



Colorado General Assembly  
Joint Budget Committee

# JOINT BUDGET COMMITTEE STAFF FY 2017-18 BUDGET BRIEFING SUMMARY *Department of Education*

The Department of Education supports the State Board of Education in its duty to exercise general supervision over public schools, including accrediting public schools and school districts. The Department distributes state and federal funds to school districts, and it administers a variety of education-related programs, including educator licensure, education programs for children with special needs, English language proficiency programs, the Colorado Preschool Program, and a variety of grant programs. The Department develops and maintains state model content standards, and administers associated assessments. The Department also includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind; (2) the State Charter School Institute Board, which is responsible for authorizing and monitoring institute charter schools; and (3) the Public School Capital Construction Assistance Board, which is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization of state financial assistance for school construction projects. The Department's FY 2016-17 appropriation represents approximately 20.1 percent of statewide operating appropriations and 37.7 percent of statewide General Fund appropriations.

## FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2016-17 APPROPRIATION:</b>						
HB 16-1405 (Long Bill)	5,452,310,190	3,765,024,305	1,005,881,952	33,075,421	648,328,512	599.0
Other legislation	5,688,160	(397,199)	6,085,359	0	0	0.5
<b>TOTAL</b>	<b>\$5,457,998,350</b>	<b>\$3,764,627,106</b>	<b>\$1,011,967,311</b>	<b>\$33,075,421</b>	<b>\$648,328,512</b>	<b>599.5</b>
<b>FY 2017-18 APPROPRIATION:</b>						
FY 2016-17 Appropriation	\$5,457,998,350	3,764,627,106	\$1,011,967,311	\$33,075,421	\$648,328,512	599.5
R1 Total program increase	48,384,534	198,151,694	(149,767,160)	0	0	0.0
R2 Categorical programs inflation increase	7,816,926	0	7,816,926	0	0	0.0
R3 Concurrent enrollment	93,737	93,737	0	0	0	0.9
R4 Academic standards revision	340,840	0	340,840	0	0	0.0
R5 Legal services increase	171,090	171,090	0	0	0	0.0
R6 CSDB teacher salary increase	50,070	50,070	0	0	0	0.0
R7 School health professionals grant program	9,700,000	0	9,700,000	0	0	3.0
NP OIT secure Colorado	61,529	31,866	0	29,663	0	0.0
NP Annual fleet vehicle request	6,266	6,266	0	0	0	0.0
NP Resources for administrative courts	2,392	0	1,979	413	0	0.0
Continuous appropriation adjustments	4,066,241	0	898,001	3,168,240	0	0.0
Centrally appropriated line item adjustments	3,757,005	1,240,303	361,878	389,510	1,765,314	0.0
Annualize prior year budget actions	1,227,975	100,000	2,127,975	200,000	(1,200,000)	(4.0)
Institute Charter School Assistance Fund	290,000	0	290,000	0	0	0.0
Continue CPP tax checkoff funding	131,982	0	131,982	0	0	0.0
Annualize prior year legislation	(4,038,381)	1,001,219	(5,039,600)	0	0	0.0
Reflect anticipated funds transfers	(3,332,289)	0	0	(3,332,289)	0	0.0
<b>TOTAL</b>	<b>\$5,526,728,267</b>	<b>\$3,965,473,351</b>	<b>\$878,830,132</b>	<b>\$33,530,958</b>	<b>\$648,893,826</b>	<b>599.4</b>

DEPARTMENT OF EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>INCREASE/(DECREASE)</b>	\$68,729,917	\$200,846,245	(\$133,137,179)	\$455,537	\$565,314	(0.1)
Percentage Change	1.3%	5.3%	(13.2%)	1.4%	0.1%	(0.0%)

**R1 TOTAL PROGRAM INCREASE:** The request includes a net increase of \$48.4 million total funds for appropriations related to school finance (including an increase of \$198.2 million General Fund that is partially offset by a reduction of \$150.0 million cash funds). The increase in total funds includes \$48.2 million for the state share of districts’ total program funding and \$0.2 million for hold-harmless full-day kindergarten funding. Based on the Office of State Planning and Budgeting September 2016 Revenue Forecast, and including projected local revenues, the proposal would: (1) increase statewide average per pupil funding by \$182.02 (2.45 percent); and (2) increase the dollar value of the negative factor by \$45.4 million (from \$830.7 million in FY 2016-17 to \$876.1 million in FY 2017-18, or 5.5 percent). The request does not specify a negative factor for FY 2018-19 or subsequent years.

**R2 CATEGORICAL PROGRAMS INFLATION INCREASE:** Categorical programs serve particular groups of students or particular student needs. Amendment 23 requires the General Assembly to increase *total state funding* for all categorical programs (in aggregate) by at least the rate of inflation in FY 2017-18. The request, based on the OSPB-projected inflation rate for CY 2016 (2.7 percent), seeks an increase of \$7.8 million in additional funding from the State Education Fund for categorical programs in FY 2017-18. The request specifies the allocation of additional funds among the following five programs: \$4,301,695 for special education for children with disabilities; \$1,447,225 for English language proficiency programs; \$1,394,435 for public school transportation; \$507,156 for vocational education programs; and \$166,415 for educational services for gifted and talented children.

**R3 CONCURRENT ENROLLMENT:** The request includes an increase of \$93,737 General Fund and 0.9 FTE to support a new position to provide assistance and support to school districts related to concurrent enrollment programs. The proposal is based on a LEAN process review of the concurrent enrollment system conducted by the Department of Education, the Department of Higher Education, and the Concurrent Enrollment Advisory Board.

**R4 ACADEMIC STANDARDS REVISION:** The request includes an increase of \$340,840 cash funds from the State Education Fund to support the review and revision of the statewide academic standards as required by S.B. 08-212 (Colorado Achievement Plan for Kids or CAP4K). Section 22-7-1005 (6), C.R.S., requires the State Board of Education to review and adopt any appropriate revisions to the statewide standards by July 1, 2018, and every six years thereafter. The Department is requesting one-time funding to: (1) conduct a committee process for stakeholder engagement to review the standards and recommend changes; (2) contract with external experts to benchmark the revised standards against national and international efforts; and (3) contract for project management, facilitation of specific content area efforts, copy editing, and online feedback management.

**R5 LEGAL SERVICES INCREASE:** The request includes an increase of \$171,090 General Fund to support the purchase of additional legal services from the Department of Law. The Department points to three major drivers of the increasing need for legal services: (1) schools and districts reaching the end of the five year accountability clock under S.B. 09-163 (Education Accountability System), requiring legal services to support the State Board’s actions; (2) legal advice regarding the impact of the federal reauthorization of the Elementary and Secondary Education Act (the Every Student Succeeds Act); and (3) advice regarding the Student Violence Prevention and Discipline Manual.

**R6 CSDB TEACHER SALARY INCREASE:** The request includes an increase of \$50,070 General Fund for salary increases for teachers employed at the Colorado School for the Deaf and the Blind (CSDB). Statute (Sec. 22-80-106.5, C.R.S.) requires the CSDB to compensate teachers based on the Colorado Springs District 11 salary schedule,

using the CSDB’s salary policies to implement the salary schedule. To align with the revised District 11 salary schedule for FY 2016-17 (the CSDB salaries lag District 11 by one year), the request includes \$50,070 for experience step increases.

**R7 SCHOOL HEALTH PROFESSIONALS:** The request includes an increase of \$9.7 million cash funds from the Marijuana Tax Cash Fund and 3.0 FTE to expand the School Health Professionals Grant Program, established in S.B. 14-215 (Disposition of Legal Marijuana Related Revenue). The School Health Professionals Grant Program, which is supported with \$2.3 million cash funds from the Marijuana Tax Cash Fund in FY 2016-17, offers matching grants to school districts, local education authorities, and charter schools to increase the presence of school health professionals. The Department estimates that this request will allow the grant program to support an additional 150 school health professionals (primarily school nurses) statewide in addition to providing additional FTE to the Department to improve training for the field, increase outreach to students through a dedicated “youth liaison”, and improve operations of the program through additional administrative and fiscal staff.

**NP OIT SECURE COLORADO:** The request includes an increase of \$61,529 total funds (including \$31,866 General Fund to implement the next phase of the Secure Colorado project. *This request was addressed in a separate staff briefing for the Office of the Governor on Thursday, November 17, 2016.*

**NP ANNUAL FLEET VEHICLE REQUEST:** The request includes an increase of \$6,266 General Fund for vehicle lease payments for the Colorado School for the Deaf and the Blind. *The annual fleet vehicle request will be addressed in a separate staff briefing for the Department of Personnel on Wednesday, December 7, 2016.*

**NP RESOURCES FOR ADMINISTRATIVE COURTS:** The request includes an increase of \$2,392 total funds for administrative law judge services as part of a statewide request seeking resources for administrative courts. *The administrative law judge request will be addressed in a separate staff briefing for the Department of Personnel on Wednesday, December 7, 2016.*

**CONTINUOUS APPROPRIATION ADJUSTMENTS:** The request includes an increase of \$4,066,241 total funds that are continuously appropriated to the Department and reflected in the Long Bill for informational purposes only. The request seeks to align appropriations with the Department’s current estimates of continuously appropriated funds available to the State Charter School Institute (an increase of \$3,168,240 reappropriated funds) and the Office of Professional Services (\$898,001 cash funds).

**CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS:** The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; salary survey; short-term disability; supplemental state contributions to the Public Employees’ Retirement Association (PERA) pension fund; shift differential; vehicle lease payments; workers’ compensation; legal services; administrative law judge payments; payments to risk management and property funds; leased space; Capitol complex leased space; and payments to OIT. *With the exception of the Payments to OIT line item, all of these requests will be addressed in a separate staff briefing for the Department of Personnel on Wednesday, December 7, 2016. The Payments to OIT request was discussed in a separate staff briefing for the Office of the Governor on November 17, 2016.*

CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$1,248,516	\$448,226	\$167,714	\$135,093	\$497,483	0.0
Indirect cost assessment adjustment	923,583	0	106,858	0	816,725	0.0
Health, life, and dental adjustment	388,308	279,180	(16,559)	28,630	97,057	0.0

**CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS**

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Payments to OIT adjustment	305,666	158,293	0	147,373	0	0.0
SAED adjustment	253,494	148,249	9,868	35,462	59,915	0.0
Leased space adjustment	248,627	13,819	42,713	12,607	179,488	0.0
AED adjustment	232,096	141,217	6,730	33,223	50,926	0.0
Capitol Complex leased space adjustment	116,848	25,695	13,436	18,636	59,081	0.0
ALJ adjustment	29,492	0	24,401	5,091	0	0.0
Legal services adjustment	25,559	11,712	13,005	842	0	0.0
Payment to risk management / property funds adjustment	24,116	24,116	0	0	0	0.0
Workers' compensation adjustment	12,421	4,750	1,602	1,056	5,013	0.0
Shift differential adjustment	4,095	4,095	0	0	0	0.0
Short-term disability adjustment	3,031	3,293	(521)	633	(374)	0.0
CORE adjustment	(58,847)	(22,342)	(7,369)	(29,136)	0	0.0
<b>TOTAL</b>	<b>\$3,757,005</b>	<b>\$1,240,303</b>	<b>\$361,878</b>	<b>\$389,510</b>	<b>\$1,765,314</b>	<b>0.0</b>

**ANNUALIZE PRIOR YEAR BUDGET ACTIONS:** The request includes changes to reflect the second-year impact of prior year budget actions. The following table itemizes each requested annualization for FY 2017-18.

**ANNUALIZE PRIOR YEAR BUDGET ACTIONS**

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize office of dropout prevention reduction	\$1,100,000	\$0	\$1,100,000	\$0	\$0	0.0
Annualize school bullying prevention reduction	1,100,000	0	1,100,000	0	0	0.0
Annualize start smart reduction	400,000	200,000	0	200,000	0	0.0
Annualize Educator Effectiveness Implementation	(1,200,000)	0	0	0	(1,200,000)	(4.0)
Annualize educator perception	(100,000)	(100,000)	0	0	0	0.0
Annualize FY 2015-16 R3 CPP tax checkoff	(72,025)	0	(72,025)	0	0	0.0
<b>TOTAL</b>	<b>\$1,227,975</b>	<b>\$100,000</b>	<b>\$2,127,975</b>	<b>\$200,000</b>	<b>(\$1,200,000)</b>	<b>(4.0)</b>

**INSTITUTE CHARTER SCHOOL ASSISTANCE FUND:** The request includes an increase of \$290,000 cash funds for the State Charter School Institute from the Institute Charter School Assistance Fund. However, the November 1 request was based on a misconception that this fund source was continuously appropriated to the Department. Because this fund is not continuously appropriated to the Department, the Department has indicated that this component of the request was a technical error.

**CONTINUE CPP TAX CHECKOFF FUNDING:** The request includes \$131,982 cash funds to continue to provide training and professional development to Colorado Preschool Program (CPP) providers in an effort to enhance literacy and mathematics instruction. The request assumes continuation of a program included in the FY 2016-17 Long Bill (including an appropriation of \$72,025 cash funds in FY 2016-17) using cash funds that were collected as part of a voluntary tax checkoff authorized in S.B. 11-109 (Public Education Fund Tax Checkoff) and transferred to the Public Education Fund created in that bill. .

**ANNUALIZE PRIOR YEAR LEGISLATION:** The request includes changes to reflect the second-year impact of 2016 Session legislation. The following table itemizes each requested annualization for FY 2017-18.

ANNUALIZE PRIOR YEAR LEGISLATION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
Annualize HB 16-1289 Career Development Success Pilot Program	\$1,000,000	\$1,000,000	\$0	0.0
Annualize HB 16-1429 (Alt Ed Campus Criteria & Pilot Program)	1,219	1,219	0	0.0
Annualize SB 16-072 (Increase Annual BEST Lease Purchase Payment)	(5,000,000)	0	(5,000,000)	0.0
Annualize HB 16-1234 (State Assessment Selection and Local Flexibility)	(39,600)	0	(39,600)	0.0
<b>TOTAL</b>	<b>(\$4,038,381)</b>	<b>\$1,001,219</b>	<b>(\$5,039,600)</b>	<b>0.0</b>

**REFLECT ANTICIPATED FUND TRANSFERS:** The request includes a net decrease of \$3,332,289 reappropriated funds to reflect changes in anticipated transfers of funds based on interagency agreements with the Department of Health Care Policy and Financing (an anticipated increase of \$16,971 to be transferred for S.B. 97-101 Public School Health Services) and the Department of Human Services (a net decrease of \$3,349,260 primarily based on the Departments’ interagency agreement related to federal child care block grant funding).

## SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

**SCHOOL FINANCE ACT FUNDING PROJECTIONS:** Current law requires the General Assembly to provide at least enough funding for school finance in FY 2017-18 to maintain the negative factor at no more than the dollar amount from FY 2016-17 (\$830.7 million based on the current FY 2016-17 appropriation). Based on current Legislative Council Staff estimates of revenues and pupil counts, maintaining the negative factor at \$830.7 million in FY 2017-18 would require an additional \$107.8 million total state funds (including an increase of \$263.7 million General Fund which is partially offset by reductions from cash fund sources) above the FY 2016-17 appropriation. Barring changes to other appropriations, any reduction in the negative factor for FY 2017-18 would require additional General Fund.

**IMPROVING EQUITY IN THE SCHOOL FINANCE PROPERTY TAX SYSTEM:** School Finance in Colorado is supported by a mix of local and state revenues. Local funds, primarily from property taxes, provide the first source of revenues and state funds make up the difference between the local revenues available and the school district’s total program funding amount. Disparities in local total program mill levies are reducing local revenues available for schools finance and increasing pressure on the state budget. These disparities raise concerns about the equity of the school finance system for Colorado’s taxpayers and school districts.

**HUMAN RESOURCES AND PERSONNEL MANAGEMENT AT THE DEPARTMENT OF EDUCATION:** Current law gives the State Board of Education (State Board) and the Department more flexibility than most state agencies to hire employees outside of the classified personnel system. However, it appears that the Department has exceeded its authority to hire such positions. The Department’s frequent utilization of that flexibility, including the conversion previously classified positions to non-classified status (including positions that appear to be directly comparable to classified positions in other agencies) raises concerns about potentially inequitable treatment of similar employees between state agencies, a lack of oversight of the Department’s personnel management and salary systems, and potential legal exposure for the Department and the State.

**STATUS OF THE CONTINGENCY RESERVE FUND:** Statute authorizes the State Board to approve payments from the Contingency Reserve Fund to assist school districts under a variety of extenuating circumstances. House Bill 16-

1422 (School Finance) authorizes the State Board to make one-time payments to school districts that: (1) are absorbing the impact of the negative factor in a given year and (2) received little or no state funding *prior to the negative factor* in the preceding year. The Legislative Council Staff Final Fiscal Note for H.B. 16-1422 anticipated a need for \$955,852 for this provision in FY 2016-17. However, after accounting for actions taken since the enactment of H.B. 16-1422, the Contingency Reserve Fund currently has only \$546,495 available for distribution in FY 2016-17.

**REQUEST R4 – ACADEMIC STANDARDS REVISION:** Current law requires the State Board of Education to review (and adopt any necessary revisions to) the statewide academic standards by July 1, 2018. For FY 2017-18, the Department is requesting a one-time appropriation of \$340,840 cash funds from the State Education Fund for FY 2017-18 to support the required review and revision.

**B.E.S.T. CASH FUND TRANSFER PROPOSAL:** As a General Fund balancing measure for FY 2017-18, the Governor is proposing to: (1) transfer \$15.0 million cash funds from the Public School Capital Construction Assistance Fund (which supports the Building Excellent Schools Today (B.E.S.T.) program) to the State Public School Fund and (2) appropriate those funds from the State Public School Fund to offset a General Fund reduction for school finance. The transfer would not impact the Department’s anticipated expenditures for the B.E.S.T. program in the near term but would inherently reduce the amount available for grants to schools and districts.

**FEDERAL ESSA – IMPACT ON ASSESSMENTS AND ACCOUNTABILITY:** Among other changes, the federal reauthorization of the Elementary and Secondary Education Act in 2015 (the Every Student Succeeds Act) provides the State with additional flexibility in the design and implementation of assessment and accountability systems. While the federal law does not appear to *require* changes to Colorado assessment and accountability systems, the law would *allow* the General Assembly to modify both systems.

**COLORADO CONCURRENT ENROLLMENT PROGRAMS AND REQUEST R3:** High school students in Colorado participate in five types of concurrent enrollment programs, four of which are specifically authorized in state statute. Student participation has increased in recent years with roughly 30.0 percent of high school students participating in some form of concurrent enrollment course in FY 2014-15. The Department reports that inconsistent implementation has created challenges for students, school districts, and institutions of higher education participating in the program. Based on a LEAN process review of the concurrent enrollment program, the Department is requesting an increase of \$93,737 General Fund and 0.9 FTE in FY 2017-18 to create a new position to provide dedicated support and assistance to school districts participating in concurrent enrollment.

## FOR MORE INFORMATION

**JBC STAFF ANALYST:** Craig Harper  
(303) 866-3481  
craig.harper@state.co.us

**TO READ THE ENTIRE BRIEFING:** [http://leg.colorado.gov/sites/default/files/fy2017-18\\_edubrf.pdf](http://leg.colorado.gov/sites/default/files/fy2017-18_edubrf.pdf)