



JOINT BUDGET COMMITTEE STAFF FY 2019-20 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

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 2018-19 appropriation represents approximately 19.6 percent of statewide operating appropriations and 36.6 percent of statewide General Fund appropriations.

FY 2018-19 APPROPRIATION AND FY 2019-20 REQUEST

DEPARTMENT OF EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION:						
HB 18-1322 (Long Bill)	\$5,760,809,014	\$4,051,091,776	\$1,053,136,768	\$39,385,509	\$617,194,961	601.6
HB 18-1379 (School Finance)	189,504,911	123,428,205	66,076,706	0	0	0.0
Other legislation	41,269,195	5,768,258	35,500,937	0	0	0.9
TOTAL	\$5,991,583,120	\$4,180,288,239	\$1,154,714,411	\$39,385,509	\$617,194,961	602.5
FY 2019-20 REQUESTED APPROPRIATION:						
FY 2018-19 Appropriation	\$5,991,583,120	\$4,180,288,239	\$1,154,714,411	\$39,385,509	\$617,194,961	602.5
R1 Total program increase	247,866,534	261,056,096	(13,189,562)	0	0	0.0
R2 Categorical programs increase	9,232,242	4,252,964	4,979,278	0	0	0.0
R3 Schools of choice	360,374	360,374	0	0	0	2.6
R4 Funding for school turnaround	2,352,193	2,352,193	0	0	0	1.8
R5 CPP tax checkoff	410,000	0	410,000	0	0	0.0
R6 CSI mill levy equalization	10,000,000	5,000,000	0	5,000,000	0	0.0
R7 CSDB teacher salary increase	396,307	396,307	0	0	0	0.0
R8 ELC career development priorities	6,000,000	0	6,000,000	0	0	0.0
R9 ELC educator talent priorities	4,000,000	0	4,000,000	0	0	0.0
Non-prioritized items	243,458	104,502	36,243	102,713	0	0.0
Centrally appropriated items	3,744,752	1,559,047	833,252	393,176	959,277	0.0
Indirect cost assessment adjustments	180,117	0	49,620	0	130,497	0.0
Educator perception technical	75,000	75,000	0	0	0	0.0
Annualize prior year legislation	(29,511,214)	(1,999,812)	(27,579,630)	15,592	52,636	2.1
Annualize prior year budget actions	(3,418,990)	(3,418,990)	0	3,790	(3,790)	0.0
TOTAL	\$6,243,513,893	\$4,450,025,920	\$1,130,253,612	\$44,900,780	\$618,333,581	609.0

DEPARTMENT OF EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
INCREASE/(DECREASE)	\$251,930,773	\$269,737,681	(\$24,460,799)	\$5,515,271	\$1,138,620	6.5
Percentage Change	4.2%	6.5%	(2.1%)	14.0%	0.2%	1.1%

R1 TOTAL PROGRAM INCREASE: The request includes a net increase of \$247.9 million total funds for appropriations related to school finance (including an increase of \$261.1 million General Fund that is partially offset by a net decrease of \$13.2 million cash funds). The increase in total funds includes \$247.5 million for the state share of districts' total program funding and \$0.4 million for hold-harmless full-day kindergarten funding. Based on the Office of State Planning and Budgeting (OSPB) September 2018 Revenue Forecast, and including OSPB's projection of local revenues, the proposal would: (1) increase statewide average per pupil funding by \$357.81 (4.4 percent); and (2) decrease the dollar value of the budget stabilization factor by \$77.0 million (from \$672.4 million in FY 2018-19 to \$595.4 million in FY 2019-20, or 11.5 percent). The request does not specify a budget stabilization factor for FY 2020-21 or subsequent years. See the first issue brief in this document for further discussion of school finance projections for FY 2019-20 and the Governor's request.

R2 CATEGORICAL PROGRAMS INCREASE: 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 2019-20. The request, based on the OSPB-projected inflation rate for CY 2018 (3.0 percent), seeks an increase of \$9.2 million total funds for categorical programs in FY 2018-19, including increases of \$4.3 million General Fund and \$5.0 million cash funds from the State Education Fund. The request proposes to allocate the increase among six programs. The following table shows the requested allocation of additional funds by program. In a change from recent years, the request seeks an increase of \$237,700 total funds for the Small Attendance Center Aid program, which has not received an increase since FY 2015-16. See Appendix C for a discussion of the Department's response to a request for information associated with categorical funding.

R2 REQUESTED INCREASES IN STATE FUNDING FOR CATEGORICAL PROGRAMS				
LONG BILL LINE ITEM	FY 2018-19 APPROPRIATION	FY 2019-20 REQUEST	CHANGE IN STATE FUNDING	PERCENT CHANGE
Special Education - Children with Disabilities	\$176,129,215	\$181,183,987	\$5,054,772	2.9%
English Language Proficiency Program	21,608,211	23,210,913	1,602,702	7.4%
Public School Transportation	59,099,150	60,626,723	1,527,573	2.6%
Career and Technical Education Programs	26,675,279	27,297,859	622,580	2.3%
Special Education - Gifted and Talented Children	12,528,041	12,714,956	186,915	1.5%
Expelled and At-risk Student Services Grant Program	9,493,560	9,493,560	0	0.0%
Small Attendance Center Aid	1,076,550	1,314,250	237,700	22.1%
Comprehensive Health Education	1,131,396	1,131,396	0	0.0%
Total	\$307,741,402	\$316,973,644	\$9,232,242	3.0%

R3 SCHOOLS OF CHOICE: The request includes an increase of \$360,374 General Fund and 2.6 FTE to support the Schools of Choice Unit's ongoing support and oversight of charter schools statewide. To date, federal funds dedicated to the support of new and expanding charter schools have supported the Unit's operations. However, federal funding has diminished as the number of applications for new and expanding schools has decreased, driving a reduction in staff for the Unit. In addition, those federal funds are not appropriate for the ongoing oversight and support of existing schools. While revenues have declined, the increasing number of established charter schools requiring the department's oversight and support under the Charter Schools Act (Sections 22-30.5-101 through 22-30.5-704, C.R.S.) has increased the Unit's workload. The request seeks State funding to support the State's ongoing workload and to support the Department's ongoing obligations under the Charter Schools Act.

R4 FUNDING FOR SCHOOL TURNAROUND: The request includes an increase of \$2.4 million General Fund and 1.8 FTE to expand state support for schools identified as turnaround or priority improvement status (the two lowest categories) in the statewide accountability system. The request would approximately double the existing School Transformation Grant program (formerly known as the School Turnaround Leadership Development Program) and increase technical assistance support provided to schools through the Turnaround Network. For additional information, see the fifth briefing paper in this document.

R5 CPP TAX CHECKOFF: The request includes an increase of \$410,000 cash funds in one-time funding for distribution to Colorado Preschool Program (CPP) providers. The cash funds were collected as a result 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. The tax checkoff is no longer available and the Department proposes to distribute all remaining funds to CPP providers on a formula basis per pupil. The request does not propose any constraints on the use of funds.

R6 CSI MILL LEVY EQUALIZATION: The request includes an increase of \$10.0 million total funds (including \$5.0 million General Fund appropriated to the Mill Levy Equalization Fund created in H.B. 18-1375 and \$5.0 million reappropriated funds to appropriate those funds out of the cash fund) for mill levy equalization payments to Colorado Charter School Institute (CSI) schools in FY 2019-20. The request adds to an appropriation of \$11.0 million total funds (including \$5.5 million General Fund and \$5.5 million reappropriated funds) provided in FY 2018-19. As a result, the proposed appropriation would distribute a total of \$10.5 million to CSI schools in FY 2019-20 for mill levy equalization.

R7 CSDB TEACHER SALARY INCREASE: The request includes an increase of \$0.4 million 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 2018-19 (the CSDB salaries lag District 11 by one year), the request seeks to provide experience step increases that align with the District 11 salary schedule.

R8 ELC PROFESSIONAL DEVELOPMENT PRIORITIES: The request includes an increase of \$6.0 million cash funds from the State Education Fund (originating as a proposed transfer from the General Fund to the State Education Fund) in one-time funding to support career development efforts aligned with the anticipated recommendations of the Education Leadership Council (ELC). The request includes the following three components: (1) \$3.0 million to expand the Career Development Success Program to pay incentives for the participating school districts and charter schools that encourage high school students to complete a qualified workforce program; (2) \$1.5 million to support professional development and training efforts to improve career counseling for students; and (3) \$1.5 million in grant funds to expand and improve concurrent enrollment opportunities. For additional information, see the fourth issue paper in this document.

R9 ELC EDUCATOR TALENT PRIORITIES: The request includes an increase of \$4.0 million cash funds from the State Education Fund (also originating as a proposed transfer from the General Fund to the State Education Fund) in one-time funding to support educator talent (recruitment, retention, and professional development) efforts aligned with the anticipated recommendations of the Education Leadership Council (ELC). The request includes the following two components: (1) \$3.0 million, to be spent over two years, to expand the Retaining Teachers Grant Program created in H.B. 18-1412; and (2) \$1.0 million, to be spent over two years, to support a proposed Principal Leadership Academy to provide training and professional development for school principals. For additional information, see the fourth issue paper in this document.

NON-PRIORITIZED ITEMS: The request includes increases totaling \$243,458 total funds (including \$104,502 General Fund) for items requested by other agencies that impact this department. The table below itemizes the two non-prioritized items requested for FY 2019-20.

NON-PRIORITIZED ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
OIT Securing IT operations	\$236,799	\$101,644	\$35,252	\$99,903	\$0	0.0
OIT Optimize self-service capabilities	6,659	2,858	991	2,810	0	0.0
TOTAL	\$243,458	\$104,502	\$36,243	\$102,713	\$0	0.0

CENTRALLY APPROPRIATED ITEMS: The request includes an increase of \$3.7 million total funds (including \$1.6 million General Fund) related to employee benefits and other centrally appropriated items. The following table summarizes the requested changes.

CENTRALLY APPROPRIATED ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Merit pay adjustment	\$1,508,148	\$474,512	\$236,729	\$176,365	\$620,542	0.0
PERA Direct Distribution	1,288,681	934,551	202,452	151,678	0	0.0
Health, life, and dental adjustment	451,798	(5,640)	162,619	61,051	233,768	0.0
Payment to risk management / property funds adjustment	237,707	237,707	0	0	0	0.0
Legal services adjustment	136,447	78,873	54,073	3,501	0	0.0
Payments to OIT adjustment	89,386	(7,280)	98,457	(1,791)	0	0.0
AED adjustment	65,965	(53,749)	37,269	18,349	64,096	0.0
SAED adjustment	65,965	(53,749)	37,269	18,349	64,096	0.0
Leased space adjustment	49,057	2,623	9,551	559	36,324	0.0
ALJ adjustment	25,310	0	20,944	4,366	0	0.0
Salary survey adjustment	11,005	11,005	0	0	0	0.0
Short-term disability adjustment	5,784	(584)	1,780	1,027	3,561	0.0
Shift differential adjustment	517	517	0	0	0	0.0
Capitol Complex leased space adjustment	(96,184)	(28,925)	(22,378)	(7,814)	(37,067)	0.0
Workers' compensation adjustment	(73,308)	(32,745)	(9,567)	(4,953)	(26,043)	0.0
CORE adjustment	(16,998)	6,459	4,054	(27,511)	0	0.0
Vehicle lease payments adjustment	(4,528)	(4,528)	0	0	0	0.0
TOTAL	\$3,744,752	\$1,559,047	\$833,252	\$393,176	\$959,277	0.0

INDIRECT COST ASSESSMENT ADJUSTMENTS: The request includes increases totaling \$180,117 total funds based on the Department's indirect cost assessment plan.

EDUCATOR PERCEPTION TECHNICAL: The request includes an increase of \$75,000 General Fund to support the administration of the statewide Teaching and Learning Conditions Colorado Survey (TLCC Survey, formerly the TELL Survey) in FY 2019-20. The Department conducts the TLCC survey every other year. In prior years, the appropriation has provided \$100,000 in the year of survey administration and \$0 in the year between surveys. The request proposes a technical adjustment to provide \$75,000 in FY 2019-20 and \$25,000 in FY 2020-21 to support workload required in the "off-year."

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments to reflect the FY 2019-20 impact of legislation passed in prior years, including the adjustments shown in the following table. The net reduction of \$29.5 million total funds is driven by the elimination of \$30.0 million in one-time funding (from the State Education Fund) provided for assistance to rural schools in H.B. 18-1379 (School Finance).

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB 18-1070 (Additional Public School Capital Construction)	\$1,400,000	\$0	\$1,400,000	\$0	\$0	0.0
HB 18-1306 (Improving Ed Stability for Foster Youth)	1,045,030	1,045,030	0	0	0	1.0
HB 18-1266 (Career Development Success Prog. Expansion)	1,000,000	1,000,000	0	0	0	0.0
SB 18-200 (PERA)	129,663	41,065	20,370	15,592	52,636	0.0
HB 18-1019 (K12 Accreditation Weighted Factors)	22,500	22,500	0	0	0	0.0
HB 18-1396 (Adv. Placement Exam Fee Grant Program)	5,714	5,714	0	0	0	0.1
HB 18-1379 (School Finance)	(30,000,000)	0	(30,000,000)	0	0	0.0
HB 18-1412 (Retaining Teachers Grant Program)	(2,000,000)	(3,000,000)	1,000,000	0	0	1.0
HB 18-1189 (Expanding Effective Teacher Residency Programs)	(600,000)	(600,000)	0	0	0	0.0
HB 18-1309 (Programs Addressing Educator Shortages)	(496,177)	(496,177)	0	0	0	0.0
HB 18-1322 (Expand Child Nutrition School Lunch Protection)	(17,944)	(17,944)	0	0	0	0.0
TOTAL	(\$29,511,214)	(\$1,999,812)	(\$27,579,630)	\$15,592	\$52,636	2.1

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments to reflect the FY 2019-20 impact of budget actions and decision items included in prior year Long Bill appropriations. The table below summarizes each annualization for FY 2019-20.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 R3 Staffing IMS	(\$2,193,500)	(\$2,193,500)	\$0	\$0	\$0	0.0
FY 2018-19 R7 Career Development Success Pilot Program	(1,000,000)	(1,000,000)	0	0	0	0.0
FY 2018-19 R4 State Board meeting transcription	(114,828)	(114,828)	0	0	0	0.0
FY 2018-19 salary survey	(110,662)	(110,662)	0	3,790	(3,790)	0.0
TOTAL	(\$3,418,990)	(\$3,418,990)	\$0	\$3,790	(\$3,790)	0.0

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 2019-20 to maintain the budget stabilization factor at no more than the dollar amount from FY 2018-19 (\$672.4 million based on the current FY 2018-19 appropriation). Based on current Legislative Council Staff estimates of revenues and pupil counts, maintaining the budget stabilization factor at \$672.4 million in FY 2019-20 would require an additional \$185.7 million in state funding above the current FY 2018-19 appropriation. That amount includes an increase of \$286.6 million General Fund that would be partially offset by a reduction of \$100.9 million from cash fund sources based on projections of available cash fund revenues. Barring changes to other appropriations, any reduction in the budget stabilization factor for FY 2019-20 would require additional General Fund.

TAXPAYER INEQUITY IN THE SCHOOL FINANCE PROPERTY TAX SYSTEM: A mix of local and state revenues support school finance in Colorado. Local funds, primarily from property taxes, form the foundation of school finance funding. State funds make up the difference between the local revenues available and the school district's total program funding amount calculated through the statutory school finance formula. While variation in local property wealth inherently affects local property tax revenues, disparities in *property tax rates* (mill levies) are also reducing local revenues for school finance and increasing pressure on the State budget. The resulting system is inequitable for taxpayers and raises questions about whether state aid for school finance is going where it is most needed.

EARLY LITERACY PERFORMANCE: House Bill 12-1238 (Colorado READ Act) established the Early Literacy Program to support early literacy efforts statewide. Focused on achieving literacy by the end of third grade, the program requires schools to assess students in kindergarten through third grade, identify students with significant reading deficiencies, and provide additional supports to those students to achieve literacy by the end of third grade. Given both the importance of improving early literacy and the significant state investment in early literacy since FY 2013-14, staff is concerned about the lack of demonstrable improvement in results statewide.

REQUESTS R8 AND R9 – EDUCATION LEADERSHIP COUNCIL INITIATIVES: The Governor's Office is requesting a total of \$10.0 million General Fund (proposed as a transfer from the General Fund to the State Education Fund) in one-time funding to support the emerging recommendations of the Education Leadership Council. Request R8 proposes an increase of \$6.0 million focused on students' career readiness and career development. Request R9 proposes an additional \$4.0 million for educator talent initiatives, including recruiting, retention, and professional development for teachers and principals.

REQUEST R4 – FUNDING FOR SCHOOL TURNAROUND: The Department's request includes an increase of \$2.4 million General Fund and 1.8 FTE to expand state support for schools identified as turnaround or priority improvement status (the two lowest categories) in the statewide accountability system. The request would approximately double the existing School Transformation Grant program (formerly known as the School Turnaround Leadership Development Program), increasing both technical assistance and financial support provided to identified schools.

CSDB EXTERNAL AUDIT UPDATE: In response to stakeholder concerns and discussions with the Joint Budget Committee during the 2018 Session, the Department of Education and the Colorado School for the Deaf and the Blind (CSDB) agreed to initiate an independent program review of the CSDB in 2018. The Department originally expected to complete the review in calendar year 2018. The Department has assembled a stakeholder committee and

review team and is now planning to complete the review in early 2019, with a final copy of the report submitted to the Committee and JBC Staff by June 30, 2019.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2019-20_edubrf.pdf