy or research organization" for a study to evaluate the feasibility, design, and local education provider impact of a system to determine pupil enrollment based on the average number of days that each pupil is enrolled in school during the school year rather than a single count date. However, the Department was only required to contract for the study if it received gifts, grants, or donations in an amount necessary to cover the costs of the study and the associated direct and indirect costs. The Department was required to award the contract no later than 60 days after the date it received moneys to conduct the study. The Department is required to submit a report summarizing the findings and recommendations from the study to the Governor, the State Board of Education, and the Education Committees.

By September 2010 the Department had received \$32,500 to conduct the study, and it anticipated receiving the full \$52,000 that was estimated to be required to conduct the study. Thus, the Committee approved an appropriation that authorizes the Department to spend the full \$52,000 if it becomes available. If gifts, grants, and donations fall short of the \$52,000 estimate, the Controller is only statutorily allowed to authorize spending up to the amount received.

The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves. Staff will include this supplemental in the Department's supplemental bill.

Statewide One Percent Across the Board General Fund Personal Services Reduction

FY 2010-11	Request
Total - General Fund	(\$146,317)

Department Request: The Department requests a one percent reduction to the General Fund portion of its personal services appropriations for FY 2010-11. The following table details the request:

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

One Percent Across the Board General Fund Personal Services Reduction			
Division, Line Item	Total	General Fund	FTE
(1) Management and Administration			
(A) Administration and Centrally-Appropriated Line Items			
State Board of Education	(\$1,812)	(\$1,812)	0.0
General Department and Program Administration	(19,482)	(19,482)	0.0
(B) Information Technology			
Information Technology Services	(6,298)	(6,298)	0.0
School Accountability Reports and State Data Reporting System	(6,307)	(6,307)	0.0
(C) Assessments and Data Analysis			
Longitudinal Analyses of Student Assessment Results	(2,715)	(2,715)	0.0
(2) Assistance to Public Schools			
(C) Grant Programs, Distributions, and Other Assistance			
Federal Nutrition Programs	(743)	(743)	0.0
(3) Library Programs			
Administration	(6,412)	(6,412)	0.0
(4) School for the Deaf and the Blind			
Personal Services	(91,918)	(91,918)	0.0
Early Intervention Services	(10,630)	(10,630)	0.0
Total	(146,317)	(146,317)	0.0

Staff Recommendation: The staff recommendation for this request is pending Committee approval of common policy supplementals. **Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves common policy supplementals.** If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

**DEPARTMENT OF EDUCATION
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Department's Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Annual Fleet Vehicle Replacement	(\$1,112)	(\$1,112)	\$0	\$0	\$0	0.0
Printing of Statewide Warrants and Mainframe Documents	2,056	2,056	0	0	0	0.0
Department's Total Statewide Supplemental Requests	944	944	0	0	0	0.0

Staff Recommendation: The staff recommendation for these requests is pending Committee approval of common policy supplementals. **Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves common policy supplementals.** If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF EDUCATION					
Interim Commissioner - Robert Hammond					
Department's 1/14/11 Request Concerning School Finance-related Appropriations					
<i>(2) Assistance to Public Schools</i>					
<i>(A) Public School Finance</i>					
State Share of Districts' Total Program Funding	<u>3,518,869,631</u>	<u>3,399,817,396</u>	<u>22,947,568</u>	<u>22,947,568</u>	<u>3,422,764,964</u>
General Fund (including General Fund Exempt Account)	3,076,191,636	3,013,683,712	22,947,568	0	3,013,683,712
Cash Funds	442,677,995	386,133,684	0	22,947,568	409,081,252
<i>CF - State Education Fund (included above)</i>	<i>339,578,055</i>	<i>284,307,808</i>	<i>0</i>	<i>0</i>	<i>284,307,808</i>
<i>CF - State Public School Fund (included above)</i>	<i>103,099,940</i>	<i>101,825,876</i>	<i>0</i>	<i>22,947,568</i>	<i>124,773,444</i>
Hold-harmless Full-day Kindergarten Funding - CF (SEF)	7,698,050	7,268,854	(4,460)	(4,460)	7,268,854
Total for 1/14/11 Supplemental	<u>3,526,567,681</u>	<u>3,407,086,250</u>	<u>22,943,108</u>	<u>22,943,108</u>	<u>3,430,033,818</u>
General Fund	3,076,191,636	3,013,683,712	22,947,568	0	3,013,683,712
Cash Funds	450,376,045	393,402,538	(4,460)	22,943,108	416,350,106

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Early Supplemental #1 - School Finance - General Fund Reduction and ARRA Proportionality					
<i>(2) Assistance to Public Schools</i>					
<i>(A) Public School Finance</i>					
State Share of Districts' Total Program Funding	<u>3,518,869,631</u>	<u>3,399,817,396</u>	<u>(219,528,715)</u>	<u>(216,355,384)</u>	<u>3,183,462,012</u>
General Fund (including General Fund Exempt Account)	3,076,191,636	3,013,683,712	(219,528,715)	(216,355,384)	2,797,328,328
Cash Funds	442,677,995	386,133,684	0	0	386,133,684
Hold-harmless Full-day Kindergarten Funding - CF (SEF)	7,698,050	7,268,854	(292,666)	0	7,268,854
Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA [NEW LINE ITEM] - FF	N.A.	N.A.	63,197,164	60,023,833	60,023,833
Education Jobs Fund Program [NEW LINE ITEM] - FF	N.A.	N.A.	156,331,551	156,331,551	156,331,551
Total for Early Supplemental #1	<u>3,518,869,631</u>	<u>3,399,817,396</u>	<u>(292,666)</u>	<u>0</u>	<u>3,407,086,250</u>
General Fund	3,076,191,636	3,013,683,712	(219,528,715)	(216,355,384)	2,797,328,328
Cash Funds	442,677,995	386,133,684	(292,666)	0	393,402,538
Federal Funds	0	0	219,528,715	216,355,384	216,355,384

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #1 - Spending Authority for the GED Self-funded Program					
<i>(1) Management and Administration</i>					
<i>(A) Administration and Centrally-Appropriated Line Items</i>					
General Department and Program					
Administration	3,552,289	3,728,582	29,411	29,411	3,757,993
FTE	<u>35.2</u>	<u>48.0</u>	<u>0.4</u>	<u>0.4</u>	<u>48.4</u>
General Fund	2,160,169	2,112,245	0	0	2,112,245
Cash Funds	92,233	93,572	29,411	29,411	122,983
Reappropriated Funds	1,299,887	1,522,765	0	0	1,522,765
Supplemental #4 - Broadband Technology Opportunities Program (BTOP) Grant Funding					
<i>(3) Library Programs</i>					
Broadband Technology Opportunities					
Program [NEW LINE ITEM]	N.A.	N.A.	1,557,711	1,557,711	1,557,711
FTE			<u>2.3</u>	<u>2.3</u>	<u>2.3</u>
Cash Funds			279,847	279,847	279,847
Federal Funds			1,277,864	1,277,864	1,277,864

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
JBC Staff Initiated Supplemental #1 - Spending Authority for Start Smart Program					
<i>(2) Assistance to Public Schools</i>					
<i>(C) Grant Programs, Distributions, and Other Assistance</i>					
<i>(I) Health and Nutrition</i>					
Start Smart Nutrition Program Fund - GF	700,000	700,000	0	0	700,000
Start Smart Nutrition Program	<u>696,019</u>	<u>670,000</u>	<u>0</u>	<u>124,229</u>	<u>794,229</u>
Cash Funds (existing balance in the Start Smart Nutrition Program Fund)	26,019	0	0	94,229	94,229
Reappropriated Funds (authority to spend the General Fund that has been credited to the Start Smart Nutrition Program Fund for FY 2010-11)	670,000	670,000	0	30,000	700,000

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Previously Approved Interim Supplemental					
#1 - Contingency Reserve to Assist School					
Districts with Cash Flow					
<i>(2) Assistance to Public Schools</i>					
<i>(C) Grant Programs, Distributions, and Other Assistance</i>					
<i>(VII) Other Assistance</i>					
Contingency Reserve Fund	<u>130,152</u>	<u>500,000</u>	<u>3,423,383</u>	<u>2,946,551</u>	<u>3,446,551</u>
General Fund	0	0	3,423,383	2,946,551	2,946,551
Cash Funds	130,152	500,000	0	0	500,000
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Previously Approved Interim Supplemental					
#2 - Spending Authority for Average Daily					
Attendance Study					
<i>(2) Assistance to Public Schools</i>					
<i>(A) Public School Finance</i>					
Administration	1,432,753	1,494,503	52,000	52,000	1,546,503
FTE	<u>18.0</u>	<u>18.5</u>	<u>0.0</u>	<u>0.0</u>	<u>18.5</u>
General Fund	0	0	0	0	0
Cash Funds	0	20,729	52,000	52,000	72,729
FTE	0.0	0.2	0.0	0.0	0.2
Reappropriated Funds	1,432,753	1,473,774	0	0	1,473,774
FTE	18.0	18.3	0.0	0.0	18.3

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Totals Excluding Pending Items					
DEPARTMENT OF EDUCATION					
TOTALS for ALL Departmental line items	4,401,416,703	4,338,711,337	27,712,947	27,653,010	4,366,364,347
FTE	<u>516.5</u>	<u>553.0</u>	<u>2.7</u>	<u>2.7</u>	<u>555.7</u>
General Fund (including General Fund Exempt Account)	3,237,228,662	3,176,663,441	(193,157,764)	(213,408,833)	2,963,254,608
Cash Funds	615,679,956	569,464,505	64,132	23,398,595	592,863,100
Reappropriated Funds	16,446,648	22,732,752	0	30,000	22,762,752
Federal Funds	532,061,437	569,850,639	220,806,579	217,633,248	787,483,887
Non-Prioritized Supplemental Request					
Statewide One Percent Across the Board General Fund Personal Services Reduction					
(see narrative for more detail)					
Total - Various Line Items	<u>N.A.</u>	127,077,916	(146,317)	<u>Pending</u>	<u>N.A.</u>
FTE		<u>242.0</u>	<u>0.0</u>		
General Fund		16,042,752	(146,317)		
Cash Funds		342,795	0		
Reappropriated Funds		2,149,911	0		
Federal Funds		108,542,458	0		

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Statewide Common Policy Supplemental Requests (see narrative for more detail)	<u>N.A.</u>	<u>N.A.</u>	<u>944</u>	<u>Pending</u>	<u>N.A.</u>
General Fund			944		
Cash Funds			0		
Reappropriated Funds			0		
Federal Funds			0		
Totals Including Pending Items					
DEPARTMENT OF EDUCATION					
TOTALS for ALL Departmental line items	4,401,416,703	4,338,711,337	27,567,574	27,653,010	4,366,364,347
FTE	<u>516.5</u>	<u>553.0</u>	<u>2.7</u>	<u>2.7</u>	<u>555.7</u>
General Fund (including General Fund Exempt Account)	3,237,228,662	3,176,663,441	(193,303,137)	(213,408,833)	2,963,254,608
Cash Funds	615,679,956	569,464,505	64,132	23,398,595	592,863,100
Reappropriated Funds	16,446,648	22,732,752	0	30,000	22,762,752
Federal Funds	532,061,437	569,850,639	220,806,579	217,633,248	787,483,887
Key:					
"N.A." = Not Applicable or Not Available					