

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**SUPPLEMENTAL REQUESTS FOR FY 2008-09
AND FY 2007-08**

DEPARTMENT OF EDUCATION

**(Management & Administration / Assistance to Public Schools - Grant Programs,
Distributions, & Other Assistance - *except Capital Construction Programs & Facility
Schools / Library Programs / School for the Deaf & Blind*)**

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

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February 2, 2009**

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Prioritized Supplementals

**Supplemental Request, Department Priority #3
 Request for appropriation to implement H.B. 08-1344**

	Request	Recommendation
Cash Funds	\$63,137	\$63,137
FTE	0.8	0.9

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>a technical error when drafting the bill.</i>	

Department Request: The Department requests \$63,137 cash funds and 0.8 FTE to develop and implement new procedures and processes to provide criminal history information for education employees, pursuant to H.B. 08-1344. Of the amount requested, \$16,898 is for 225 hours of legal services provided by the Department of Law. All costs in the request have been annualized to reflect the assumption that funds will be made available April 1, 2009, for the remaining quarter of the fiscal year. The requested appropriation to implement the bill in out-years is \$217,793 cash funds and 3.0 FTE.

Staff Analysis: House Bill 08-1344 requires the Department to provide criminal history information for education employees however, the bill did not include an appropriations clause enabling the Department to implement the provisions of the bill.

House Bill 08-1344 emerged from the Senate Appropriations Committee on April 29, 2008 in a form that had no fiscal impact, and thus the bill did not include an appropriation clause. On the Senate Floor, the Senate rejected the amendments adopted in Senate Appropriations (declared lost on April 29, 2008), and instead adopted an amendment offered by the bill sponsor (amendment L.026). By rejecting the amendments adopted in Senate Appropriations, the full Senate restored the fiscal impact of the bill. However, this bill was not then referred back to the Senate Appropriations Committee, and the Legislative Council Staff fiscal note was not revised to reflect the amended bill until after the conclusion of the legislative session. Thus, *no appropriations clause was added* to the bill to correspond to the changes adopted by the Senate. The House accepted the bill, as amended by the Senate, and it eventually became law.

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The estimated fiscal impact of the bill as delineated in the Legislative Council Staff Final Fiscal Note dated August 5, 2008, identifies \$211,643 cash funds and 3.5 FTE to implement the provisions of the legislation in FY 2008-09 and \$182,178 in FY 2009-10. The fiscal note also identifies \$64,827 reappropriated funds and 0.5 FTE to the Department of Law, for legal services, for both fiscal years to implement the bill. State revenue is from increased fees charged for educator licensing and is attributable to the Educator Licensing Cash Fund. The Department's supplemental request is in keeping with the estimated fiscal impact of the bill as delineated in the fiscal note.

Staff Recommendation: Staff recommends that the Committee approve the Department's request for an increase in cash funds spending authority of \$63,137 and 0.8 FTE to the Department, for FY 2008-09 to implement the provisions of H.B. 08-1344. Of this amount, \$16,868 reappropriated funds and 0.1 FTE are appropriated to the Department of Law, for legal services, in FY 2008-09 to implement the bill. This appropriation is consistent with the estimated fiscal impact of the bill as delineated in the Legislative Council Staff Final Fiscal Note dated August 5, 2008.

**Supplemental Request, Department Priority #4
 Colorado School for the Deaf and Blind utility rate increase**

	Request	Recommendation
General Fund	\$32,962	\$29,666

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 Colorado School for the Deaf and Blind (CSDB) is requesting an increase of \$32,962 General Fund for FY 2008-09 due to increasing water and wastewater services rates, effective February 1, 2009.

Staff Analysis: The CSDB maintains 17 buildings on its 37 acre campus which range in age from 7 to 103 years of age, with an average age of 71 years. Colorado Springs Utilities, the supplier of water and wastewater services for the school, announced its intention to increase its rates on December 9, 2008. These rates were approved by Colorado Springs City Council on January 27, 2009, with new base rates will going into effect on February 1, 2009. According to the CSDB, rates for water and wastewater services will increase 43.8 percent.

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Upon reviewing the CSDB's utility usage in FY 2007-08 and FY 2008-09 year-to-date data, staff recognized a trend indicating a significant increase in water utilization the five summer months of May through September. Staff learned that the marked increase in water consumption was the result of the school's water sprinkler system, noting that hot, dry, and windy weather requires increases in water utilization to maintain the health of its grassy areas. For comparison, staff looked at water consumption in February when school is in session and when the weather is cold (i.e., no watering of school grounds) and water consumption in July, when school is out of session and the temperatures are very high and the humidity is low, thus requiring more volume to water the school's grounds. In February 2008, the school utilized 81,800 gallons and in July the school utilized 326,400 gallons, a 300 percent increase in water usage. Water consumption during the five summer months of May through September account for 74.7 percent of the School's total consumption for the full year.

Staff asked the following of the CSDB related to water consumption: (1) has the School has taken any measures to reduce water utilization; (2) looked at installing low-consumptive ground cover or xeriscaping using native plant species, (3) whether the CSDB had looked for free or reduced labor or planning assistance from local organizations, the Department of Corrections, or Colorado State University's Cooperative Services; and (4) has the School considered implementing programs at the school related to agriculture, water management, and the like pertinent to Colorado's arid high plains environment.

The CSDB responded by indicating that due to the school's vulnerable student population, the School must be very careful about who is allowed on its campus, eliminating possible assistance from certain organizations, and in particular could not pursue assistance from the Department of Corrections, however the School did indicate that they would seek assistance from the Colorado State University's Cooperative Services.

The School has performed analysis on the possibility of xeriscaping areas on the campus but due to the initial costs of installing these types of grounds, they can not move forward. They have found on average the cost to xeriscape runs approximately \$2.00 to \$2.50 per square foot with an average payback of four to six years. Estimates for xeriscaping parts of the School's campus range from approximately \$1.1 to \$1.3 million.

The School did contract with McKinstry, a construction consulting firm, which reviewed the utilization of all utilities on campus and has offered some preliminary recommendations to assist with reducing costs for water use related to irrigation. They have suggested redesigning the sprinkler computer control system to factor in wind and recent rainfall to eliminate wasteful watering. They have also recommended the installation of sub-meters on irrigation lines which measures actual usage, thus enabling the School to reduce some wastewater fees. The initial cost of these investments is \$36,250, with a payback period of 15 years.

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The Department did not respond to staff's inquiry about instituting programs for students related to agriculture and water management.

It is worth noting that Decision Item #5 in the FY 2009-10 budget request, is for an increase of \$106,558 General Fund to the CSDB due to increasing rates on natural gas, electricity, and water/sewage services in FY 2009-10. The request includes a 5.9 percent efficiency reduction of \$35,519 from the projected actual costs of the rate increases that the School will be required to absorb through cost-avoidance measures.

Staff Recommendation: Due the unforeseen and rather dramatic increases in rates related to water and wastewater services provided to the CSDB, staff recognizes the need for an additional appropriation to fund these changes. However, staff has reservations about recommending funding the full amount requested by the Department given the budgetary difficulty of the State due to insufficient revenues in the current fiscal year and due to the significant increase in water utilization in the summer months when students are not in residence at the School. Given these circumstances, staff requests guidance from the Joint Budget Committee related to this request and has suggested three options which the JBC could consider related to an appropriate appropriation to the CSDB for the water and wastewater utility rate increase.

Option	Description
1	<i>Fully fund</i> the Department's request to increase the CSDB's Utilities line item by \$32,962 General Fund for FY 2008-09.
2	<i>Partially fund</i> the Department's request by <u>reducing the requested increase by 10 percent</u> , thus increasing the CSDB's Utilities line item by \$29,666 General Fund for FY 2008-09. Staff recommends this option. This recommendation requires the School absorb \$3,296 through cost-avoidance measures.
3	<i>Partially fund</i> the Department's request by <u>reducing the requested increase by a percentage determined by the JBC</u> , thus increasing the CSDB's Utilities line item by a commensurate General Fund amount for FY 2008-09. For your reference, a reduction of: 5% = \$1,648; 15% = \$4,944; 20% = \$6,592; 25% = \$8,241; or other. This option would require the School to absorb the decreased level of funding through cost-avoidance measures.

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Supplemental Request, Department Priority #5

Increase the reappropriated funds spending authority for the State Charter School Institute to allow the Institute to forward available grant moneys to individual Institute charter schools

	Request	Recommendation
Reappropriated Funds	\$435,690	\$227,333

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>new data</i> resulting in substantial changes in funding needs.	

Department Request: The Department requests an increase of \$1,517,252 reappropriated funds spending authority provided to the Other Transfers to Institute Charter Schools line item to allow the State Charter School Institute (SCSI) to forward available grant moneys to its charter schools. The Department has indicated that the requested increase in spending authority was necessitated by increases in Exceptional Children’s Education Act (ECEA) and State Counselor Corps Grant moneys awarded to the SCSI's schools. It is important to note that of the requested amount, \$1,082,000 of additional spending authority was provided to the Institute through the interim supplemental process and was authorized by the JBC on September 22, 2008. *Thus, the request is for a realized increase of \$435,252 cash funds spending authority.*

Staff Analysis: The "Other Transfers to Institute Charter Schools" line item provides spending authority to the Institute to forward categorical funding, grants, and other distributions, as appropriate, to individual Institute charter schools. The current appropriation for this line item is \$2,304,000 reappropriated funds. The SCSI has indicated that its schools have been awarded an additional \$20,533 in additional grants related to the Exceptional Children’s Education Act (ECEA), and an additional \$206,800 in additional grants related to the High School Counselor Program. The table below outlines the amount of moneys appropriated to the Other Transfers to Institute Charter Schools line item in FY 2008-09 (including the interim supplemental request, authorized by the JBC on September 22, 2008), the supplemental request, and the variance between the requested amount and the appropriated amount.

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State Charter School Institute, Other Transfers to Institute Charter Schools: Recommended Funding Adjustments for FY 2008-09			
Description	Appropriated Funding Level¹	Requested Funding	Increase/ (Decrease)
<u>Transfers from categorical programs:</u>			
Special Education - Children with Disabilities	\$337,335	\$357,868	\$20,533
English Language Proficiency Program	50,936	50,936	0
Public School Transportation	192,085	192,085	0
Special Education - Gifted and Talented Children	<u>40,046</u>	<u>40,046</u>	<u>0</u>
<i>Subtotal - Transfers from categorical funding</i>	620,402	640,935	20,533
<u>Other grants and distributions:</u>			
Charter School Capital Construction (per H.B. 08-1388)	\$900,000	\$900,000	\$0
Kindergarten Capital Construction (per H.B. 08-1388)	517,718	517,718	0
High School Counselor Program (per H.B. 08-1370)	244,200	451,000	206,800
Smart Start Nutrition Program	17,643	17,643	0
State Match for School Lunch Program	<u>4,037</u>	<u>4,037</u>	<u>0</u>
<i>Subtotal - Other grants and distributions</i>	1,683,598	1,890,398	206,800
Total: Other transfers to Institute schools	\$2,304,000	\$2,531,333	\$227,333

¹ Includes \$1,082,000 of additional spending authority authorized by the JBC on September 22, 2008.

Staff Recommendation: Staff recommends that the Committee approve an increase of \$227,333 reappropriated funds spending authority provided to the "Other Transfers to Institute Charter Schools" line item to allow the State Charter School Institute to forward available grant moneys to its charter schools, for a total spending authority of \$2,531,333. The requested spending authority is necessary given the necessity to provide spending authority to the Institute to distribute any awarded grant moneys in a timely fashion.

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**Supplemental Request, Department Priority #12
 Suspend teacher quality recruitment and retention program**

	Request	Recommendation
Cash Funds - State Education Fund	(\$1,156,997)	(\$1,156,997)

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 the *suspension* of the Teacher Quality Recruitment Program, resulting in a one time reduction of \$1,156,997 cash funds. This program is funded with moneys from the State Education Fund, pursuant to H.B. 08-1384. The Department intends to fully fund this line item in FY 2009-10.

Staff Analysis: The Teacher Quality Recruitment Program provides stipends to teachers who achieve National Board for Professional Teaching Standards certification. The current appropriation was based on the estimated number of certified teachers and a preset stipend which could be raised based on a teacher working in a low-performing school. Estimated number of National Board Certified teachers in Colorado for FY 2008-09 is 403 with each teacher receiving a stipend of \$16,000 with an additional \$3,200 for working in a low-performing school. The Department has not expended any moneys related to the program in the current year, thus making available the reduction of its full appropriation.

The Teacher Quality Recruitment Program is funded with moneys from the State Education Fund. Thus, by reducing the appropriation to this program from this funding source, additional moneys from the State Education Fund are available to offset qualifying education programs currently funded with General Fund.

Staff Recommendation: Staff recommends the Committee approve the Department's request to reduce the cash funds appropriation to the Teacher Quality Recruitment Program by \$1,156,997 for FY 2008-09.

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**Supplemental Request, Department Priority #13
 Suspend alternative teacher compensation plan grants**

	Request	Recommendation
Cash Funds - State Education Fund	(\$1,000,000)	(\$1,000,000)

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
JBC staff and the Department agree that this request is the result of <i>an unforeseen contingency</i> .	

Department Request: The Department requests the *suspension* of the Alternative Teacher Compensation Plan, resulting in a one time reduction of \$1.0 million cash funds. This program is funded with moneys from the State Education Fund, pursuant to H.B. 08-1388 (School Finance Act). The Department intends to fully fund this line item in FY 2009-10.

Staff Analysis: The Alternative Teacher Compensation Plan program provides seed money through a competitive grant program for districts to create plans which can serve as a mechanism for rewarding teaching excellence and encouraging creative and innovative approaches to helping Colorado improve the academic performance of all students and meet its education goals the include, but are not limited to, decreasing the dropout rate, closing the achievement gap, and increasing the number of post-secondary degrees and certificates awarded to Colorado students. The Department has not expended any moneys related to the program in the current year, thus making available the reduction of its full appropriation.

The Alternative Teacher Compensation Plan program is funded with moneys from the State Education Fund. Thus, by reducing the appropriation to this program from this funding source, additional moneys from the State Education Fund are available to offset qualifying education programs currently funded with General Fund.

Staff Recommendation: Staff recommends the Committee approve the Department's request to reduce the cash funds appropriation to the Alternative Teacher Compensation Plan program by \$1.0 million for FY 2008-09.

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**Supplemental Request, Department Priority #14
 Suspend summer school grant program**

	Request	Recommendation
Cash Funds - State Education Fund	(\$972,895)	(\$972,895)

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 the *suspension* of the Summer School Grant Program, resulting in a one time reduction of \$972,895 cash funds. This program is funded with moneys from the State Education Fund, pursuant to H.B. 06-1375. The Department intends to fully fund this line item in FY 2009-10.

Staff Analysis: The Summer School Grant Program provides grants for districts to operate summer school programs for students entering the 4th through 8th grades who received an unsatisfactory score on the reading, writing, or math portion of the Colorado student assessment program in the preceding academic year. As of January 30, 2009, the Department has committed \$27,105 to administer the program in the current year.

The Summer School Grant Program is funded with moneys from the State Education Fund. Thus, by reducing the appropriation to this program from this funding source, additional moneys from the State Education Fund are available to offset qualifying education programs currently funded with General Fund.

Staff Recommendation: Staff recommends the Committee approve the Department's request to reduce the cash funds appropriation to the Summer School Grant Program by \$972,895 for FY 2008-09.

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**Supplemental Request, Department Priority #16
 Eliminate STEM after-school education pilot program**

	Request	Recommendation
Cash Funds - State Education Fund	(\$300,000)	(\$300,000)

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
JBC staff and the Department agree that this request is the result of <i>an unforeseen contingency</i> .	

Department Request: The Department requests that funding for the science, technology, engineering, and math (STEM) after-school pilot program be *eliminated*. This program received a one-time appropriation of \$300,000 from the State Education Fund, pursuant to H.B. 08-1388 (School Finance Act).

Staff Analysis: House Bill 07-1243 bill created the STEM After-school Grant Program in the Colorado Office of Economic Development, Office of the Governor. STEM programs are educational activities and competitions that focus on science, technology, engineering, and mathematics after regular school hours. To be eligible for a grant, a STEM provider must submit an application describing the program activities and other qualifications. The director of the Office of Economic Development chooses grant recipients based on criteria outlined by the bill. In general, these criteria address the experience of the provider, the types of program benefits, and the student populations impacted by the program.

The bill creating the program established that funding for the grants would be exclusively from gifts, grants, and donations. However, the 2008 School Finance Act provided a one-time appropriation of \$300,000 cash funds from the State Education Fund to CDE for transfer to the Office of Economic Development and International Trade (OEDIT) to administer the program, pursuant to Section 24-48.5-109 (4), C.R.S. In addition, the bill provided that the program qualifies as accountable education reform and may therefore receive funding from the State Education Fund. The Department has not expended any moneys related to the program in the current year, thus making available the reduction of its full appropriation.

The STEM After-school Grant Program is funded with moneys from the State Education Fund. Thus, by reducing the appropriation to this program from this funding source, additional moneys from the State Education Fund are available to offset qualifying education programs currently funded with General Fund.

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Staff Recommendation: Staff recommends the Committee approve the Department's request to reduce the cash funds appropriation to the STEM After-school Grant Program by \$300,000 for FY 2008-09.

**Supplemental Request, Department Priority #17
 Suspend science and technology center grant program**

	Request	Recommendation
Cash Funds - State Education Fund	(\$300,000)	(\$300,000)

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
JBC staff and the Department agree that this request is the result of <i>an unforeseen contingency</i> .	

Department Request: The Department requests the *suspension* of the Science and Technology Center Grant Program, resulting in a one time reduction of \$300,000 cash funds. This program is funded with moneys from the State Education Fund, pursuant to H.B. 08-1375 (Long Bill).

Staff Analysis: House Bill 01-1365 created the Science and Technology Education Center Grant Program to provide start-up and operating moneys to science and technology education centers. Science and technology education is defined as educational activities that stimulate learning through space flight simulations or through simulations related to astronomy or space exploration. The State Board of Education specifies the amount to be awarded and annually awards one or more science and technology education center grants to selected applying centers for the development and operation of science and technology education centers. The bill caps the amounts that may be awarded at \$500,000 for start-up costs and \$200,000 for operating costs. Start-up grants are for one fiscal year and may not be renewed. Operating cost grants are for one year, but may be renewed for subsequent fiscal years.

The program was initially appropriated \$1.4 million out of moneys in the State Education Fund to the Science and Technology Education Fund for the Department of Education. In the first year of the program, the State Board of Education awarded \$500,000 each to two Centers for start-up costs: the Colorado Consortium of Earth and Space Science Education in Colorado Springs and the Denver Museum of Nature and Science. The Board also awarded another \$186,000 to the Colorado Springs Center for operating costs. The balance remaining in the Science and Technology Education Fund was transferred back to the State Education Fund on March 3, 2003. Funding for the program was not re-established until FY 2008-09 through the Long Bill (H.B. 08-1375) with an appropriation of

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\$300,000 from the State Education Fund to the Science and Technology Education Fund and a corresponding cash fund appropriation providing spending authority from this fund.

In the Long Bill, in the Assistance to Public Schools, Grant Programs - Distributions - Other, Professional Development and Instructional sub-section, there are two line items related to the Science and Technology Center Grant Program. The first line item (Science and Technology Education Fund) provides a transfer of State Education Fund moneys to the Science and Technology Education Fund. The second line item provides spending authority for the Department to use moneys in this fund for grant awards. The supplemental request from the Department is to reduce the cash funds appropriation, but maintain its \$300,000 reappropriated funds spending authority out of the cash fund. The Department has not expended any moneys related to the program in the current year, thus making available the reduction of its full appropriation.

The Science and Technology Center Grant Program is funded with moneys from the State Education Fund. Thus, by reducing the appropriation to this program from this funding source, additional moneys from the State Education Fund are available to offset qualifying education programs currently funded with General Fund.

Staff Recommendation: Staff recommends the Committee approve the Department's request to reduce the cash funds appropriation to the Science and Technology Center Grant Program by \$300,000 for FY 2008-09. Staff also recommends reducing the cash funds spending authority from the Science and Technology Grant Program line item by a like amount.

**Supplemental Request, Department Priority #18
 Suspend civic education program**

	Request	Recommendation
Cash Funds - State Education Fund	(\$197,695)	(\$197,695)

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 the *suspension* of the Civic Education Program, resulting in a one time reduction of \$197,695 cash funds. This program is funded with moneys from the State Education Fund, pursuant to H.B. 08-1375 (Long Bill). The Department intends to fully fund this line item in FY 2009-10.

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Staff Analysis: Pursuant to Section 22-1-104 (6), C.R.S., the Department is required to assist school districts in developing and promoting civic education programs in an effort to strengthen the teaching of civic education in all public schools, the Department shall assist the school districts of the state in developing and promoting programs for elementary and secondary students that address the state model content standards for civics and promote best practices in civic education. Statute further specifies that the program assists students in meeting state academic standards and may therefore receive funding from the State Education Fund

For the last four fiscal years, the General Assembly has appropriated \$200,000 from the State Education Fund for this purpose. In previous years, the Department used this funding to support a professional development initiative on teaching and learning civic content and skills in Colorado classrooms, as well as provide professional exchange programming and support for teachers who participated in previous years. For FY 2008-09, the Department had plans to align activities with the Department's "Forward Thinking" goals, which included: (1) enhance professional development involving best practices in civic education; (2) implement a more consistent and comprehensive statewide system of support to the civic education community; (3) review and refine the civics model content standards to reflect 21st Century skills, college, and workforce readiness; and (4) design, detail, and disseminate model civics curricula and related assessment tools that districts may voluntarily use and that are aligned with research, proven to deliver results, and supported through competent providers of technical support. As of January 30, 2009, the Department has committed \$2,305 to administer the program in the current year.

The Civic Education Program is funded with moneys from the State Education Fund. Thus, by reducing the appropriation to this program from this funding source, additional moneys from the State Education Fund are available to offset qualifying education programs currently funded with General Fund.

Staff Recommendation: Staff recommends the Committee approve the Department's request to reduce the cash funds appropriation to the Civic Education Program by \$197,695 for FY 2008-09.

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**Supplemental Request, Department Priority #21
 Reduce funding for closing the achievement gap**

	Request	Recommendation
General Fund	(\$99,000)	(\$99,000)

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
JBC staff and the Department agree that this request is the result of <i>an unforeseen contingency</i> .	

Department Request: The Department requests that the General Fund for the Closing the Achievement Gap pilot program line item in the Assistance to Public Schools, Grant Programs - Distributions - and Other, Professional Development and Instructional sub-section, be reduced by \$99,000 in FY 2008-09. Of the moneys appropriated to this program, \$99,000 was allocated to provide program assessment to measure the first year results. The Department will yield from initiating this assessment, providing \$99,000 in savings. The Department intends to fully fund this line item in FY 2009-10 at \$1.8 million General Fund.

Staff Analysis: In 2003, the General Assembly passed S.B. 03-254 created the Closing the Achievement Gap Program to provide extensive assistance to eligible schools that have received an academic performance rating of "unsatisfactory" or are identified by the State Board of Education as having a significant achievement gap.

In the 2008 Long Bill (H.B. 08-1375), the Closing the Achievement Gap pilot program was funded with \$1.8 million General Fund. The Department indicates that the initiative is anticipated to ultimately increase the number of students who graduate from high school, which could increase students' earnings (thereby benefitting the State's economy) and reduce the number of crimes committed. Funding was provided for an initiative to address achievement gaps associated with race and income. The Department proposed inviting those districts in the highest quartile with respect to achievement gaps to apply for Department assistance. Department intervention is intended to be available each year to an estimated six school districts as a pilot program. Participating districts would receive three types of assistance, estimated to cost \$300,000 per year, per district. This funding includes: (1) a "gap consultant", who would be hired by each school district, be located in the district, and be part of the district's administrative team [\$75,000 to \$100,000 per year, per district]; (2) software tools and hardware platform for monitoring progress for each district, including "formative" assessments [\$100,000 per year, per district]; and (3) staff development and on-site coaching for both teachers and instructional leaders in each district [\$100,000 per year, per district].

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Additionally, each district is to choose an independent pre-qualified vendor to assist in plan implementation of the project.

The districts selected for the pilot and their providers are: (1) Summit School District – McREL; (2) Roaring Fork School District – McREL; (3) Greeley-Evans School District 6 – Edison Learning; (4) Eagle Schools – Edison Learning; (5) Yuma Schools – Edison Learning; and (6) St. Vrain Valley School District – America’s Choice.

Below is a summary of program implementation progress to date:

- In spring 2008, CDE conducted a request for information (RFI) process to identify external providers with a track record of closing achievement gaps at the school or district level.
- In April 2008, CDE identified and invited districts with the largest achievement gaps to attend meetings about forming a voluntary partnership to address their achievement gaps. \$637,594 in grants was made available for districts for the provision of a needs assessment for use in early planning stages.
- In May 2008, CDE provided four districts with the Comprehensive Appraisal for District Improvement (CADI) review.
- In June 2008, CDE organized a two-day showcase where each of the six districts met individually with the pre-qualified achievement gap providers. Providers offered presentations on their models for improvement and answered direct questions about how their products and services would work in each district.
- In July 2008, CDE staff and two achievement gap consultants assisted the districts in arranging and preparing for follow-up interviews with providers of their choosing. Districts were offered a CDE-developed bank of questions for use in conducting these interviews and making their final selection.
- In August 2008, each district selected a provider. Each provider assisted districts in the development of comprehensive plans to focus on addressing identified gaps. CDE received draft plans for approval in August 2008.
- In September 2008, CDE reviewed each district’s comprehensive plan and corresponding budget. CDE staff provided feedback on each plan and established a grant process for allocating funds necessary for implementation.
- In October 2008, CDE reviewed and approved grant budgets and provided districts with funding.
- In November 2008, plan implementation began.

As of January 30, 2009, the Department has committed \$1,701,000 to administer the program in the current year.

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For reference, during the December 15, 2008, Joint Budget Committee Hearing with the Department, in response to the first question common to all departments, "What are your department's three top goals for the current year? How will they be achieved?", the Department stated that its number one goal was to "develop and advance a plan designed to narrow or close the achievement gap."

Staff Recommendation: Staff recommends the Committee approve the Department's request to reduce the General Fund appropriation to the Closing the Achievement Gap line item by \$99,000 for FY 2008-09.

**Supplemental Request, Department Priority #22
Reduce personal services costs related to information technology services**

	Request	Recommendation
General Fund	(\$12,685)	(\$12,685)

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 that the General Fund for the Information Technology Services line item in the Management and Administration, Information Technology sub-section, be reduced by \$12,685 in FY 2008-09.

Staff Analysis: The Information Technology Services line item reflects the consolidated funding and staffing associated with information technology services. This line item was created by the 2008 Long Bill (H.B. 08-1375) in an effort to group like line items. Prior to this reorganization, funding for these services were in some instances in other sections of the Long Bill based on the specific program or funding source tied to these resources.

The Department indicates that a maintenance contract with DocuVault, one of its software vendors, was cancelled. However, the Department has subsequently contracted like services from another vendor, Iron Mountain.

Staff Recommendation: Staff recommends the Committee approve the Department's request to reduce the General Fund appropriation to the Information Technology Services line item by \$12,685 for FY 2008-09.

**DEPARTMENT OF EDUCATION
 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
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**Supplemental Request, Department Priority #23
 Reduce emeritus retirement**

	Request	Recommendation
General Fund	(\$1,918)	(\$1,918)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? <small>[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.]</small>	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 that the General Fund for Emeritus Retirement line item in the Management and Administration, Administration and Centrally-Appropriated Line Items sub-section, be reduced by \$1,918 in FY 2008-09.

Staff Analysis: The Emeritus line item provides supplemental retirement payments to eligible K-12 and higher education teachers, as required pursuant to Section 22-64-119, C.R.S. Eligibility is based on, but not exclusive to, serving 20 years in Colorado school districts or the office of Colorado county superintendent of schools or the Department of Education, are at least 65 years of age, and other requirements. Based on current monthly payments for three individuals totaling \$906.25, including the statutory requirement to increase these payments by the average salary survey percentage increase (3.8 percent for FY 2008-09), this totals \$10,875 or \$1,918 less than the line item's current appropriation of \$12,793. The reduction is the result of one less participant in the current year.

Staff Recommendation: Staff recommends the Committee approve the Department's request to reduce the General Fund appropriation to the Emeritus Retirement line item by \$1,918 for FY 2008-09.

**DEPARTMENT OF EDUCATION
 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
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Non-Prioritized Supplementals

**Previously Approved Interim Supplemental -
 Information Technology Asset Maintenance for FY 2007-08**

	Previously Approved
Total	<u>\$166,116</u>
General Fund ¹	0
Cash Funds Exempt - State Public School Fund	166,116

¹ Reflects a \$50,000 increase to IT Asset Maintenance and a \$50,000 decrease to the School Breakfast Program.

Description of Supplemental: Staff hired to review the Department's fiscal practices identified that certain IT asset maintenance costs were being allocated to all programs, including federally-funded programs. Specifically, these costs relate to two servers that are connected to various systems that support a number of program areas. The Department's practice of direct charging a portion of IT asset maintenance costs against federal funds is not consistent with federal guidance on the treatment of such costs. Specifically, in order to direct charge federal programs, the Department must be able to clearly trace the benefit of the expense to the program charged. The supplemental approved by the JBC on June 23, 2008, consisted of an increase of \$216,116 in the IT Asset Maintenance line item, including \$50,000 General Fund and \$166,116 cash funds from the State Public School Fund. The latter amount is specifically from overpayments recovered by the Department pursuant to school district audits. In addition, the supplemental included an offsetting reduction of \$50,000 in the General Fund appropriation for the School Breakfast Program made possible from an anticipated reversion of \$50,000. The authorized supplemental provides a commensurate amount of state funds appropriated for IT asset maintenance in FY 2007-08 to be in compliance with federal cost guidance.

The rules governing interim supplementals require the Committee to introduce all interim supplementals that it approves. (See Section 24-75-109 (5), C.R.S.) Staff will include this supplemental in the Department's supplemental bill.

**DEPARTMENT OF EDUCATION
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**Previously Approved Interim Supplemental -
 Increase the reappropriated funds spending authority for the State Charter School Institute
 to allow the Institute to forward available grant moneys to individual Institute charter schools
 for FY 2008-09.**

	Previously Approved
Reappropriated Funds	\$1,082,000

Description of Supplemental: The "Other Transfers to Institute Charter Schools" line item provides spending authority to the State Charter School Institute (SCSI) to forward categorical funding, grants, and other distributions, as appropriate, to individual Institute charter schools. As a result of (1) the passage of three special bills during the 2008 session which made available to Institute charter schools grant moneys specific to capital construction, kindergarten capital construction, and the high school counselor grant program; and (2) the necessity to provide spending authority to the Institute to distribute any awarded grant moneys in a timely fashion, \$1,082,000 of additional spending authority was approved by the JBC on September 22, 2008. Of the amount authorized, \$1,088,048 reflects increases in anticipated grant moneys from the passage of special bills and other distributions, which was offset by a net reduction of \$6,048 in transfers for categorical programs.

The rules governing interim supplementals require the Committee to introduce all interim supplementals that it approves. (See Section 24-75-109 (5), C.R.S.) Staff will include this supplemental in the Department's supplemental bill.

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. As of January 30, 2009, no statewide common policy supplemental requests have been received by the Joint Budget Committee.

Department's Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Worker's Compensation	\$0	n/a	n/a	n/a	n/a	0.0
Administrative Law Judge Services	0	n/a	n/a	n/a	n/a	0.0
Purchase of Services from Computer Center	0	n/a	n/a	n/a	n/a	0.0
Multiuse Network Payments	0	n/a	n/a	n/a	n/a	0.0

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 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
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Department's Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Payment to Risk Management and Property Funds	0	n/a	n/a	n/a	n/a	0.0
Vehicle Lease Payments	0	n/a	n/a	n/a	n/a	0.0
Capitol Complex Leased Space	0	n/a	n/a	n/a	n/a	0.0
Communication Services Payments	0	n/a	n/a	n/a	n/a	0.0
Department's Total Statewide Supplemental Requests	0	0	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 this common policy supplemental.** If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

Cash Fund Transfers

**Department Requested Transfer, OSPB #1
 Transfer from the Public School Contingency Reserve Fund
 Statutory Change Required**

FY 2008-09	Request	Recommendation
Transfer from the Public School Contingency Reserve Fund to General Fund	\$1,166,226	\$3,082,452

Staff Analysis: Pursuant to Section 22-54-117 (1) and (4), C.R.S., the State Board is authorized to approve payments from the Contingency Reserve Fund to assist school districts under the following circumstances: (1) financial emergencies caused by an act of God; (2) nonpayment of taxes; (3) insufficient revenues to make abatements and refunds of property taxes or arising from extraordinary problems in the collection of taxes; (4) unforeseen contingencies (e.g., reductions in valuation exceeding 20 percent); (5) unusual financial burdens caused by: [a] court-ordered or agency-placed non-resident children; [b] children who move into the district following the pupil count date (applies to small districts only); [c] a significant enrollment decline pursuant to a reorganization; and (6) cases of extreme emergency, other factors that affect the ability of the district to maintain its schools without additional financial assistance.

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Pursuant to Section 22-54-117 (1) (a), C.R.S., for FY 2007-08 and ongoing, *an amount to be determined by the General Assembly* shall be appropriated annually to the Contingency Reserve Fund. In deciding the amount to be appropriated to the Contingency Reserve Fund, the General Assembly may take into consideration any recommendations made by the Department of Education, but *nothing in this section shall be construed to obligate the General Assembly to provide supplemental assistance to all districts determined to be in need or fully fund the total amount of such need.*

There are two key assumptions related to the proposed transfer of moneys in the Contingency Reserve Fund to the General Fund. The first is that the Department anticipates approximately \$750,000 in qualifying applications from school districts for assistance from this fund as a result of encountering some kind of financial burden that will meet the criteria outlined above. However, to date, the Department is not aware of any specific need. The second key assumption is that of the remaining balance after the \$750,000 set-aside has been made is to transfer only half of the available cash fund balance. No justification was made regarding this second assumption.

Staff is recommending the Joint Budget Committee sponsor legislation to transfer the full cash fund balance of \$3,082,452 be transferred from the Contingency Reserve Fund to the state General Fund.

It should be noted that the Department's FY 2009-10 budget request included a budget amendment to reduce the Contingency Reserve Fund by \$2,385,494. Presuming school districts that required assistance as a result of nonpayment of taxes reimburse the moneys as required, this would not fully reduce the fund to zero, but maintain a cash fund balance of \$103,206.

Public School Contingency Reserve Fund Department Request				
	FY 2007-08 Actual	FY 2008-09 Estimate	FY 2009-10 Estimate	FY 2010-11 Estimate
Beginning FY Balance	\$4,770,988	\$4,614,740	\$1,166,226	\$1,166,226
Revenues	0	0	0	0
Expenditures	<u>(156,248)</u>	<u>(2,282,288)</u>	<u>0</u>	<u>0</u>
Ending FY Balance without transfer	\$4,614,740	\$2,332,452	\$1,166,226	\$1,166,226
Proposed Transfer	<u>0</u>	<u>(1,166,226)</u>	<u>0</u>	<u>0</u>
Ending Balance after transfer	\$4,614,740	\$1,166,226	\$1,166,226	\$1,166,226

**DEPARTMENT OF EDUCATION
 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
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Public School Contingency Reserve Fund Staff Recommendation				
	FY 2007-08 Actual	FY 2008-09 Estimate	FY 2009-10 Estimate	FY 2010-11 Estimate
Beginning FY Balance	\$4,770,988	\$4,614,740	\$0	\$0
Revenues	0	0	0	0
Expenditures	<u>(156,248)</u>	<u>(1,532,288)</u>	<u>0</u>	<u>0</u>
Ending FY Balance without transfer	\$4,614,740	\$3,082,452	\$0	\$0
Proposed Transfer	<u>0</u>	<u>(3,082,452)</u>	<u>0</u>	<u>0</u>
Ending Balance after transfer	\$4,614,740	\$0	\$0	\$0

**DEPARTMENT OF EDUCATION
 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
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Other Balancing Options

These options are presented without staff recommendation in order to maximize the Committee's choices. The Committee may wish to consider these options now or in the future.

Numbering does not indicate priority.

Options with <i>Appropriation</i> Impacts	GF	CF	RF	FF	Total	FTE
1 Reduce or eliminate funding for various grant programs In addition to the requested reductions for various grant programs proposed by the Department, there are other grant programs which may offer additional savings if reduced, however further analysis needs to be performed before a staff recommendation can be made. The grant programs include, but are not limited to: School Counselor Corps Grants, Reduced Price Lunch Subsidies, Family Literacy Education, Dropout Prevention, Reading Assistance, Smart Start Nutrition, Declining Enrollment Study, and Regional Service Cooperatives.					0	

Options with <i>Revenue</i> Impacts	GF	CF	RF	FF	Total	FTE
1 Transfer various cash funds to the General Fund Transfers fund balances from various cash funds within the Department. As of January 30, 2009, staff has identified approximately \$1 million in fund balance that could potentially be transferred to the General Fund. Cash fund sources include the following: Online Education Cash Fund, Educator Licensure Cash Fund, Family Literacy Education Cash Fund, Reading Assistance Grant Fund, Financial Literacy Cash Fund, Non-public School Fingerprint, Science and Technology Education Cash Fund, Teacher Development Cash Fund, Closing the Achievement Gap Fund, and the National Academic Contest Fund.					0	

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF EDUCATION					
Commissioner - Dwight D. Jones					
Supplemental #3 - Request to Implement H.B. 08-1344					
<i>(1) Management and Administration, (A) Administration and Centrally-Appropriated Line Items</i>					
Office of Professional Services - CF	1,502,563	1,681,343	46,239	46,239	1,727,582
FTE	17.7	20.0	0.8	0.9	20.9
Legal Services for 4,640 hours	<u>329,748</u>	<u>380,878</u>	<u>16,898</u>	<u>16,898</u>	<u>397,776</u>
General Fund	168,562	179,489	0	0	179,489
Cash Funds	130,689	201,389	16,898	16,898	218,287
Cash Funds Exempt / Reappropriated Fund:	30,497	0	0	0	0
Hours	4,865.7	5,287.8	225.0	225.0	5,512.8
Total for Supplemental #3	<u>1,832,311</u>	<u>2,062,221</u>	<u>63,137</u>	<u>63,137</u>	<u>2,125,358</u>
General Fund	168,562	179,489	0	0	179,489
Cash Funds	1,633,252	1,882,732	63,137	63,137	1,945,869
Cash Funds Exempt / Reappropriated Fund:	30,497	0	0	0	0
Supplemental #4 - Colorado School for the Deaf and Blind Utility Rate Increase					
<i>(4) School for the Deaf and Blind, (A) School Operations</i>					
Utilities - GF	489,223	460,913	32,962	29,666	490,579

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Previously Approved Interim Supplemental - Increase Spending Authority for Reappropriated Funds for the Charter School Institute					
<i>(1) Management and Administration, (D) State Charter School Institute</i>					
Other Transfers to Institute Charter Schools -					
RF (via SCSF Fund)	936,015	1,222,000	1,081,562	1,082,000	2,304,000
<hr/>					
Supplemental #5 - Increase Spending Authority for Reappropriated Funds for the Charter School Institute					
<i>(1) Management and Administration, (D) State Charter School Institute</i>					
Other Transfers to Institute Charter Schools -					
RF (via SCSF Fund)	936,015	2,304,000	435,690	227,333	2,531,333
<hr/>					
Supplemental #12 - Suspend Teacher Quality Recruitment Retention					
<i>(2) Assistance to Public Schools, (C) Grant Programs, Distributions, and Other Assistance, (IV) Professional Development and Instructional Support</i>					
Stipends for Nationally Board Certified					
Teachers - CF (SEF)	n/a	1,156,997	(1,156,997)	(1,156,997)	0
<hr/>					
Supplemental #13 - Suspend Alternative Teacher Compensation Plan Grants					
<i>(2) Assistance to Public Schools, (C) Grant Programs, Distributions, and Other Assistance, (VI) Other Assistance</i>					
Alternative Teacher Compensation Plan					
Grants - CF (SEF)	n/a	1,000,000	(1,000,000)	(1,000,000)	0

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #14 - Suspend Summer School Grant Program					
<i>(2) Assistance to Public Schools, (C) Grant Programs, Distributions, and Other Assistance, (V) Summer and After-school Programs</i>					
Summer School Grant Program - CF (SEF)	n/a	1,000,000	(972,895)	(972,895)	27,105
FTE		0.3	0.0	0.0	0.3
Supplemental #16 - Eliminate STEM After-school Education Pilot Program					
<i>(2) Assistance to Public Schools, (C) Grant Programs, Distributions, and Other Assistance, (V) Summer and After-school Programs</i>					
STEM After-school Education Pilot Grant Program - CF (SEF)	n/a	300,000	(300,000)	(300,000)	0
Supplemental #17 - Suspend Science and Technology Center Grant Program					
<i>(2) Assistance to Public Schools, (C) Grant Programs, Distributions, and Other Assistance, (IV) Professional Development and Instructional Support</i>					
Science and Technology Education Fund - CF (SEF)	0	300,000	(300,000)	(300,000)	0
Science and Technology Center Grant Program - CFE/RF	0	300,000	0	(300,000)	0

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Supplemental #17	0	600,000	(300,000)	(600,000)	0
Cash Funds	0	300,000	(300,000)	(300,000)	0
Cash Funds Exempt / Reappropriated Fund:	0	300,000	0	(300,000)	0
<hr/>					
Supplemental #18 - Suspend Civic Education Program					
<i>(2) Assistance to Public Schools, (C) Grant Programs, Distributions, and Other Assistance, (IV) Professional Development and Instructional Support</i>					
Civic Education - CF (SEF)	200,000	200,000	(197,695)	(197,695)	2,305
<hr/>					
Supplemental #21 - Reduce Closing the Achievement Gap					
<i>(2) Assistance to Public Schools, (C) Grant Programs, Distributions, and Other Assistance, (IV) Professional Development and Instructional Support</i>					
Closing the Achievement Gap - GF	0	1,800,000	(99,000)	(99,000)	1,701,000
<hr/>					
Supplemental #22 - Reduce Personal Services Costs in Information Technology Services					
<i>(1) Management and Administration, (B) Information Technology</i>					
Information Technology Services		1,435,888	(12,685)	(12,685)	1,423,203
FTE		17.0	0.0	0.0	17.0
General Fund	<i>Included in</i>	923,302	(12,685)	(12,685)	910,617
FTE	<i>various</i>	11.3	0.0	0.0	11.3
Cash Funds Exempt/ Reappropriated Funds	<i>line items</i>	512,586	0	0	512,586
FTE		5.7	0.0	0.0	5.7

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #23 - Reduce Emeritus Retirement					
<i>(1) Management and Administration, (A) Administration and Centrally-Appropriated Line Items</i>					
Emeritus Retirement - GF	12,273	12,793	(1,918)	(1,918)	10,875

Totals					
DEPARTMENT OF EDUCATION					
TOTALS for ALL Departmental line items	3,988,006,362	4,296,536,887	(2,427,839)	(2,939,054)	4,293,597,833
FTE	<u>449.7</u>	<u>536.3</u>	<u>0.8</u>	<u>0.9</u>	<u>537.2</u>
General Fund	3,022,785,940	3,175,366,143	(80,641)	(83,937)	3,175,282,206
<i>GFE Account (included above)</i>	<i>327,600,000</i>	<i>369,000,000</i>	<i>0</i>	<i>0</i>	
Cash Funds	15,181,333	606,969,031	(3,864,450)	(3,864,450)	603,104,581
<i>CF - State Education Fund (included above)</i>		<i>488,119,916</i>	<i>(3,927,587)</i>	<i>(3,927,587)</i>	
Cash Funds Exempt/ Reappropriated Funds	437,588,054	16,548,534	1,517,252	1,009,333	17,557,867
<i>CFE - SEF (included above)</i>	<i>301,293,321</i>				
Federal Funds	512,451,035	497,653,179	0	0	497,653,179

Key:

"N.A." = Not Applicable or Not Available

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

DEPARTMENT OF EDUCATION
Commissioner - Dwight D. Jones

Previously Approved Interim Supplemental - IT Asset Maintenance

(1) Management and Administration

Information Technology Asset Maintenance	<u>90,606</u>	<u>90,697</u>	<u>216,116</u>	<u>216,116</u>	<u>306,813</u>
General Fund	90,606	90,697	50,000	50,000	140,697
Cash Funds - State Public School Fund	0	0	166,116	0	0
Cash Funds Exempt - State Public School Fund	0	0	0	166,116	166,116

(2) Assistance to Public Schools

(C) Grant Programs and Other Distributions

School Breakfast Program - GF	498,500	500,000	(50,000)	(50,000)	450,000
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Totals					
DEPARTMENT OF EDUCATION					
TOTALS for ALL Departmental line items	3,862,657,840	3,957,013,919	166,116	166,116	3,957,180,035
FTE	<u>458.6</u>	<u>476.1</u>	<u>0.0</u>	<u>0.0</u>	<u>476.1</u>
General Fund	2,882,649,173	3,023,327,981	0	0	3,023,327,981
GFE Account (included above)	343,100,000	327,600,000	0	0	327,600,000
Cash Funds	14,702,517	15,090,644	166,116	0	15,090,644
Cash Funds Exempt/ Reappropriated Funds	442,327,631	421,755,405	0	166,116	421,921,521
CFE - SEF (included above)		336,945,023			336,945,023
Federal Funds	522,978,519	496,839,889	0	0	496,839,889

Key:

"N.A." = Not Applicable or Not Available

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2008-09

DEPARTMENT OF EDUCATION

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

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

**Prepared By:
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February 2, 2009**

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**DEPARTMENT OF EDUCATION
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**Overview of OSPB Proposals Concerning School Finance, Categorical Programs,
and the State Education Fund**

This section is intended to provide an overview of the major components of the K-12 budget balancing proposals submitted by the Office of State Planning and Budgeting (OSPB). The plan includes several components designed to: (1) reduce General Fund expenditures in the near term; (2) reduce future state funding obligations; (3) improve the solvency of the State Education Fund (SEF); and (4) maintain programs and functions that are considered high priorities.

The table that begins on the following page details the major components of the proposal for both FY 2008-09 and FY 2009-10. Please note that *dollar amounts in the table reflect changes to existing appropriations (FY 2008-09), or changes to the initial budget request for FY 2009-10.* The major components include the following:

- **The OSPB proposes reducing the General Fund appropriations for Total Program and various categorical programs to the minimum levels** allowed under the Colorado Constitution, **as well as eliminating General Fund appropriations for the Colorado Student Assessment Program (CSAP).** These proposals allow for a \$75.3 million General Fund reduction in FY 2008-09, which would be continued in FY 2009-10 and subsequent fiscal years. These proposals require a commensurate increase in annual SEF expenditures.
- **The OSPB proposes funding certain Department activities "off-the-top" of total program** funding, thereby reducing districts' funding by \$3.5 million in FY 2008-09.
- **The OSPB proposes statutory modifications to the School Finance Act that are estimated to reduce the cost of the Act beginning in FY 2009-10 by \$99.5 million.** The OSPB assumes that the General Fund appropriation could be reduced by \$70.7 million, with the remaining \$28.8 million reducing SEF appropriations. Please note that *this General Fund reduction can only occur if Colorado personal income increased by less than 4.5 percent in CY 2008.* The most recent Legislative Council forecast indicates that the growth rate may exceed this threshold.
- **The OSPB proposes delaying any further expansion of full-day kindergarten programs,** thereby foregoing a planned \$17.9 million increase (from the SEF) in FY 2009-10.
- Finally, **the OSPB proposes suspending or eliminating a variety of grant programs and distributions,** saving a total of \$45.4 million in FY 2008-09 (including \$1.9 million General Fund), and \$7.4 million in FY 2009-10 (including \$2.3 million General Fund).

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Overview of OSPB Proposal: Major Components						
	FY 2008-09			FY 2009-10		
	General Fund	State Education Fund (SEF)	Total	General Fund	SEF	Total
Refinance:						
Total program /a	(\$26,558,352)	\$26,558,352	\$0	\$0	\$0	\$0
Categorical programs	(33,021,986)	33,021,986	0	(33,021,986)	33,021,986	0
Colorado student assessment program (CSAP)	<u>(15,719,422)</u>	<u>15,719,422</u>	<u>0</u>	<u>(15,727,544)</u>	<u>15,727,544</u>	<u>0</u>
Subtotal	(75,299,760)	75,299,760	0	(48,749,530)	48,749,530	0
Fund "Off-the-top" of Total Program /b:						
School finance administration	(1,345,439)	0	(1,345,439)	(1,184,877)	0	(1,184,877)
Closing the achievement gap	(1,701,000)	0	(1,701,000)	(1,800,000)	0	(1,800,000)
Content specialists	<u>(433,480)</u>	<u>0</u>	<u>(433,480)</u>	<u>(448,250)</u>	<u>0</u>	<u>(448,250)</u>
Subtotal	(3,479,919)	0	(3,479,919)	(3,433,127)	0	(3,433,127)
Eliminate, Suspend, or Reduce:			0			0
Modify cost-of-living factor /c	0	0	0	(70,720,866)	0	(70,720,866)
Full-day kindergarten capital construction grants	0	(34,500,000)	(34,500,000)	0	0	0
Reduce base per pupil funding	0	0	0	0	(21,187,281)	(21,187,281)

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Overview of OSPB Proposal: Major Components						
	FY 2008-09			FY 2009-10		
	General Fund	State Education Fund (SEF)	Total	General Fund	SEF	Total
Full-day kindergarten supplemental funding	0	0	0	0	(17,905,808)	(17,905,808)
Allow four (not five) years of enrollment averaging	0	0	0	0	(7,633,674)	(7,633,674)
Charter school capital construction	0	(4,865,000)	(4,865,000)	0	(2,500,000)	(2,500,000)
Reduce special education high cost grants back to \$2M	0	0	0	0	(2,000,000)	(2,000,000)
Military dependent supplemental pupil enrollment	(1,818,517)	0	(1,818,517)	(1,818,517)	0	(1,818,517)
Teacher quality recruitment/ retention	0	(1,156,997)	(1,156,997)	0	0	0
Alternative teacher compensation plan grants	0	(1,000,000)	(1,000,000)	0	0	0
Summer school grant program	0	(972,895)	(972,895)	0	0	0
Various smaller grant programs	<u>(99,000)</u>	<u>(997,695)</u>	<u>(1,096,695)</u>	<u>(487,990)</u>	<u>(625,000)</u>	<u>(1,112,990)</u>
Subtotal	(1,917,517)	(43,492,587)	(45,410,104)	(73,027,373)	(51,851,763)	(124,879,136)
Total	(80,697,196)	31,807,173	(48,890,023)	(125,210,030)	(3,102,233)	(128,312,263)

a/ The FY 2009-10 budget request already reflected continuation of this refinance.

b/ These proposals reduce funding distributed to districts under the School Finance Act.

c/ This proposal assumes that the General Assembly will not be required to increase the General Fund appropriation by 5.0 percent in FY 2009-10. However, the most recent forecast from Legislative Council Staff indicates that the General Fund maintenance of effort will still apply in FY 2009-10. This action would have a significant impact on the solvency of the State Education Fund in FY 2010-11 and subsequent fiscal years.

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Please note that there are a few significant ongoing grant programs that are not affected by the proposal (i.e., funding would continue at current levels or increase as scheduled in FY 2009-10):

- School counselor corps grant program (\$5,000,000 SEF annually)
- Reduced price lunch subsidies (\$850,000 SEF annually)
- Smart start nutrition program (\$700,000 General Fund annually)
- School breakfast program (\$500,000 General Fund annually)
- Regional service cooperatives (\$198,545 SEF for FY 2008-09, and \$1,067,182 SEF for FY 2009-10)

In addition, please note that the plan does not include any reduction in funding for the Colorado Preschool Program, and it proposes maintaining the existing level of funding for full-day kindergarten. Finally, please note that the Department has not withdrawn a request for \$908,620 from the SEF in FY 2009-10 for a new program administered by the Department of Human Services to provide integrated, school-based substance use treatment services for middle and high school students.

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

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

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

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As the State provides whatever funding is required under the School Finance Act that is not available through local tax revenues, this new forecast indicates that an additional \$900 million in state funds will be required through FY 2012-13. While the SEF can support a portion of this additional need, the SEF balance and revenues will not be sufficient to cover the full amount. Thus, based on current law, **staff is now projecting that the General Fund appropriation for school finance will need to increase by 6.1 percent (\$180 million) in FY 2009-10, and by another 12 percent (\$384 million) in FY 2010-11.**

In light of the General Fund revenue shortfall and the dramatic increase in the amount of state funding that will be required for K-12 education under current law, the OSPB proposal includes statutory changes to the School Finance Act designed to reduce future funding obligations, as well as several reductions in discretionary SEF expenditures. However, **the OSPB plan falls short of ensuring that the SEF is solvent and the State is able to comply with constitutional funding requirements in the near term.** Specifically, the updated Pacey model indicates that if the General Assembly approves the OSPB plan (including the proposal to increase the General Fund appropriation for school finance by only 2.6 percent in FY 2009-10), staff projects that the General Fund appropriation for school finance will need to increase by nearly 13 percent (\$385 million) in FY 2010-11.

In consideration of these alarming projections, staff has included recommendations in this packet that are intended to reduce both General Fund and SEF expenditures. However, **staff is not recommending certain components of the OSPB plan at this time due to the near-term consequences (e.g., refinancing CSAP). If the Committee ultimately needs to implement these proposals in order to balance the FY 2008-09 budget, these actions will need to be accompanied by other statutory changes to significantly reduce future K-12 funding obligations.**

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Prioritized Supplementals

**Supplemental Requests, Department Priorities #1, #6, #28, and #30
 Total Program Funding, the State Share, and Base Per Pupil Funding
 Statutory Change Requested and Recommended**

	Request	Recommendation
Total	\$25,847,088	(\$418,016)
General Fund	(26,976,368)	(26,976,368)
Cash Funds	52,823,456	26,558,352

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 both <i>data that was not available when the original appropriation was made</i> and <i>an unforeseen contingency</i> (i.e., the revenue shortfall).	

Background Information: While the applicable inflation rate is known at the time the Long Bill appropriation is established (and thus the required increase in base per pupil funding is known), other data that affects the State Share of Districts' Total Program Funding are not known. Specifically, the 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. By January within the fiscal year, this data has been collected by school districts and compiled by the Department.

As required by Section 22-54-106 (4) (b), C.R.S., the Department annually submits a supplemental request to adjust the current year appropriation based on actual student count and local tax revenue data. 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.

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TABLE A: Recent Supplemental Appropriations for School Finance				
Fiscal Year	Appropriations Made in Session Prior to Fiscal Year	Supplemental 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	36,352,002	1.3%	2,874,781,180
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 (requested)	3,393,363,222	26,265,104	0.8%	3,419,628,326

Total Funding Need for FY 2008-09, Based on Current Law

The Department has provided information indicating that the FY 2008-09 appropriation should be increased by \$26.3 million (0.8 percent). As detailed in the above Table A, in seven of the last 14 years, a mid-year increase was required; the largest mid-year increase occurred in FY 2005-06 (\$36 million). **The requested increase is primarily due to higher than anticipated enrollment and lower than anticipated local revenues.** Table E, beginning on page 11, summarizes the changes in various components that affect the amount of state funding required for FY 2008-09. Each major change is described in detail below.

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Funded Pupil Count. The actual funded pupil count is higher than anticipated. The original appropriations were based on an estimated funded pupil count of 776,017; the Department indicates that the actual funded pupil count is 778,136 -- 2,119 FTE (0.3 percent) higher than anticipated. As indicated in Table B, this is a fairly typical mid-year adjustment. This increase in the funded pupil count **increases districts' total program funding by approximately \$14.6 million.**

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
FY 2007-08	768,416.3	(7,499.0)	-1.0%	760,917.3
FY 2008-09 (requested)	776,017.0	2,118.9	0.3%	778,135.9

Appendix A provides detailed enrollment data for those 28 districts with the largest differences between the estimated and actual number of students (differences of 100 FTE or more). This analysis reveals that mid-year increases related to pupil enrollment are primarily attributable to districts in four counties: Douglas¹, Arapahoe, Denver, and Adams.

In addition, please note that S.B. 07-215 (which changed the oversight, structure, and funding of public school on-line education) contained a provision that removed limits on the on-line students for whom districts may receive funding, effective FY 2008-09. The fiscal note for S.B. 07-215 estimated that this provision would result in an additional 623.0 FTE enrolling in on-line programs, at a cost of \$4 million. Based on information provided by the Department at its December 2008 hearing,

¹ Please note that the significant changes in the Douglas and Baca-Vilas student counts are directly related, reflecting the fact that the Hope On-line charter school is now authorized by Douglas, rather than Vilas.

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2,034.5 FTE are eligible for funding in FY 2008-09 as a result of this provision, at a cost of \$9 million. Appendix B provides detailed on-line enrollment data for the ten districts with the largest on-line programs.

Per Pupil Funding. The *statewide average per pupil funding amount is \$3.15 higher than anticipated, increasing districts' total program funding by approximately \$2.4 million.* This mid-year change is relatively small, as indicated in Table C. This increase is primarily due to a slightly larger than anticipated increase in the number of students considered to be "at-risk" based on eligibility for the federal free lunch program. Districts receive a greater amount of per pupil funding based on the presence and concentration of at-risk students in that district. A higher number of at-risk students results in a higher statewide average per pupil funding amount.

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
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 (requested)	\$6,904.49	\$3.15	0.0%	\$6,907.64

The two changes described above result in a net \$17 million increase in districts' total program funding under the School Finance Act (both state and local funding).

State Funding Need for FY 2008-09, Based on Current Law

If the amount of available local tax revenues matched the estimates used to determine the FY 2008-09 appropriation, the state share of funding would need to be increased by \$17 million. However, **actual local tax revenues are \$9.2 million lower than projected last May, requiring an additional \$9.2 million for the state share of funding.** Specifically, property tax revenues are \$10.5 million (0.6

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percent) lower than projected, and specific ownership taxes² are \$1.3 million (0.8 percent) higher 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 (requested)	1,965,055,671	(9,186,989)	-0.5%	1,955,868,682

Thus, existing appropriations of state funds are \$26.3 million lower than the amount required to fully fund the School Finance Act.

Summary of Changes for FY 2008-09: 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 current law.

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

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TABLE E: Changes to School Finance Based on Actual Enrollment and Local Revenues				
School Finance: Total Program	FY 07-08 Actual	FY 08-09		
		Original Appropriation	Appropriation Need Based on Student Count and Local Share	Change
Funded Pupil Count	760,884.2	776,017.0	778,135.9	2,118.9
<i>Annual Percent Change</i>	<i>1.0%</i>	<i>2.0%</i>	<i>2.3%</i>	
Statewide <u>Base</u> Per Pupil Funding	\$5,087.61	\$5,270.13	\$5,270.13	\$0.00
<i>Annual Percent Change</i>	<i>4.6%</i>	<i>3.6%</i>	<i>3.6%</i>	
Statewide <u>Average</u> Per Pupil Funding	\$6,661.05	\$6,904.49	\$6,907.64	\$3.15
<i>Annual Percent Change</i>	<i>4.7%</i>	<i>3.7%</i>	<i>3.7%</i>	
Total Program Funding	\$5,068,284,706	\$5,358,000,877	\$5,375,078,991	\$17,078,114
<i>Annual Percent Change</i>	<i>10.9%</i>	<i>5.7%</i>	<i>6.1%</i>	
<u>Local Share</u> of Districts' Total Program Funding	<u>\$1,915,971,895</u>	<u>\$1,965,055,671</u>	<u>\$1,955,868,681</u>	<u>(\$9,186,990)</u>
Property Tax Revenue	\$1,755,487,409	\$1,804,571,185	\$1,794,116,042	(\$10,455,143)
Specific Ownership Tax Revenue	\$160,484,486	\$160,484,486	\$161,752,639	\$1,268,153
<i>Annual Percent Change on Total</i>	<i>10.7%</i>	<i>2.6%</i>	<i>2.1%</i>	
<u>State Share</u> of Districts' Total Program Funding (Excluding Additional State Aid Related to BIAs)	\$3,152,312,811	\$3,392,945,206	\$3,419,210,310	\$26,265,104
<i>Annual Percent Change</i>	<i>3.1%</i>	<i>7.6%</i>	<i>8.5%</i>	
<i>State Share as Percent of Districts' Total Program</i>	<i>63.9%</i>	<i>63.3%</i>	<i>63.6%</i>	

Department Request: The Department's supplemental request (priority #30) would fully fund the State Share by increasing state funding for FY 2008-09 by \$26,265,104 (from the State Education Fund).

In addition, the Department is requesting that General Fund appropriations for the State Share be reduced by \$27 million (priorities #1 and #6), the maximum allowable amount. This reduction includes the elimination of \$418,016 in additional state aid related to locally negotiated business incentive agreements. While this action will not affect those school districts with active agreements

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(El Paso-Harrison, El Paso-Fountain, Morgan-Ft. Morgan, and Weld-Windsor), it will affect those businesses for whom the incentives were offered (Atmel Corporation, Front Range Power Co., Leprino Foods, and Kodak). The Department is requesting that the General Fund reduction be offset by increasing State Education Fund appropriations by the same amount (\$27 million).

Finally, through priority #28, **the Department is proposing a statutory change to reduce base per pupil funding** for FY 2008-09 by \$19.72 (from \$5,270.13 to \$5,250.41). Last Session, the General Assembly increased base per pupil funding by \$19.72 more than the minimum amount required by the Colorado Constitution (an increase of 3.6 percent, rather than 3.2 percent). The Department is proposing this statutory change **to reduce School Finance obligations in FY 2009-10 and subsequent fiscal years**. The Department does not propose, however, making a commensurate reduction in funding for school districts in FY 2008-09. Instead, the Department proposes appropriating \$20,071,919 from the State Education Fund through a separate line item so that this statutory change does not impact school districts in the current fiscal year.

Staff Recommendation: Staff recommends adjusting the fund sources appropriated for the State Share of Districts' Total Program Funding for FY 2008-09 as detailed in the following Table F. The basis for this recommendation follows.

TABLE F: Recommended Adjustments to FY 2008-09 Appropriations for School Finance			
Fund Source	Existing Appropriation	Recommended Appropriation	Recommended Adjustments
General Fund (includes state backfill for BIAs)	\$2,957,050,579	\$2,930,074,211	(\$26,976,368)
Cash Funds: State Education Fund	360,264,860	386,823,212	26,558,352
Cash Funds: State Public School Fund	76,047,783	76,047,783	0
Total Funds	3,393,363,222	3,392,945,206	(418,016)

First, staff recommends approving the Department's request to reduce the General Fund appropriations for the State Share by \$27 million, the maximum allowable amount, and offsetting this reduction with an appropriation from the State Education Fund. Section 17 of Article IX of the Colorado Constitution requires the General Assembly to annually increase the General Fund appropriation for the state share of districts' total program by at least five percent for FY 2001-02 through FY 2010-11. This five percent "maintenance of effort" (MOE) requirement, however, does not apply in any fiscal year in which Colorado personal income grows less than 4.5 percent between

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the two previous calendar years³. Based on actual personal income growth of 6.0 percent in CY 2007, the MOE does apply for FY 2008-09. The most recent projections by Legislative Council Staff (December 2008) indicate that the maintenance of effort requirement will apply for FY 2009-10, but not for FY 2010-11. Table G details the calculation of the recommended adjustment to the General Fund appropriation.

TABLE G: Calculation of Recommended General Fund Reduction	
Fiscal Year	General Fund
FY 2007-08 Base for Purposes of Calculating MOE Requirement	2,790,546,868
Plus: 5.0 percent increase	<u>139,527,343</u>
Minimum General Fund appropriation for FY 2008-09	2,930,074,211
Less: Existing FY 2008-09 appropriations	2,957,050,579
Maximum allowable reduction in FY 2008-09 appropriation	(26,976,368)

Second, staff recommends that the Committee introduce legislation to reduce base per pupil funding in FY 2008-09 by \$19.72, as proposed by the Department in order to reduce future year obligations. [Please note that pursuant to Section 22-54-104 (4.5) (c) (II), C.R.S., this action will also decrease per pupil funding for on-line students enrolled in multi-district programs proportionately (from \$6,355 to \$6,331)]. However, as discussed below, staff does not recommend holding districts harmless by appropriating \$20.1 million from the State Education Fund through a separate line item.

Finally, staff does not recommend increasing State Education Fund appropriations by \$26.3 million to fully fund the existing School Finance Act (including the \$20.1 million appropriation requested to hold districts harmless from the reduction in base per pupil funding). **On average, this action would reduce per pupil funding by \$25.61 in FY 2008-09.** However, with this mid-year rescission, average per pupil funding will still increase by 3.3 percent (compared to 3.7 percent). This recommendation is intended to improve the solvency of the SEF (and thus the State's ability to comply with constitutional funding requirements in future fiscal years), in light of more recent projections of local property tax revenues. See the discussion of State Education Fund solvency that begins on page 4.

³ The determination of whether the General Fund maintenance of effort provision applies to a particular fiscal year is based on the Colorado personal income data that is released in December of that same fiscal year.

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Pursuant to Section 22-54-106 (4), C.R.S., the General Assembly is required to make annual appropriations to fund the state's share of districts' total program funding and to fund institute charter schools. In the event that the appropriation is not sufficient, the Department is required to request a supplemental appropriation to make up the shortfall. However, the General Assembly is not obligated to approve such a supplemental request:

"(c) If a supplemental appropriation is not made by the general assembly to fully fund the state's share...or a supplemental appropriation is made to reduce the state's share... the state aid of each district and the funding for each institute charter school shall be reduced in accordance with the provisions of this paragraph (c). The total program of each district that receives state aid shall be reduced by a percentage determined by dividing the deficit in the appropriation or the reduction in the appropriation, whichever is applicable, by the total program of all districts which receive state aid. The state aid of each district shall be reduced by the amount of the reduction in the district's total program or the amount of state aid, whichever is less..."

Pursuant to this provision, if the General Assembly does not change the amount appropriated for the State Share, the Department will be required to reduce state aid to each district and institute charter school by 0.49 percent (\$26.3 million / \$5,375.1 million), or the total amount of state aid, whichever is less.

If FY 2008-09 base per pupil funding is statutorily decreased by \$19.72, each district's total program funding will be reduced accordingly through the formula (by a total of \$20.1 million), and the Department would be required to reduce state aid by an additional \$6.2 million pursuant to the above statutory provision.

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**Supplemental Requests, Department Priorities #24, #25, and #26
 Refinance Various Line Items "Off-the-top"
 Statutory Change Required**

	Request	Recommendation
Total	\$0	\$100,000
General Fund	(3,479,919)	(3,379,919)
FTE	(17.6)	(18.8)
Cash Funds (SEF)	0	1,715,364
FTE	0.0	(1.4)
Reappr. Funds ("off-the-top")	3,479,919	1,764,555
FTE	17.6	20.2

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> (i.e., the revenue shortfall). Staff's recommendation is also based on <i>data that was not available when the original appropriation was made</i> .	

Background Information: During the last recession, the General Assembly funded the Department's school finance unit "off-the-top" of the State Share of Districts' Total Program Funding line item in order to reduce General Fund expenditures, maintain critical Department functions, and comply with constitutional funding requirements. While this practice had been in place prior to FY 2004-05, the following statutory provision was added to codify and clarify this practice (see H.B. 04-1397):

22-54-114. State public school fund. (2.3) Notwithstanding any provision of this article to the contrary, of the total amount appropriated by the general assembly in the annual appropriation bill for each budget year to meet the state's share of the total program of all districts, the department of education may transfer an amount specified by the general assembly in the annual general appropriation bill for that budget year to offset the direct and indirect administrative costs incurred by the department in implementing the provisions of this article. The total program of each district that receives state aid shall be reduced by a percentage determined by dividing the amount of the transfer by the total program of all districts that receive state aid. The state aid of each district shall be reduced by the amount of the reduction in the district's total program or the amount of state aid, whichever is less. The department of education

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shall ensure that the reduction in state aid required by this subsection (2.3) is accomplished prior to the end of the budget year. The reduction in total program described in this subsection (2.3) shall be in addition to any reduction that may be required pursuant to section 22-54-106 (4) (c).

This off-the-top funding mechanism was utilized in FY 2004-05 and FY 2005-06, until the above provision was repealed through H.B. 06-1375.

Department Request: The Department proposes refinancing three functions or programs "off-the-top" of districts' total program funding in order to reduce General Fund expenditures. Each of these line items are described below.

- *Public School Finance - Administration.* The Department proposes using the off-the-top funding mechanism to support Department staff who are responsible for administration of the School Finance Act, preschool and full-day kindergarten programs, as well as auditing school districts to ensure compliance with the federal school lunch program, public school transportation, and English language proficiency programs. In addition, the Department proposes funding portions of two related line items -- Legal Services and Information Technology Services -- in the same manner. The Department estimates that \$100,000 of expenditures incurred in each of these two areas directly relate to administering the School Finance Act.
- *Closing the Achievement Gap.* This line item, first funded in FY 2008-09, supports an initiative to address achievement gaps associated with race and income. The Department is providing assistance to six districts with significant achievement gaps, including a gap consultant, software tools and hardware platform for monitoring progress, and staff development and on-site coaching for both teachers and instructional leaders. [Please note that through supplemental #21, the Department is requesting to reduce the \$1.8 million appropriation for FY 2008-09 by \$99,000, so this request proposes refinancing only \$1,701,000.]
- *Content Specialists.* This line item, first funded in FY 2008-09, supports five individuals to provide leadership, guidance, and support for schools and school districts in specific content areas to positively impact student achievement.

Staff Analysis and Recommendation: Given the circumstances, staff believes that the Department's proposal is reasonable and appropriate. However, at this time, **staff recommends limiting the off-the-top funding mechanism to support school finance administrative functions. Staff recommends using SEF to refinance both Closing the Achievement Gap and the Content Specialists.** In light of staff's recommendation to not approve the \$26 million increase for districts'

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total program funding, staff's recommendation for this request is intended to limit the total mid-year rescission required in FY 2008-09.

With respect to the off-the-top funding for school finance administration, staff recommends approving the Department's request with three adjustments:

- The Department proposes refinancing only the 13.0 FTE within the school finance unit who are currently supported by General Fund. Staff recommends refinancing the entire 19.0 FTE unit, including the 6.0 FTE who are supported by SEF. Staff thus recommends refinancing the entire \$1,564,555 appropriation using the off-the-top mechanism.
- The Department proposes refinancing \$100,000 of the General Fund appropriation for Information Technology Services. Staff recommends approving this request, but staff also recommends shifting the associated 1.2 FTE along with the dollar amounts to correctly identify the funding sources.
- The Department provided data concerning legal services expenditures for the last two fiscal years as well as FY 2008-09. Based on a detailed analysis of fiscal year-to-date expenditures, the Department indicates that approximately \$100,000 of legal services relate to administration of the School Finance Act. The Department thus requests that the General Fund appropriation for this line item be refinanced off-the-top. However, based on year-to-date expenditure information, the Department projects that it will exceed its FY 2008-09 General Fund appropriation by approximately \$100,000. The Department's need for legal services has increased significantly, due primarily to general administrative requirements such as open records requests, rule reviews, etc. Staff thus recommends leaving the existing General Fund appropriation intact, and appropriating an additional \$100,000 from reappropriated funds. Staff also requests permission to make any corresponding changes that may be necessary in the Department of Law's supplemental bill.

Finally, staff recommends that the Committee introduce legislation to reinstate a provision authorizing the off-the-top funding mechanism.

**Supplemental Request, Department Priority #7
 Suspend Full-day Kindergarten Facility Capital Construction Assistance
 Statutory Change Required**

	Request	Recommendation
Total - SEF	(\$34,500,000)	(\$34,500,000)

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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> (i.e., the revenue shortfall).	

Department Request: The Department requests eliminating funding for grants to assist school districts with the facilities costs associated with expanding full-day kindergarten. This program was established through H.B. 08-1388, in conjunction with additional state funding for the operational costs of such programs. Last Fall, following release of the September revenue forecast, the Governor put a freeze on this grant program. No moneys have been awarded or distributed.

Staff Analysis and Recommendation: Staff recommends approving the request. In addition, it appears unlikely that the General Assembly will be in a position to provide state funding for this program in the next several years. Thus, **staff recommends repealing the program.**

**Supplemental Request, Department Priority #8
Requests Affecting Categorical Programs
Statutory Change Recommended**

	Request	Recommendation
Total	\$0	(\$2,200,000)
General Fund	(33,021,986)	(32,921,986)
Cash Funds	33,021,986	30,721,986

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> (i.e., the revenue shortfall).	

Background Information: Programs designed to serve particular groups of students (*e.g.*, students with limited proficiency in English) or particular student needs (*e.g.*, transportation) have traditionally been referred to as "categorical" programs. Unlike public school finance funding, there is no legal requirement that the General Assembly increase funding commensurate with the number of students eligible for any particular categorical program. However, Section 17 of Article IX of the Colorado

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Constitution requires the General Assembly to increase *total state funding* for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, based on the actual inflation rate for calendar year 2007 (2.2 percent), the General Assembly is required to increase state funding for categorical programs by at least \$6.7 million (3.2 percent) for FY 2008-09. [Last Session, the General Assembly chose to increase state funding for categorical programs by \$8.9 million, or 4.3 percent.]

Department Request: The Department requests a series of adjustments to each of the categorical program appropriations in order to reduce General Fund appropriations by \$33.0 million; this decrease would be offset by increases in appropriations from the SEF (\$32.9 million), and the Comprehensive Health Education Fund (\$0.1 million). Pursuant to Article IX, Section 17 (5) of the Colorado Constitution, moneys in the State Education Fund may be used to provide the required inflationary increases for categorical programs. However, moneys in the State Education Fund may not be used to supplant the level of General Fund appropriation existing when Amendment 23 became effective (December 28, 2000). The following table details the Department's request.

Proposed Refinance: Categorical Programs				
	FY 2000-01 Appropriations (as of 12/28/00)	FY 2008-09		
		Existing Appropriations	Requested Adjustments	Adjusted Appropriation
General Fund	\$141,765,474	\$174,487,460	(\$33,021,986)	\$141,465,474
Comprehensive Health Education Fund	<u>300,000</u>	<u>500,000</u>	<u>100,000</u>	<u>600,000</u>
Subtotal	142,065,474	174,987,460	(32,921,986)	142,065,474
State Education Fund	n/a	<u>44,453,540</u>	<u>32,921,986</u>	<u>77,375,526</u>
Total State Funds	142,065,474	219,441,000	0	219,441,000

Staff Analysis and Recommendation: Staff recommends approving the request, with the following adjustments:

- **Staff recommends reducing General Fund appropriations by a total of \$32,921,986 rather than \$33,021,986 (a difference of \$100,000).** The request proposes to reduce the General Fund by an additional \$100,000 by increasing the appropriation from the Comprehensive Health Education Fund by another \$100,000. Last Spring, staff recommended a one-time increase in the appropriation from the latter Fund to spend down the fund balance. This action requires a \$200,000 increase in the General Fund appropriation for FY 2009-10. While

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sufficient funds are available for the OSPB proposal, it will simply require a larger General Fund increase for FY 2009-10 (an increase of \$300,000 rather than \$200,000).

- **The adjustments recommended by staff for individual line items are slightly different than those requested.** Staff's adjustments are intended to result in General Fund appropriations that match those that existed in December 2000, where possible. The purpose of this action is to make it easier for one to identify the funding increases that have occurred in each program since Amendment 23 was adopted by voters.
- **Finally, staff recommends reducing SEF appropriations for categorical programs by \$2,200,000, including \$2,000,000 for Special Education - Children with Disabilities and \$200,000 for Special Education - Gifted and Talented Children.** These are the amounts that were added over and above the requirements of Amendment 23 for FY 2008-09.

The Department has proposed the same \$2.0 million adjustment for FY 2009-10, which would require a statutory change in order to clarify that this amount is not part of the "base" that will be used for purposes of calculating the required increase for FY 2009-10. This amount was added to double the amount available for the High Cost Grant Program, in order to provide grants to districts related to extraordinary costs incurred in providing educational services to disabled students within a district. It is staff's understanding that districts have submitted the required data related to these new grants, and the Department is in the process of analyzing the data. However, no awards have been made, and no funds have been disbursed. As this is the first year that these grants have been available, it is unlikely that districts have built these grants into their budgets for the current school year.

The following table details staff's recommendation, by fund source.

Proposed Refinance: Categorical Programs				
	FY 2000-01 Appropriations (as of 12/28,2000)	FY 2008-09		
		Existing Appropriations	Recomm. Adjustments	Adjusted Appropriation
General Fund	\$141,765,474	\$174,487,460	(\$32,921,986)	\$141,565,474
Comprehensive Health Education Fund	<u>300,000</u>	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Subtotal	142,065,474	174,987,460	(32,921,986)	142,065,474
State Education Fund	n/a	<u>44,453,540</u>	<u>30,721,986</u>	<u>75,175,526</u>
Total State Funds	142,065,474	219,441,000	(2,200,000)	217,241,000

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One final note: In each of the last several fiscal years, the General Assembly has made mid-year adjustments to fully fund Small Attendance Center Aid. The Department has provided information indicating that the existing appropriation for this program falls short by \$16,046 (1.7 percent). Absent an increase in the appropriation, the Department will pro rate payments to the 13 eligible schools. Given the minimal shortfall, as well as the recommended mid-year reductions in other program line items, staff is not recommending a funding increase for Small Attendance Center Aid.

**Supplemental Request, Department Priority #9
 Eliminate One-time Increase in State Aid for Charter School Capital Construction
 Statutory Change Required**

	Request	Recommendation
Total - SEF	(\$4,865,000)	(\$4,865,000)

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
JBC staff and the Department agree that this request is the result of <i>an unforeseen contingency</i> (i.e., the revenue shortfall).	

Background Information: The General Assembly annually appropriates moneys from the SEF to assist eligible charter schools with facilities expenses. Any charter school with capital construction costs is eligible to receive funding (except any charter that operates within a state facility). Moneys appropriated each year are allocated among charter schools on a per pupil basis, except that any charter school operating in a school district facility that does not have ongoing financial obligations to repay the outstanding costs of new construction undertaken for the charter school's benefit receives one-half the amount per pupil that other charter schools received.

The FY 2008-09 Long Bill includes a \$5 million appropriation for charter school capital construction, as required by Section 22-54-124 (3) (a) (III) (A), C.R.S. In addition, H.B. 08-1388 included a provision that increased this requirement for FY 2008-09 only, to \$10 million. This provision required that \$135,000 of the additional \$5 million be distributed to a charter school for the deaf and the blind.

Department Request: The Department requests that the Committee introduce legislation to reduce this appropriation by **\$4,865,000** (to \$5,135,000). This request would thus eliminate the one-time funding increase, except for the \$135,000 allocation to a particular charter school as this amount

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has already been distributed. Please note that the Department has also submitted a request to further reduce this line item to \$2,500,000 in FY 2009-10.

Staff Analysis and Recommendation: Staff recommends approving the request in order to reduce SEF expenditures. While the Department has already distributed the \$135,000 to the charter school for the deaf and the blind, no other moneys have been distributed.

The appropriation for this line item was \$5.0 million in FYs 2004-05, 2005-06, and 2007-08, and current law requires a \$5.0 million appropriation for FY 2009-10. For FY 2007-08, the General Assembly provided a one-time increase to \$7.8 million. The following table identifies the amounts eligible charter schools actually received per pupil the last four fiscal years, as well as the amount schools will receive in FY 2008-09 based on current law as well as on the Department's proposal.

State Funding for Charter School Capital Construction Costs		
Fiscal Year	Total Appropriation	Funding per Pupil for Schools Eligible for Funding <a>
2004-05	\$5,000,000	\$171.06
2005-06	5,000,000	\$145.09
2006-07	7,800,000	\$201.17
2007-08	5,000,000	\$115.77
2008-09 (current law)	10,000,000	\$212.06
2008-09 (proposed)	5,135,000	\$107.48
2009-10 (current law)	5,000,000	n/a

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

If the request is approved, eligible charter schools are estimated to receive \$107 per pupil for FY 2008-09 (with eligible schools that are in district facilities receiving one-half that amount). While the proposed level of funding is consistent with three of the last four fiscal years, the per pupil funding amount continues to decline as the number of students attending eligible charter schools continues to increase.

Please note that in addition to direct per pupil cash assistance, the General Assembly has established other programs and policies that assist charter schools with facility financing, including:

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- Charter schools may be included in a school district's general obligation bond issue. Although this may not occur as frequently as it should, some charters schools have benefitted from this provision.
- Colorado was one of the first states to grant charter schools the ability to issue tax-exempt bonds through a public authority (the Colorado Educational and Cultural Facilities Authority or CECFA). From 1999 through 2008, CECFA had issued \$700 million in bonds on behalf of 50 charter schools.
- In addition, Colorado is the only state to establish a "moral obligation", which attaches to select bonds the State's pledge that the Governor will request that the General Assembly appropriate funds to restore debt service funds in the event of a default [see Section 22-30.5-408, C.R.S.].
- In order to further enhance the ability of a charter school to obtain favorable financing, the State Treasurer is authorized to make direct payments of principal and interest on bonds through an intercept program. In addition, the General Assembly established the State Charter School Debt Reserve Fund, thereby providing a source of moneys that can be used to make bond payments should a school fail to do so.

**Supplemental Request, Department Priority #11
 Suspend Military Dependent Supplemental Pupil Enrollment Aid
 Statutory Change Recommended**

	Request	Recommendation
Total - GF	(\$1,818,517)	(\$1,818,517)

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> (i.e., the revenue shortfall).	

Background Information: House Bill 07-1232 (Section 22-54-128, C.R.S.) established a process to provide mid-year funding increases to school districts that are impacted by military troop movements. For FY 2007-08 through FY 2010-11, districts may request additional funding for pupils who are dependents of full-time active-duty members of the military and who enroll after the annual October pupil count. Districts may receive additional funding if the number of eligible students,

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counted in February, represents an increase of at least 1.0 percent or 25 pupils. The Department is required to request a supplemental appropriation by March 1 each year sufficient to provide each eligible district with one-half of its per pupil revenues for each eligible pupil.

For FY 2007-08, six districts received supplemental funding, as detailed in the following table.

Military Dependent Supplemental Pupil Enrollment Aid: FY 2007-08			
District (all in El Paso County)	Actual Count	Per Pupil Revenue	Funding
Harrison	45.0	\$6,791	\$152,795
Widefield	57.0	6,279	178,950
Fountain	300.0	6,279	941,844
Colorado Springs	54.5	6,509	177,383
Academy 20	76.0	6,285	238,825
Falcon	41.0	6,279	128,719
Total	573.5		1,818,517

Department Request: The Department requests a suspension of this program for FY 2008-09 (and FY 2009-10).

Staff Analysis and Recommendation: Staff recommends that the Committee approve the request. Please note that these districts do receive funding for students who enroll after the October pupil count in the following school year (if the student remains in school).

In addition, staff recommends that the Committee introduce legislation to eliminate the program. Section 22-54-128 (7), C.R.S., indicates that funding for the program is "subject to available appropriations". Thus, it appears that the General Assembly could simply eliminate the appropriation for this program through a supplemental appropriation bill. However, in light of the General Fund revenue shortfall, and the fact that the Department has requested elimination of funding for this program both this year and next, staff recommends repealing the statutory authority for this program.

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**Supplemental Request, Department Priority #27
 Refinance the Colorado Student Assessment Program (CSAP)
 Statutory Change Required**

	Request	Recommendation
Total	\$0	\$0
FTE	<u>0.0</u>	<u>0.0</u>
General Fund	(15,719,422)	0
FTE	(5.0)	0.0
Cash Funds (SEF)	15,719,422	0
FTE	5.0	0.0
Federal Funds	0	0
FTE	0.0	0.0

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> (i.e., the revenue shortfall).	

Background Information: The FY 2008-9 Long Bill includes an appropriation of \$20.3 million for the Colorado Student Assessment Program (CSAP). This appropriation supports two contracts with CTB-McGraw Hill (\$18.0 million), a contract with ACT, Inc. (\$1.7 million), and 7.0 FTE (\$600,000). The total appropriation consists of \$15.7 million General Fund and \$4.6 million federal funds; the federal funds support about 25 percent of the costs of the two CTB-McGraw Hill contracts and Department staff, based on the costs of those assessments that Colorado was required to develop and administer due to the federal No Child Left Behind Act.

Department Request: Department proposes refinancing the state share of the costs of CSAP, eliminating the General Fund and appropriating \$15.7 million from the SEF.

Staff Analysis and Recommendation: Staff does not recommend approving this request at this time. Staff understands that the Committee may ultimately need to approve this request in order to address the General Fund revenue shortfall, so staff will include this on the list of budget balancing options for future consideration. However, staff is concerned about the consequences of this action.

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Due to the six percent statutory limit on General Fund appropriations, it is unlikely that the General Assembly will be able to "undo" this refinancing in the future. Given the magnitude and the ongoing nature of this expenditure, this action would have a significant impact on the solvency of the SEF (i.e., requiring expenditures totaling at least \$157 million over the next ten years). In light of current projections concerning the solvency of the SEF (discussed more fully at the beginning of this document), staff believes that this action would need to be accompanied by other statutory changes to reduce other SEF expenditures by a commensurate amount (e.g., changes to formula factors in the School Finance Act, reductions in funding for preschool and/or full-day kindergarten programs, etc.). In addition, the Committee could consider reducing the cost of CSAP in the future by eliminating assessments that are not required by federal law (i.e., writing assessments in grades three through ten, ninth grade reading and math assessments, and the ACT for 11th grade students).

**Supplemental Request, Department Priority #29
 Eliminate Declining Enrollment Study
 Statutory Change Recommended**

	Request	Recommendation
Total - SEF	(\$200,000)	(\$200,000)

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
JBC staff and the Department agree that this request is the result of <i>an unforeseen contingency</i> (i.e., the revenue shortfall).	

Background Information: House Bill 08-1388 included a provision [see Section 22-54-132, C.R.S.] that requires the Department to contract with a private entity to conduct a study to evaluate how declining pupil enrollment in school districts impacts students and to recommend possible remedies. Among other issues, the study is to examine the effects of existing provisions of the School Finance Act and school choice on districts experiencing declining enrollment, as well as the barriers to and incentives for district consolidation. The Department is required to submit a report summarizing the study findings and recommendations to both Education Committees and the Joint Budget Committee on or before March 15, 2009.

Department Request: The Department has released the request for proposals, reviewed bids, and selected a vendor. However, the study has not yet begun. **The Department proposes suspending the study and eliminating the FY 2008-09 appropriation of \$200,000 from the SEF.**

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Staff Analysis and Recommendation: Staff recommends approving the request in order to reduce SEF expenditures. If the Committee approves the request, staff recommends that the Committee introduce legislation to eliminate the study requirement.

Please note, however, that this is a one-time expenditure and thus does not impact the solvency of the SEF to the same extent as an ongoing commitment. Further, if the General Assembly is interested in encouraging school districts to consolidate or enter into cooperative agreements in order to maximize their efficiency and effectiveness, it is possible that the study could provide useful information and recommendations to facilitate such a process. If the Committee chooses to direct the Department to proceed with the study, staff recommends introducing legislation to delay the Department's reporting date. The state purchasing and contracting process took longer than anticipated, and the Department is unlikely to meet the statutory reporting deadline.

Non-Prioritized Supplementals

**JBC Staff Initiated Supplemental #1
Suspend or Eliminate Requirement to Adopt State Education Fund Resolution
Statutory Change Recommended**

Background Information: Pursuant to Section 22-55-104 (2), C.R.S., the General Assembly is to adopt, by March 1, 2009, a joint resolution sponsored by the Chair and Vice-Chair of the Joint Budget Committee. The resolution is to certify the amount of moneys in the State Education Fund that should be considered available for appropriation for FY 2009-10. The resolution includes several tables of factual information, including required expenditures of state funds in the next fiscal year to comply with Amendment 23 (based on a projected rate of inflation), the amount of state funds anticipated to be available in cash funds other than the State Education Fund, projected revenues to the State Education Fund, and the minimum amount of General Fund that must be appropriated for school finance.

Staff Recommendation: For the last several years, the Committee has discussed the merits of continuing this annual requirement. While many legislators are interested in the solvency of the State Education Fund, staff is not convinced that the introduction and passage of an annual resolution provides the best mechanism for facilitating these important discussions. During the 2009 Session in particular, many of the basic assumptions that are used to draft the resolution are likely to change significantly over the coming weeks as the General Assembly makes decisions about how to address the General Fund shortfall. Staff does not believe that the preparation and deliberation of the State Education Fund resolution is the best use of members' time during the month of February. **Staff thus recommends that the Committee consider introducing legislation to eliminate the statutory**

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requirement. While this recommendation will not reduce any expenditures or increase General Fund revenues (no additional resources were made available when this requirement was established), it will free up staff and members' time for other purposes.

Other Balancing Options

These options are presented without staff recommendation in order to maximize the Committee's choices. The Committee may wish to consider these options now or in the future.

Numbering does not indicate priority.

Options with <i>Revenue Impacts</i>	GF	CF	RF	FF	Total	FTE
1		24,600,000			24,600,000	0.0
State school lands revenues						
Temporarily redirect (via statutory change) revenues related to school lands that are <u>not</u> needed for capital construction projects (pursuant to H.B. 08-1335 or the "BEST bill"). These revenues, consisting of royalties, rental income, and interest/investment earnings on the Public School Fund, could be redirected to the State Public School Fund and appropriated to support recent expansion efforts (e.g., new preschool slots or supplemental full-day kindergarten funding). In turn, appropriations from the State Education Fund could be reduced, improving its solvency (and thus the future need for General Fund to comply with constitutional spending requirements). The dollar amount represents an estimate of the maximum amount that could be redirected in FY 2008-09. For FY 2009-10, up to \$39 million could be redirected.						
2						
Full-day Kindergarten Reserves						
Pursuant to Section 22-44-118, C.R.S., a school district that does not report any full-day kindergarten pupils in its October 1 pupil enrollment count is required to hold state moneys received for supplemental kindergarten enrollment in a full-day kindergarten reserve. Moneys in the reserve are to be used when the district enrolls pupils in full-day kindergarten. In addition, for FY 2008-09 only, a district is allowed to use moneys in the reserve for planning and facility preparation necessary to provide full-day kindergarten in subsequent budget years. The General Assembly could amend this provision to instead require districts with reserve balances to revert the moneys to the State Education Fund.						

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

DEPARTMENT OF EDUCATION
Commissioner - Dwight D. Jones

Supplementals #1, #6, #28, and #30 - Total Program Funding, the State Share, and Base Per Pupil Funding

(2) Assistance to Public Schools

(A) Public School Finance

State Share of Districts' Total Program

Funding	<u>3,152,312,811</u>	<u>3,392,945,206</u>	<u>6,193,185</u>	<u>0</u>	<u>3,392,945,206</u>
General Fund	2,790,148,902	2,956,632,563	(26,558,352)	(26,558,352)	2,930,074,211
<i>General Fund Exempt Account (included above)</i>	<i>327,600,000</i>	<i>369,000,000</i>	<i>0</i>	<i>0</i>	<i>369,000,000</i>
Cash Funds	9,491,876	436,312,643	32,751,537	26,558,352	462,870,995
<i>CF - State Education Fund (included above)</i>		<i>360,264,860</i>	<i>32,751,537</i>	<i>26,558,352</i>	<i>386,823,212</i>
CFE/Reappropriated Funds	352,672,033	0	0	0	0
<i>CFE - State Education Fund (included above)</i>	<i>259,063,033</i>				
 Offset Base Per Pupil Funding Reduction [NEW LINE ITEM] - CF (SEF)	 n/a	 n/a	 20,071,919	 0	 0
 Additional State Aid Related to Locally Negotiated Business Incentive Agreements (BIAs) - GF	 0	 418,016	 (418,016)	 (418,016)	 0

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Suppl. #1, #6, #28, and #30	<u>3,152,312,811</u>	<u>3,393,363,222</u>	<u>25,847,088</u>	<u>(418,016)</u>	<u>3,392,945,206</u>
General Fund	2,790,148,902	2,957,050,579	(26,976,368)	(26,976,368)	2,930,074,211
<i>GFE Account (included above)</i>	<i>327,600,000</i>	<i>369,000,000</i>	<i>0</i>	<i>0</i>	<i>369,000,000</i>
Cash Funds	9,491,876	436,312,643	52,823,456	26,558,352	462,870,995
<i>CF - State Education Fund (included above)</i>		<i>360,264,860</i>	<i>52,823,456</i>	<i>26,558,352</i>	<i>386,823,212</i>
CFE/Reappropriated Funds	352,672,033	0	0	0	0
<i>CFE - State Education Fund (included above)</i>	<i>259,063,033</i>				
<i>Annual Change in GF Portion of State Share Appropriation</i>	<i>5.0%</i>	<i>6.0%</i>			<i>5.0%</i>
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Supplementals #24, #25, and #26 - Refinance Various Line Items "Off-the top"					
<i>(1) Management and Administration</i>					
<i>(A) Administration and Centrally-Appropriated Line Items</i>					
Legal Services	<u>329,748</u>	<u>380,878</u>	<u>0</u>	<u>100,000</u>	<u>480,878</u>
General Fund	168,562	179,489	(100,000)	0	179,489
Cash Funds (Educator Licensure Cash Fund and On-line Education Cash Fund)	130,689	201,389	0	0	201,389
Cash Funds (State Education Fund)	0	0	0	0	0
Cash Funds Exempt (On-line Education Cash Fund)	30,497	0	0	0	0
Reappr. Funds (Transfers from various other line items)	0	0	100,000	100,000	100,000
<i>Hours</i>	<i>4,865.7</i>	<i>5,287.8</i>	<i>0.0</i>	<i>1,388.3</i>	<i>6,676.1</i>

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>(1) Management and Administration</i>					
<i>(B) Information Technology</i>					
Information Technology Services	Included in	1,435,888	0	0	1,435,888
FTE	various other	<u>17.0</u>	<u>0.0</u>	<u>0.0</u>	<u>17.0</u>
General Fund	line items	923,302	(100,000)	(100,000)	823,302
FTE		11.3	0.0	(1.2)	10.1
Reappr. Funds (Transfer from State Share line item)		512,586	100,000	100,000	612,586
FTE		5.7	0.0	1.2	6.9
<i>(2) Assistance to Public Schools</i>					
<i>(A) Public School Finance</i>					
Administration	Included in	1,564,555	0	0	1,564,555
FTE	General Dept.	<u>19.0</u>	<u>0.0</u>	<u>0.0</u>	<u>19.0</u>
General Fund	and Pgm. Admin.	1,145,439	(1,145,439)	(1,145,439)	0
FTE	line item	13.0	(13.0)	(13.0)	0.0
Cash Funds (State Education Fund)		419,116	0	(419,116)	0
FTE		6.0	0.0	(6.0)	0.0
Reappr. Funds (Transfer from State Share line item)		0	1,145,439	1,564,555	1,564,555
FTE		0.0	13.0	19.0	19.0

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>(2) Assistance to Public Schools</i>					
<i>(C) Grant Programs, Distributions, and Other Assistance</i>					
<i>(IV) Professional Development and Instructional Support</i>					
Closing the Achievement Gap	n/a	<u>1,800,000</u>	<u>0</u>	<u>0</u>	<u>1,800,000</u>
General Fund		1,800,000	(1,701,000)	(1,701,000)	99,000
Cash Funds (State Education Fund)		0	0	1,701,000	1,701,000
Reappr. Funds (Transfer from State Share line item)		0	1,701,000	0	0
Content Specialists	n/a	433,480	0	0	433,480
FTE		<u>4.6</u>	<u>0.0</u>	<u>0.0</u>	<u>4.6</u>
General Fund		433,480	(433,480)	(433,480)	0
FTE		4.6	(4.6)	(4.6)	0.0
Cash Funds (State Education Fund)		0	0	433,480	433,480
FTE		0.0	0.0	4.6	4.6
Reappr. Funds (Transfer from State Share line item)		0	433,480	0	0
FTE		0.0	4.6	0.0	0.0

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Supplementals #24, #25, and #26	n/a	5,413,412	0	100,000	5,513,412
FTE		<u>40.6</u>	<u>0.0</u>	<u>0.0</u>	<u>40.6</u>
General Fund		4,481,710	(3,479,919)	(3,379,919)	1,101,791
FTE		28.9	(17.6)	(18.8)	10.1
Cash Funds (State Education Fund)		419,116	0	1,715,364	2,134,480
FTE		6.0	0.0	(1.4)	4.6
Reappr. Funds (Indirect Cost Recoveries; Transfer from State Share line item)		512,586	3,479,919	1,764,555	2,277,141
FTE		5.7	17.6	20.2	25.9
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Supplemental #7 - Suspend Full-day Kindergarten Facility Capital Construction Assistance					
<i>(2) Assistance to Public Schools</i>					
<i>(C) Grant Programs, Distributions, and</i>					
<i>Other Assistance</i>					
Full-day Kindergarten Facility Capital Construction Fund - CF (SEF)	n/a	34,500,000	(34,500,000)	(34,500,000)	0
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	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #8 - Refinance Categorical Programs					
<i>(2) Assistance to Public Schools</i>					
<i>(B) Categorical Programs</i>					
Special Educ. - Children with Disabilities	282,426,975	280,169,837	0	(2,000,000)	278,169,837
FTE	<u>56.7</u>	<u>64.5</u>	<u>0.0</u>	<u>0.0</u>	<u>64.5</u>
General Fund	99,011,021	99,572,376	(28,000,029)	(28,061,603)	71,510,773
Cash Funds (State Education Fund)		27,789,749	28,000,029	26,061,603	53,851,352
Cash Funds (local funds)	561,355	not approp.			
Cash Funds Exempt (SEF)	22,408,062				
CFE/ Reappropriated Funds	153,010	98,768			98,768
FTE	0.5	0.5			0.5
Federal Funds	160,293,527	152,708,944			152,708,944
FTE	56.2	64.0			64.0
<i>State Funding Portion of Appropriation</i>	<i>121,419,083</i>	<i>127,362,125</i>	<i>0</i>	<i>(2,000,000)</i>	<i>125,362,125</i>
<i>Annual Change in State Funding</i>	<i>4.7%</i>	<i>4.9%</i>			<i>3.2%</i>
English Language Proficiency Program	20,462,733	19,901,227	0	0	19,901,227
FTE	<u>4.6</u>	<u>4.6</u>	<u>0.0</u>	<u>0.0</u>	<u>4.6</u>
General Fund	4,643,799	4,657,644	(1,556,046)	(1,556,046)	3,101,598
Cash Funds (State Education Fund)		3,954,413	1,556,046	1,556,046	5,510,459
Cash Funds (local funds)	13,845	not approp.			not approp.
Cash Funds Exempt (SEF)	2,561,953				
Federal Funds	13,243,136	11,289,170			11,289,170
FTE	4.6	4.6			4.6
<i>State Funding Portion of Appropriation</i>	<i>7,205,752</i>	<i>8,612,057</i>	<i>0</i>	<i>0</i>	<i>8,612,057</i>
<i>Annual Change in State Funding</i>	<i>17.5%</i>	<i>19.5%</i>			<i>19.5%</i>

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Public School Transportation	45,329,830	45,858,842	0	0	45,858,842
FTE	<u>0.0</u>	<u>2.0</u>	<u>0.0</u>	<u>0.0</u>	<u>2.0</u>
General Fund	38,744,438	38,079,601	(1,157,374)	(1,157,374)	36,922,227
FTE	0.0	2.0			2.0
Cash Funds (State Education Fund)		7,329,241	1,157,374	1,157,374	8,486,615
Cash Funds (Public School Transp. Fund)		450,000			450,000
Cash Funds Exempt (Public School Transportation Fund)	450,000				
Cash Funds Exempt (SEF)	6,135,392				
<i>State Funding Portion of Appropriation</i>	<i>44,879,830</i>	<i>45,408,842</i>	<i>0</i>	<i>0</i>	<i>45,408,842</i>
<i>Annual Change in State Funding</i>	<i>4.5%</i>	<i>1.2%</i>			<i>1.2%</i>
Transfer to the Department of Higher Education for Distribution of State Assistance for Vocational Education	<u>21,208,319</u>	<u>21,672,472</u>	<u>0</u>	<u>0</u>	<u>21,672,472</u>
General Fund	18,349,048	18,349,048	(556,198)	(556,198)	17,792,850
Cash Funds (State Education Fund)		3,323,424	556,198	556,198	3,879,622
Cash Funds Exempt (SEF)	2,859,271				
<i>Annual Change in State Funding</i>	<i>2.8%</i>	<i>2.2%</i>			<i>2.2%</i>
Special Educ. - Gifted and Talented Children	<u>7,997,177</u>	<u>8,396,099</u>	<u>0</u>	<u>(200,000)</u>	<u>8,196,099</u>
General Fund	7,027,087	7,050,000	(1,550,000)	(1,550,000)	5,500,000
Cash Funds (State Education Fund)		1,346,099	1,550,000	1,350,000	2,696,099
Cash Funds (local funds)	22,913	not approp.			not approp.
Cash Funds Exempt (SEF)	947,177				
<i>Annual Change in State Funding</i>	<i>2.4%</i>	<i>5.0%</i>			<i>2.5%</i>

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Expelled and At-risk Student Services Grant Program	6,329,236	6,340,676	0	0	6,340,676
FTE	<u>0.8</u>	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>
General Fund	5,832,872	5,844,312	(55,505)	(55,505)	5,788,807
FTE	0.8	1.0			1.0
Cash Funds (State Education Fund)		496,364	55,505	55,505	551,869
Cash Funds Exempt (SEF)	496,364				
<i>Annual Change in State Funding</i>	<i>1.2%</i>	<i>0.2%</i>			<i>0.2%</i>
Small Attendance Center Aid	<u>943,333</u>	<u>943,333</u>	<u>0</u>	<u>0</u>	<u>943,333</u>
General Fund	767,755	834,479	(46,834)	14,740	849,219
Cash Funds (State Education Fund)		108,854	46,834	(14,740)	94,114
Cash Funds (local funds)	66,724	not approp.			not approp.
Cash Funds Exempt (SEF)	108,854				
<i>Annual Change in State Funding</i>	<i>-8.9%</i>	<i>0.0%</i>			<i>0.0%</i>
Comprehensive Health Education	599,347	705,396	0	0	705,396
FTE	<u>0.0</u>	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>
General Fund	300,000	100,000	(100,000)		100,000
Cash Funds (State Education Fund)		105,396			105,396
Cash Funds (Comprehensive Health Education Fund)		500,000	100,000		500,000
FTE		1.0			1.0
CFE (Comprehensive Health Education Fund)	299,347				
<i>Annual Change in State Funding</i>	<i>-0.1%</i>	<i>17.7%</i>			<i>17.7%</i>

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Supplemental #8	385,296,950	383,987,882	0	(2,200,000)	381,787,882
FTE	<u>62.1</u>	<u>71.1</u>	<u>0.0</u>	<u>0.0</u>	<u>71.1</u>
General Fund	174,676,020	174,487,460	(33,021,986)	(32,921,986)	141,565,474
FTE	0.8	1.0	0.0	0.0	1.0
Cash Funds	664,837	45,403,540	33,021,986	30,721,986	76,125,526
FTE	0.0	1.0	0.0	0.0	1.0
<i>CF - State Education Fund (included above)</i>		44,453,540	32,921,986	30,721,986	75,175,526
CFE/Reappropriated Funds	36,419,430	98,768	0	0	98,768
FTE	0.5	0.5	0.0	0.0	0.5
<i>CFE - State Education Fund (included above)</i>	35,517,073				
Federal Funds	173,536,663	163,998,114	0	0	163,998,114
FTE	60.8	68.6	0.0	0.0	68.6
<i>State Funding Portion of Appropriations</i>	210,582,077	219,441,000	0	(2,200,000)	217,241,000
<i>Annual Change in State Funding</i>	4.6%	4.2%			3.2%
Supplemental #9 - Eliminate One-time Increase in State Aid for Charter School Capital Construction					
<i>(2) Assistance to Public Schools</i>					
<i>(C) Grant Programs, Distributions, and Other Assistance</i>					
Charter School Capital Construction	<u>5,000,000</u>	<u>10,000,000</u>	<u>(4,865,000)</u>	<u>(4,865,000)</u>	<u>5,135,000</u>
Cash Funds (State Education Fund)	0	10,000,000	(4,865,000)	(4,865,000)	5,135,000
CFE (State Education Fund)	5,000,000				

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #11 - Suspend Military Dependent Supplemental Pupil Enrollment Aid					
<i>(2) Assistance to Public Schools</i>					
<i>(C) Grant Programs, Distributions, and Other Assistance</i>					
Military Dependent Supplemental Pupil Enrollment Aid - GF	1,818,517	1,818,517	(1,818,517)	(1,818,517)	0
Supplemental #27 - Refinance the Colorado Student Assessment Program (CSAP)					
<i>(1) Management and Administration</i>					
<i>(C) Assessments and Data Analyses</i>					
Colorado Student Assessment Program	20,765,557	20,312,396	0	0	20,312,396
FTE	<u>7.6</u>	<u>7.0</u>	<u>0.0</u>	<u>0.0</u>	<u>7.0</u>
General Fund	14,909,506	15,719,422	(15,719,422)		15,719,422
FTE	5.5	5.0	(5.0)		5.0
Cash Funds (State Education Fund)	0	0	15,719,422		0
FTE	0.0	0.0	5.0		0.0
Federal Funds	5,856,051	4,592,974			4,592,974
FTE	2.1	2.0			2.0
Supplemental #29 - Eliminate Declining Enrollment Study					
<i>(2) Assistance to Public Schools</i>					
<i>(A) Public School Finance</i>					
Declining Enrollment Study - CF (SEF)	n/a	200,000	(200,000)	(200,000)	0

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Totals					
Department of Education (Supplementals Affecting Total Program, Categorical Programs, Capital Construction programs, and Facility Schools only)					
Totals for ALL Departmental line items	3,988,006,362	4,296,536,887	(15,536,429)	(43,901,533)	4,252,635,354
FTE	<u>449.7</u>	<u>536.3</u>	<u>0.0</u>	<u>0.0</u>	<u>536.3</u>
General Fund	3,022,785,940	3,175,366,143	(81,016,212)	(65,096,790)	3,110,269,353
<i>GFE Account (included above)</i>	<i>327,600,000</i>	<i>369,000,000</i>	<i>0</i>	<i>0</i>	<i>369,000,000</i>
Cash Funds	15,181,333	606,969,031	61,999,864	19,430,702	626,399,733
<i>CF - State Education Fund (included above)</i>		<i>488,119,916</i>	<i>61,899,864</i>	<i>19,430,702</i>	<i>507,550,618</i>
Cash Funds Exempt/ Reappropriated Funds	437,588,054	16,548,534	3,479,919	1,764,555	18,313,089
<i>CFE - SEF (included above)</i>	<i>301,293,321</i>				
Federal Funds	512,451,035	497,653,179	0	0	497,653,179

Key:

N.A. = Not Applicable or Not Available

Districts With the Largest Differences Between Estimated and Actual FTE

District	FY 08-09 October FTE Count (Including On-line Students)				Annual Change: FY 07-08 to FY 08-09		
	Estimate as of May 08	Actual as of Jan 09	Actual vs. Estimate		Actual FY 07-08	Annual Change	
			FTE	Percent		FTE	Percent
Douglas	52,012.9	55,308.4	3,295.5	6.3%	49,694.5	5,613.9	11.3%
Arapahoe - Aurora	31,798.3	32,989.5	1,191.2	3.7%	31,490.0	1,499.5	4.8%
Denver	68,476.6	69,394.0	917.4	1.3%	68,132.0	1,262.0	1.9%
Adams - Northglenn	40,031.7	40,734.4	702.7	1.8%	38,376.0	2,358.4	6.1%
Sedgwick - Julesburg	268.4	793.8	525.4	195.8%	269.3	524.5	194.8%
Adams - Brighton	13,142.6	13,637.4	494.8	3.8%	12,449.0	1,188.4	9.5%
Mesa - Mesa Valley	20,899.5	21,370.8	471.3	2.3%	20,502.0	868.8	4.2%
El Paso - Academy	20,479.5	20,824.6	345.1	1.7%	20,277.0	547.6	2.7%
Adams - Westminster	9,987.6	10,309.2	321.6	3.2%	9,979.3	329.9	3.3%
Garfield - Rifle	4,392.4	4,659.8	267.4	6.1%	4,187.0	472.8	11.3%
El Paso - Colorado Springs	30,080.3	30,343.0	262.7	0.9%	30,035.5	307.5	1.0%
Boulder - St. Vrain	23,679.3	23,901.1	221.8	0.9%	22,836.5	1,064.6	4.7%
Adams - Mapleton	5,241.2	5,376.6	135.4	2.6%	5,208.8	167.8	3.2%
Adams - Commerce City	6,411.7	6,526.2	114.5	1.8%	6,361.2	165.0	2.6%
El Paso - Falcon	12,882.2	12,984.3	102.1	0.8%	12,221.5	762.8	6.2%
Delta - Delta	5,311.6	5,184.8	(126.8)	-2.4%	5,148.0	36.8	0.7%
La Plata - Durango	4,714.7	4,574.7	(140.0)	-3.0%	4,555.5	19.2	0.4%
Las Animas - Branson	699.1	518.3	(180.8)	-25.9%	635.0	(116.7)	-18.4%
Pueblo - Pueblo City	17,461.8	17,278.0	(183.8)	-1.1%	17,322.0	(44.0)	-0.3%
El Paso - Harrison	10,509.6	10,323.5	(186.1)	-1.8%	10,446.5	(123.0)	-1.2%
Boulder - Boulder	27,663.6	27,458.3	(205.3)	-0.7%	27,227.5	230.8	0.8%
Larimer - Poudre	25,147.5	24,933.0	(214.5)	-0.9%	24,542.5	390.5	1.6%
Larimer - Thompson	14,777.1	14,486.4	(290.7)	-2.0%	14,418.5	67.9	0.5%
El Paso - Cheyenne Mountain	4,820.7	4,510.7	(310.0)	-6.4%	4,569.0	(58.3)	-1.3%
Arapahoe - Cherry Creek	48,835.4	48,401.8	(433.6)	-0.9%	47,752.0	649.8	1.4%
El Paso - Widefield	8,507.1	8,005.9	(501.2)	-5.9%	8,003.0	2.9	0.0%
El Paso - Fountain	7,003.0	6,470.7	(532.3)	-7.6%	6,179.0	291.7	4.7%
Baca - Vilas	3,567.3	485.3	(3,082.0)	-86.4%	3,527.9	(3,042.6)	-86.2%
Statewide	776,017.0	778,135.9	2,118.9	0.3%	760,884.2	17,251.7	2.3%

Ten Districts With Largest On-line Programs: Differences Between Estimated and Actual On-line FTE

District	FY 08-09 October On-line FTE Count				Annual Change: FY 07-08 to FY 08-09		
	Estimate as of May 08	Actual as of Jan 09*	Actual vs. Estimate		Actual FY 07-08	Annual Change	
			FTE	Percent		FTE	Percent
Adams - Northglenn	3,342.5	4,327.0	984.5	29.5%	3,101.5	1,225.5	39.5%
Douglas	0.0	3,102.5	3,102.5	n/a	0.0	3,102.5	n/a
Denver	504.0	788.0	284.0	56.3%	469.5	318.5	67.8%
Sedgwick - Julesburg	0.0	526.5	526.5	n/a	0.0	526.5	n/a
Las Animas - Branson	638.5	462.0	(176.5)	-27.6%	574.5	(112.5)	-19.6%
Adams - Brighton	566.5	430.5	(136.0)	-24.0%	0.0	430.5	n/a
Baca - Vilas	3,459.0	403.0	(3,056.0)	-88.3%	3,444.0	(3,041.0)	-88.3%
Adams - Westminster	0.0	268.0	268.0	n/a	0.0	268.0	n/a
Lincoln - Karval	173.0	200.0	27.0	15.6%	153.5	46.5	30.3%
Garfield - Rifle	19.5	171.5	152.0	779.5%	18.0	153.5	852.8%
Statewide	9,346.0	11,021.5	1,675.5	17.9%	8,360.0	2,661.5	31.8%

* Includes students enrolled in both multi-district and single district programs

MEMORANDUM

TO: Joint Budget Committee Members

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

SUBJECT: JBC Staff Comeback - Department of Education Supplemental

DATE: February 3, 2009

In March 2008, JBC staff recommended and the Committee approved several modifications to the structure of appropriations to the Department of Education. These modifications were ultimately reflected in the FY 2008-09 Long Bill and approved by the General Assembly and the Governor.

The most significant change transferred certain FTE and the associated funding from a consolidated line item in the Management and Administration section (the "General Department and Program Administration" line item) to separate line items. Specifically, those FTE responsible for administering a specific program or funding source (e.g., staff responsible for school finance, library programs, assessments, transportation, and nutrition programs) are now reflected with the relevant program or funding source. In addition, new line items were added to separately identify funding and staff that directly support the State Board of Education, as well as those FTE responsible for providing information technology services. These changes were designed to make the Long Bill a more informative document, to ensure that actual expenditure and FTE data are provided at a sufficient level of detail, and to increase accountability.

Last Spring, JBC staff used the best information available (provided by Department staff) to properly allocate funding and staff among the new line items. Since that time, Commissioner Jones has restructured the Department, including adding new positions and eliminating others. In addition, the Department lost its primary operations manager (through retirement) as well as the two individuals charged with budget responsibilities. The Commissioner has since hired a new manager to oversee department operations, as well as two individuals to take on budget responsibilities.

Due to staffing and organizational changes that have occurred since last Spring, as well as some existing funding shortfalls in certain administrative areas, Department staff indicate that it will be difficult to manage the FY 2008-09 budget for certain individual line items. The Department has suggested undoing some of the changes that are reflected in the FY 2008-09 so that they have more flexibility to manage within existing resources.

Rather than collapsing many of the newly created line items and re-creating one consolidated administrative line item, staff recommends that the Committee provide additional transfer authority

JBC Staff Comeback - CDE Supplemental
February 3, 2009

to the Department. Specifically, **staff recommends adding the following footnote to the Department of Education section of the FY 2008-09 Long Bill:**

5a Department of Education, Management and Administration; and Library Programs --
In addition to the transfer authority provided in Section 24-75-108, C.R.S., up to 2.5 percent of the total General Fund appropriations for Management and Administration and Library Programs may be transferred between the line items in these two sections of the FY 2008-09 Long Bill.

This footnote is modeled on similar footnotes that have been included in the Judicial budget for a number of years. The purpose of the footnote is to authorize an agency to transfer funds among certain line items at the end of the fiscal year, over and above the statutory transfer authority that has been granted the Governor in Title 24. This footnote would authorize the Department of Education (under the Commissioner of Education's authority) to transfer up to \$684,344 General Fund (2.5 percent of \$27,373,740) among certain line items at the end of FY 2008-09.