

This file includes the following two documents:

- A JBC Staff memo to the Joint Budget Committee, dated December 7, 2016, providing additional information related to the issue brief beginning on page 39 of the FY 2017-18 JBC Staff Briefing Document for the Department of Education regarding the Department's human resources and personnel management practices.
- The FY 2017-18 JBC Staff Briefing Document for the Department of Education, dated December 7, 2016.

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members  
FROM Craig Harper, JBC Staff (303-866-3481)  
DATE December 7, 2016  
SUBJECT Update to Briefing Issue on Human Resources and Personnel Management at the Department of Education

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This memo summarizes additional information regarding the Department of Education's personnel practices that came to staff's attention *after the briefing document was finalized*.

In the briefing issue beginning on page 39 of the briefing document, staff discusses the State Supreme Court decision in *Board of Education v. Spurlin* as defining the Department's authority to hire at-will staff under Section 13 of Article XII of the State Constitution. That court decision, from 1960, defined the employees that were eligible for at-will status under the Department's constitutional authority. However, after finalizing the briefing document, staff learned:

- In 1960 (at the time of the Supreme Court decision), with respect to education, the constitutional provision in question only exempted "officers and teachers in educational institutions not reformatory or charitable in character..." The provision did not mention department administrators.
- The relevant constitutional provision was amended in 1969 (through House Concurrent Resolution 1019) to read, "faculty members of educational institutions and departments not reformatory or charitable in character, and such administrators thereof as may be exempt by law," [emphasis added].

As a result, the Supreme Court decision no longer defines the eligible employees.

While the Constitutional authority is somewhat broader than under *Spurlin*, staff stands behind the remainder of the analysis in the issue brief. The relevant statute (Sec. 22-2-104, C.R.S.) has remained unchanged since 1964: "As a matter of legislative determination, the offices of commissioner of education, assistant commissioners of education, and all positions classified by the board as director, consultant, supervisor, or instructor are declared to be educational in nature and not under the state personnel system." With respect to the briefing issue:

- Staff is still not aware of any action by the State Board to classify positions as exempt from the State Personnel System pursuant to the statute, including the previously-classified positions that have been eliminated and converted to at-will status since FY 2011-12. Rather, the Department's actions appear to assume that the State Board has delegated such authority to the Department.
- Setting aside the question of action by the State Board, the Department's actions still appear to exceed its constitutional and statutory authority. As discussed in the briefing issue, many of the at-will positions do not appear to be specifically "educational in nature" and appear to be directly comparable to classified positions in other departments.
- Finally, the relevant statutory provisions have not changed since 1964 while the Department's management under the authority has changed dramatically in recent years.

The General Assembly may wish to consider legislation to further clarify the Department's authority.

# JOINT BUDGET COMMITTEE



## STAFF BUDGET BRIEFING FY 2017-18

## DEPARTMENT OF EDUCATION

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:  
CRAIG HARPER, JBC STAFF  
DECEMBER 7, 2016

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# CONTENTS

Department Overview .....	1
Department Budget: Recent Appropriations.....	2
Department Budget: Graphic Overview .....	3
General Factors Driving the Budget.....	5
Summary: FY 2016-17 Appropriation & FY 2017-18 Request .....	11

## ISSUES

School Finance Act Funding Projections .....	16
Improving Equity in the School Finance Act Property Tax System .....	26
Human Resources and Personnel Management at the Department of Education .....	39
Status of the Contingency Reserve Fund.....	46
Request R4 Academic Standards Revision .....	49
B.E.S.T. Cash Fund Transfer Proposal.....	52
Federal ESSA – Impact on Assessments and Accountability.....	54
Colorado Concurrent Enrollment Programs and Request R3 .....	60

## APPENDICES

A. Numbers Pages.....	65
B. Recent Legislation Affecting Department Budget .....	93
C. Update on Long Bill Footnotes and Requests for Information.....	100
D. Department Annual Performance Report .....	114

# DEPARTMENT OF EDUCATION

## DEPARTMENT OVERVIEW

The Commissioner of Education, who is appointed by the State Board of Education, is the chief state school officer and executive officer of the Department of Education. The Commissioner and department staff, under the direction of the elected members of the State Board of Education, have the following responsibilities:

- Supporting the State Board in its duty to exercise general supervision over public schools and K-12 educational programs operated by state agencies, including appraising and accrediting public schools, school districts, and the State Charter School Institute (Institute);
- Developing and maintaining state academic standards, and administering the associated statewide assessment program;
- Annually accrediting school districts and the Institute and making education accountability data available to the public;
- Administering the public school finance act and distributing federal and state moneys appropriated or granted to the Department for public schools;
- Administering educator licensure and professional development programs;
- Administering education-related programs, including services for children with special needs, services for English language learners, the Colorado preschool program, public school transportation, adult basic education programs, and various state and federal grant programs;
- Supporting the State Board in reviewing requests from school districts for waivers of state laws and regulations and in serving as the appellate body for charter schools;
- Promoting the improvement of library services statewide to ensure equal access to information, including providing library services to persons who reside in state-funded institutions and to persons who are blind and physically disabled; and
- Maintaining the Colorado virtual library and the state publications library.

The Department also includes three “type 1”<sup>1</sup> agencies:

- A seven-member Board of Trustees that is responsible for managing the Colorado School for the Deaf and the Blind, located in Colorado Springs;
- A nine-member State Charter School Institute Board that is responsible for authorizing and monitoring the operations of “institute charter schools” located within certain school districts; and
- A nine-member Public School Capital Construction Assistance Board that is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization and allocation of state financial assistance for school construction projects.

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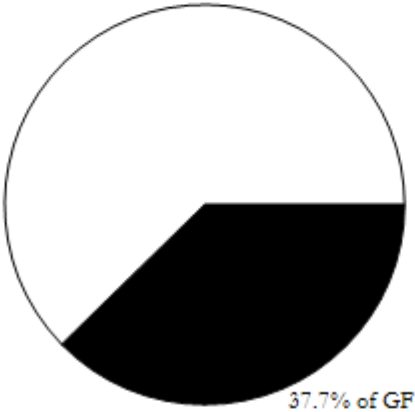
<sup>1</sup> Pursuant to Section 24-1-105 (1), C.R.S., a type 1 agency exercises its prescribed powers and duties independently of the head of the department.

## DEPARTMENT BUDGET: RECENT APPROPRIATIONS

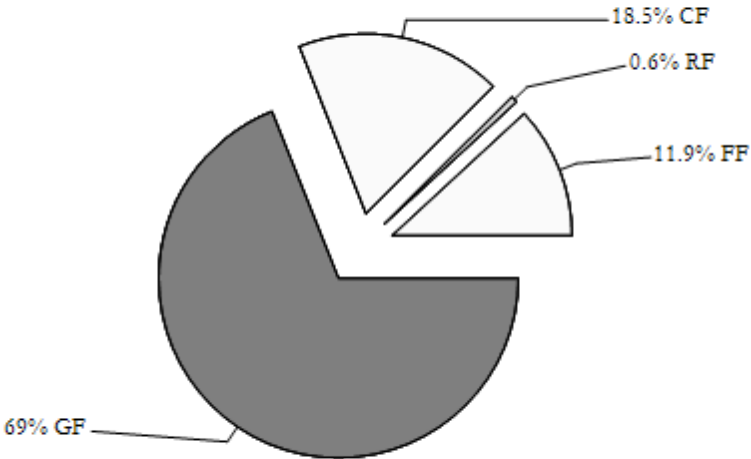
FUNDING SOURCE	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18 *
General Fund	\$3,357,973,487	\$3,478,443,043	\$3,764,627,106	\$3,965,473,351
Cash Funds	1,193,772,119	1,146,145,308	1,011,967,311	878,830,132
Reappropriated Funds	61,142,113	31,757,276	33,075,421	33,530,958
Federal Funds	636,310,925	650,649,929	648,328,512	648,893,826
<b>TOTAL FUNDS</b>	<b>\$5,249,198,644</b>	<b>\$5,306,995,556</b>	<b>\$5,457,998,350</b>	<b>\$5,526,728,267</b>
Full Time Equiv. Staff	582.0	598.8	599.5	599.4

# DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund



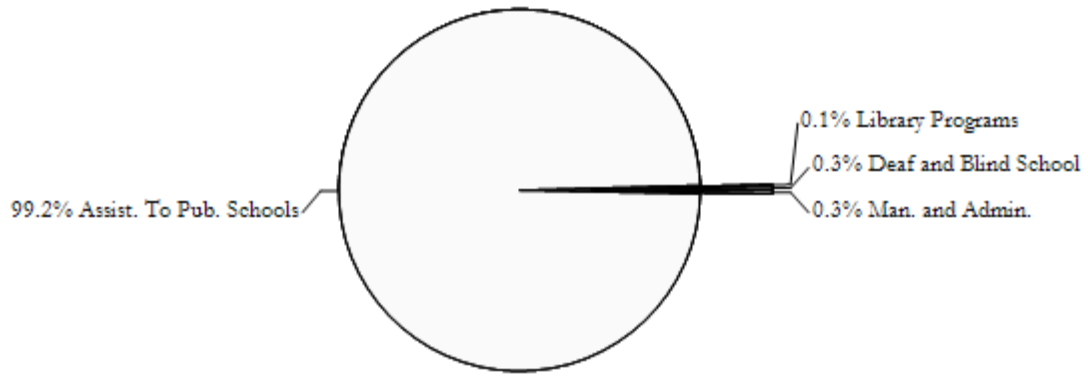
Department Funding Sources



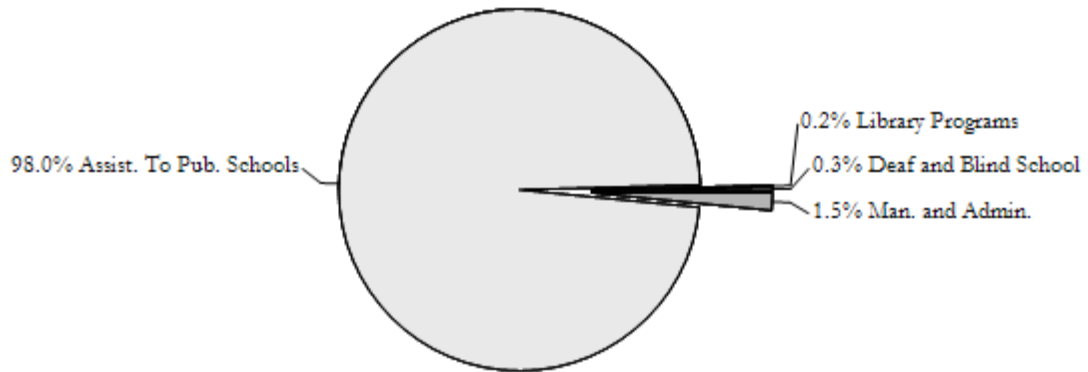
All charts are based on the FY 2016-17 appropriation.



### Distribution of General Fund by Division



### Distribution of Total Funds by Division



All charts are based on the FY 2016-17 appropriation.

## GENERAL FACTORS DRIVING THE BUDGET

The Governor's FY 2017-18 request for the Department of Education consists of 71.8 percent General Fund, 15.9 percent cash funds, 11.7 percent federal funds, and 0.6 percent reappropriated funds. Although local government revenues provide a significant source of funding for K-12 education in Colorado (\$2.3 billion anticipated in FY 2016-17), local funds are not reflected in the State's annual appropriations to the Department of Education. Two primary factors driving the Department's budget, public school finance and categorical programs, are reviewed below.

### PUBLIC SCHOOL FINANCE

Section 2 of Article IX of the Colorado Constitution requires the General Assembly to provide for the "establishment and maintenance of a thorough and uniform system of free public schools throughout the state". To comply with this provision, the General Assembly has established a statutory public school finance formula that takes into consideration the individual characteristics of each school district in order to provide thorough and uniform educational opportunities. The school finance formula allocates funds among school districts by calculating a per-pupil level of funding for each school district, as well as a specific state and local share of funding for each district.

The formula provides the same statewide base per-pupil funding amount for every school district (\$6,368 per pupil for FY 2016-17). The formula then increases this statewide base per-pupil funding amount for each district based on factors that affect districts' costs of providing educational services. Thus, per-pupil funding allocations vary for each district. For FY 2016-17, per-pupil funding allocations are anticipated to range from \$7,018 to \$15,784, with a statewide average of \$7,425 per pupil. Each district's per-pupil funding allocation is multiplied by its funded-pupil count to determine its total program funding. For FY 2016-17, pursuant to the formula, a total of \$6.4 billion in state and local funds will be allocated among school districts.

### CONSTITUTIONAL INFLATIONARY REQUIREMENT (AMENDMENT 23)

Pursuant to Section 17 of Article IX of the Colorado Constitution, the General Assembly is required to provide annual inflationary increases in the statewide base per-pupil funding amount. For FY 2001-02 through FY 2010-11, this amount was required to increase annually by at least inflation plus one percent; for FY 2011-12 and subsequent fiscal years, this amount must increase annually by at least the rate of inflation. For example, for FY 2016-17, the General Assembly was required to increase the statewide base per-pupil funding amount by at least \$76 (from \$6,292 to \$6,368, or 1.2 percent), based on the actual 1.2 percent increase in the Denver-Boulder-Greeley consumer price index in calendar year 2015. Given an estimated funded-pupil count of more than 861,000, the General Assembly was thus required to provide a minimum of \$5.5 billion in state and local funds for FY 2016-17, equal to 85.8 percent of the \$6.4 billion in total program funding.

### FACTORS CONSIDERED IN PUBLIC SCHOOL FINANCE FORMULA

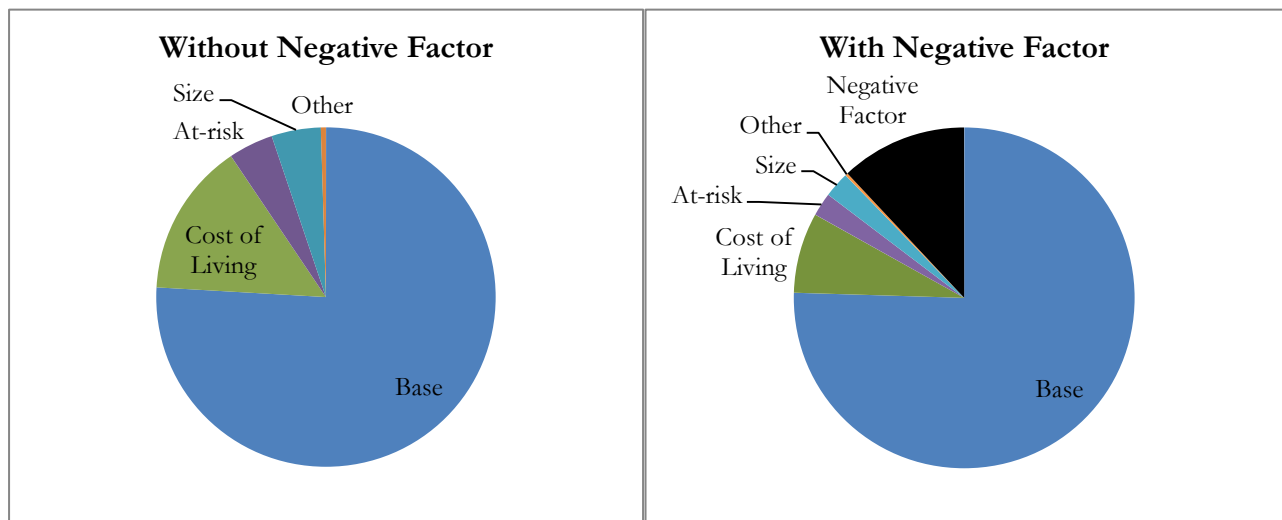
The remaining 14.2 percent of state and local funds that will be allocated among school districts in FY 2016-17 is driven by other factors in the statutory school finance formula that add varying amounts to the base per-pupil funding for each district to account for individual district characteristics. The formula includes three primary factors:

- Cost of Living Factor - Recognizes that the cost of living in a community affects the salaries required to attract and retain qualified personnel.
- Size Factor - Compensates districts lacking enrollment-based economies of scale.
- At-risk Factor - Provides additional funding for districts serving students who may be at risk of failing or dropping out of school. The formula utilizes a proxy to estimate the number of at-risk students: the number and concentration of students who are either eligible for free lunch under the federal school lunch program or English language learners.

In addition, the school finance formula requires a minimum level of per-pupil funding (\$7,051 per pupil for FY 2016-17), regardless of the impact of the above factors. For FY 2016-17, 13 districts are anticipated to receive funding based on this minimum level of per-pupil funding. The School Finance Act also provides a fixed amount of funding per pupil (established at \$6,795 for FY 2016-17) for two types of students:

- Students receiving full-time, on-line instruction through a multi-district program; and
- Students in their fifth year of high school who are participating in the Accelerating Students Through Concurrent Enrollment (ASCENT) Program.

Finally, since FY 2010-11 the formula has included a negative factor designed to reduce districts' total program funding to a specified total amount. For FY 2016-17, this factor is estimated to be -11.5 percent, requiring an \$830.7 million reduction in total program funding. Thus, the Department will calculate total program funding for each district based on the formula described above, and then reduce each district's total program funding by 11.5 percent. Because the General Assembly cannot decrease base per-pupil funding, this new factor has the effect of reducing the funding attributed to the other formula factors, as illustrated in the following graphic.



## DETERMINING THE STATE AND LOCAL SHARES OF FUNDING

Once the total program funding amount is determined for each district, the state and local share of such funding is calculated for each district. Local property and specific ownership taxes provide the first source of revenue for each district's total program funding. Property taxes are based on each district's tax rate (the mill levy) and the portion of property value that is taxable (the assessment rate). Specific ownership taxes are paid when registering a motor vehicle. These local tax revenues

are collected and expended by each school district, and thus are not reflected in the state budget. For FY 2016-17, \$2.3 billion in local tax revenues are anticipated to be available to support public schools pursuant to the statutory school finance formula. State funding is appropriated to fill the gap between local tax revenues and total program funding. Thus, the General Assembly appropriated \$4.1 billion in state funding for FY 2016-17 to provide a total of \$6.4 billion for school district operations.

Two constitutional provisions, combined with a statutory provision in the School Finance Act of 1994, have limited property tax revenues available for public school operations:

- In 1982, voters approved a property tax reform measure that included a provision (generally called the "Gallagher amendment") which initially reduced the residential assessment rate from 30.0 percent to 21.0 percent, and capped the residential share of property taxes.
- In 1992 voters approved the Taxpayer's Bill of Rights (TABOR). Prior to TABOR, local governments could generally collect and spend the same amount of property tax revenue each year by periodically increasing or decreasing mill levies. With respect to school district property taxes, TABOR: (1) imposes a property tax revenue limit based on inflation and changes in student enrollment; (2) prohibits districts from increasing a mill levy without voter approval; and (3) requires voter approval for any increase in the assessment rate for a class of property.

As a result of the combined impact of the Gallagher amendment and TABOR, the residential assessment rate has declined from 30.00 percent to 7.96 percent (to keep the residential share of property tax revenues at about 47.0 percent); school district mill levies have declined from the uniform mill of 40.080 (established by the General Assembly in 1988) to disparate mill levies that currently range from 1.680 to 27.000. These reductions, in combination with the inflationary spending increases required by Amendment 23, have caused the local share of total program funding to increase at a slower rate than overall funding, requiring the State's relative share of funding to increase. Specifically, from CY 1988 to FY 2006-07, the state share of funding rose from 43 percent to 64 percent, while the local share fell from 57 percent to 36 percent.

Senate Bill 07-199 changed the method for calculating school district property taxes, thereby allowing property tax revenues to increase at a rate more commensurate with overall funding. Due to the passage of S.B. 07-199 and increases in assessed valuation, the state share of funding (as a percentage of the total program) decreased in FY 2007-08 to 62.2 percent. Subsequently, due to declines in assessed valuation, the state share increased to 66.6 percent of total program funding in FY 2014-15. The state share is projected to provide 64.3 percent of total program funding in FY 2016-17.

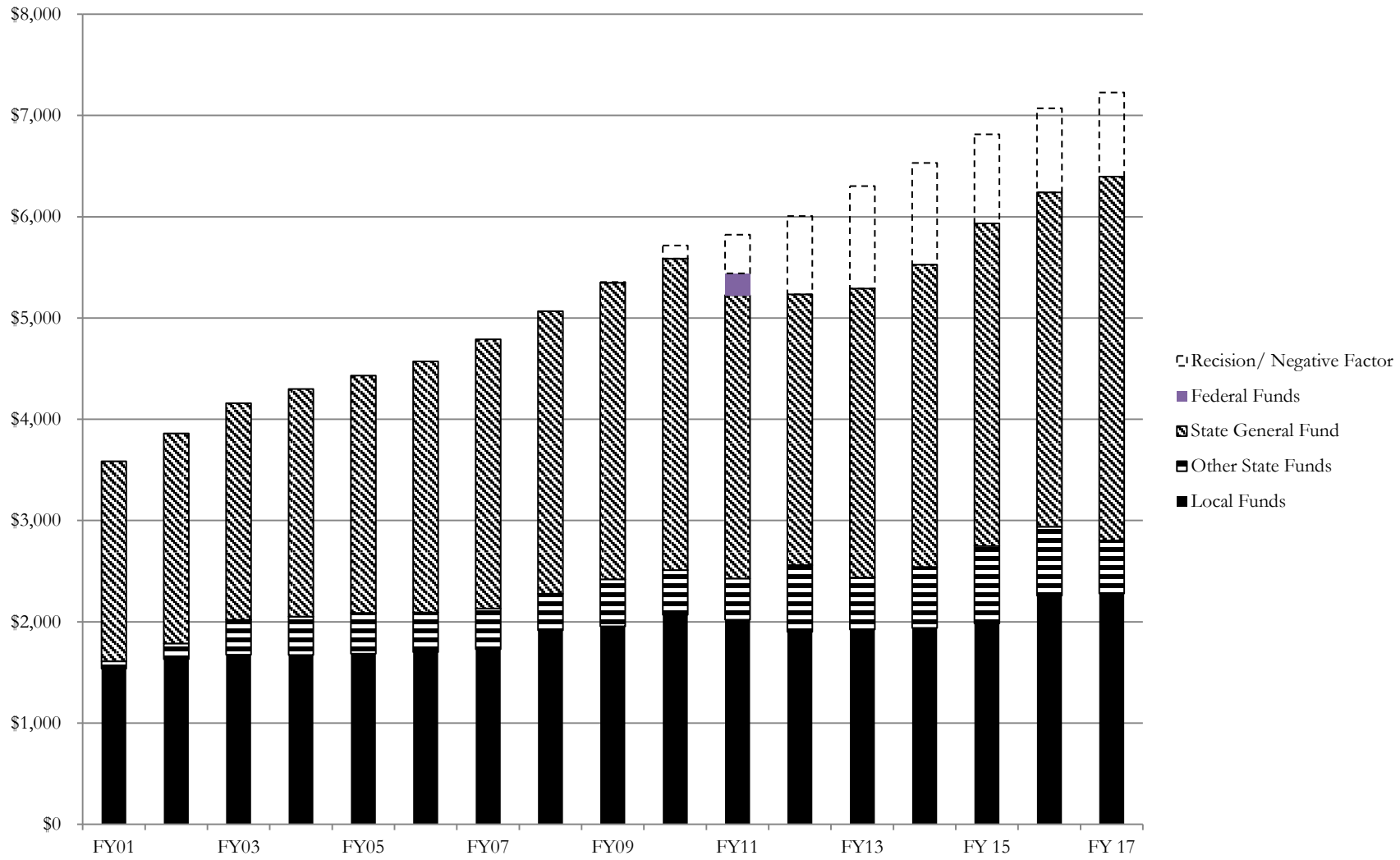
In summary, several factors affect the amount of state funding appropriated for public school finance, including:

- The number of pupils enrolled in public schools, including children attending state-supported preschool programs; students enrolled in full-time, on-line programs; and students participating in the ASCENT program;
- The rate of inflation;
- Changes in the relative cost-of-living in various regions of the state;
- The number of at-risk students enrolled in public schools;
- Fluctuations in local property and specific ownership tax revenues, as well as constitutional and statutory provisions that limit property tax revenues; and

- Changes in statutory definitions, procedures, or mathematical factors that impact the calculation of per-pupil funding or state aid for each district.

The graphic on the following page illustrates school districts' total program funding, by fund source, from FY 2000-01 through FY 2016-17. The stacked bar segments outlined with a dotted line illustrate the mid-year recisions required in FY 2008-09 and FY 2009-10 due to insufficient state appropriations, as well as the impact of the negative factor in subsequent fiscal years. The graphic is followed by key data related to school finance funding for the last four fiscal years, as well as appropriations for FY 2015-16 and FY 2016-17.

### School Districts' Total Program Funding (\$ in millions)



**SCHOOL DISTRICTS' TOTAL PROGRAM FUNDING: KEY DATA**

DESCRIPTION	FY 2011-12 ACTUAL	FY 2012-13 ACTUAL	FY 2013-14 ACTUAL	FY 2014-15 ACTUAL	FY 2015-16 APPROP.	FY 2016-17 APPROP.
<b>Funded Pupil Count</b>	<b>808,139</b>	<b>817,645</b>	<b>830,831</b>	<b>844,546</b>	<b>853,251</b>	<b>861,441</b>
<i>Annual Percent Change</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.6%</i>	<i>1.7%</i>	<i>1.0%</i>	<i>1.0%</i>
<i>Change in Denver-Boulder Consumer Price Index for Previous Calendar Year</i>	<i>1.9%</i>	<i>3.7%</i>	<i>1.9%</i>	<i>2.8%</i>	<i>2.8%</i>	<i>1.2%</i>
Statewide <u>Base</u> Per Pupil Funding	<b>\$5,635</b>	<b>\$5,843</b>	<b>\$5,954</b>	<b>\$6,121</b>	<b>\$6,292</b>	<b>\$6,368</b>
<i>Annual Percent Change</i>	<i>1.9%</i>	<i>3.7%</i>	<i>1.9%</i>	<i>2.8%</i>	<i>2.8%</i>	<i>1.2%</i>
<b>Statewide <u>Average</u> Per Pupil Funding</b>	<b>\$6,474</b>	<b>\$6,480</b>	<b>\$6,652</b>	<b>\$7,026</b>	<b>\$7,313</b>	<b>\$7,425</b>
<i>Annual Percent Change</i>	<i>(5.0%)</i>	<i>0.1%</i>	<i>2.7%</i>	<i>5.6%</i>	<i>4.1%</i>	<i>1.5%</i>
<b>Total Program Funding/1</b>	<b>\$5,232,445,847</b>	<b>\$5,297,963,176</b>	<b>\$5,526,933,750</b>	<b>\$5,933,444,389</b>	<b>\$6,239,564,775</b>	<b>\$6,395,910,214</b>
<i>Annual Percent Change</i>	<i>(3.8%)</i>	<i>1.3%</i>	<i>4.3%</i>	<i>7.4%</i>	<i>5.2%</i>	<i>2.5%</i>
<u>Local Share</u> of Total Program Funding	\$1,900,524,532	\$1,918,248,885	\$1,938,833,490	\$1,982,831,906	\$2,259,785,802	\$2,280,782,709
<i>Annual Percent Change</i>	<i>(5.9%)</i>	<i>0.9%</i>	<i>1.1%</i>	<i>2.3%</i>	<i>14.0%</i>	<i>0.9%</i>
<b><u>State Share</u> of Total Program Funding</b>	<b>\$3,331,921,315</b>	<b>\$3,379,714,291</b>	<b>\$3,588,100,260</b>	<b>\$3,950,612,483</b>	<b>\$3,979,778,973</b>	<b>\$4,115,127,505</b>
<i>Annual Percent Change</i>	<i>3.9%</i>	<i>1.4%</i>	<i>6.2%</i>	<i>10.1%</i>	<i>0.7%</i>	<i>3.4%</i>
<i>State Share as Percent of Districts' Total Program Funding</i>	<i>63.7%</i>	<i>63.8%</i>	<i>64.9%</i>	<i>66.6%</i>	<i>63.8%</i>	<i>64.3%</i>

1/ These figures reflect total program funding after application of the negative factor.

## CATEGORICAL PROGRAMS

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

However, Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, in calendar year 2015 the percentage change in the Denver-Boulder-Greeley consumer price index was 1.2 percent, so the General Assembly was required to increase state funding for categorical programs by at least that amount (\$3,432,994) for FY 2016-17.

The General Assembly determines on an annual basis how to allocate the required increase among the various categorical programs. Since FY 2000-01, the General Assembly has increased annual state funding for categorical programs by \$147.4 million. In certain fiscal years, the General Assembly elected to increase state funding by more than the minimum, constitutionally-required amount, resulting in appropriations that are now \$63.3 million higher than the minimum amount that would have otherwise been required.

The following table details the allocation of the \$147.4 million increase since FY 2000-01 among categorical programs. For details concerning the allocation of the funding increase provided for FY 2016-17, please see the Assistance to Public Schools, Categorical Programs section of Part III of this department.

INCREASES IN STATE FUNDING FOR CATEGORICAL PROGRAMS SINCE FY 2000-01				
LONG BILL LINE ITEM	FY 2000-01 APPROPRIATION	FY 2016-17 APPROPRIATION	TOTAL INCREASE IN ANNUAL APPROPRIATION OF STATE FUNDS SINCE FY 2000-01	
Special education - children with disabilities	\$71,510,773	\$167,137,922	\$95,627,149	133.7%
English Language Proficiency Program	3,101,598	18,785,784	15,684,186	505.7%
Public school transportation	36,922,227	56,207,903	19,285,676	52.2%
Career and technical education programs	17,792,850	25,639,363	7,846,513	44.1%
Special education - gifted and talented children	5,500,000	12,169,325	6,669,325	121.3%
Expelled and at-risk student services grant program	5,788,807	7,493,560	1,704,753	29.4%
Small attendance center aid	948,140	1,076,550	128,410	13.5%
Comprehensive health education	600,000	1,005,396	405,396	67.6%
<b>TOTAL</b>	<b>\$142,164,395</b>	<b>\$289,515,803</b>	<b>\$147,351,408</b>	<b>103.6%</b>



## SUMMARY: FY 2016-17 APPROPRIATION & 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>
<b>INCREASE/(DECREASE)</b>	<b>\$68,729,917</b>	<b>\$200,846,245</b>	<b>(\$133,137,179)</b>	<b>\$455,537</b>	<b>\$565,314</b>	<b>(0.1)</b>
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. See the first issue brief in this document for further discussion of school finance projections for FY 2017-18 and the Governor's request.

**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. See Appendix C for a discussion of the Department's response to a request for information associated with categorical funding.

**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. See the eighth issue brief in this document for further discussion of concurrent enrollment programs and the Department's request for dedicated staff.

**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. For additional discussion of R4 and the proposed review process, see the fifth issue brief in this document.

**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
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

**CENTRALLY APPROPRIATED LINE ITEM ADJUSTMENTS**

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
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).

## ISSUE: 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.

### SUMMARY

- Current law, as enacted in H.B. 16-1422, requires the General Assembly to provide sufficient total program funding in FY 2017-18 to prevent the negative factor from growing above the FY 2016-17 dollar amount (\$830.7 million).
- Based on the Legislative Council Staff September 2016 Revenue Forecast (LCS Forecast), maintaining a constant negative factor in FY 2017-18 would require an increase of \$107.8 million total funds for the state share of total program funding. Because of decreases in the resources available in the State Education Fund, that increase would require an estimated increase of \$263.7 million General Fund. Without changes to current law, staff expects this scenario to determine the FY 2017-18 Long Bill appropriation for school finance, which the General Assembly may adjust through the annual school finance bill.
- The Governor's FY 2017-18 request includes a net increase of \$48.2 million in state funding for total program relative to the current appropriation (including an increase of \$198.2 million General Fund that is partially offset by a reduction in cash funds). Based on the Office of State Planning and Budgeting September 2016 Revenue Forecast, the Governor's proposal would set the negative factor at \$876.1 million in FY 2017-18, an increase of \$45.4 million above FY 2016-17. The proposal does not specify a targeted negative factor in subsequent years.

### RECOMMENDATION

Based on the current statutory school finance formula, staff's school finance funding projections, and the Governor's proposed budget for FY 2017-18, staff recommends that the Joint Budget Committee discuss public school funding with legislative leadership, the Education Committees, and the Governor's Office. Specifically:

- How does the General Assembly intend to meet the key constitutional requirements concerning education (Amendment 23 and the thorough and uniform requirement)? What is an adequate total program amount? Does the General Assembly intend to increase or decrease the value of the negative factor in FY 2017-18 and beyond?

- Should the General Assembly pursue changes to the statutory school finance formula, changes to Amendment 23, and/or changes to increase the revenues available to support school finance to ensure the State's ability to continue to provide for the maintenance of a thorough and uniform system of public schools? For example, should the General Assembly adjust the factors in the formula to address potential inequities? Should the General Assembly adjust the formula to reflect available revenues or maintain the existence of the negative factor?

With respect to the FY 2017-18 appropriation, unless the General Assembly elects to change current law prior to the figure setting process, staff anticipates making the following specific recommendations *for the FY 2017-18 Long Bill*:

- 1 Set the Long Bill appropriation for school finance to maintain the negative factor as a constant dollar amount (\$830.7 million based on the current FY 2016-17 appropriation). Please note that if the General Assembly intends to allow the negative factor to grow as a dollar amount (as requested by the Governor) in the Long Bill appropriation, then staff recommends that the Committee adjust the current law requirements related to the negative factor in a separate bill (such as the mid-year school finance adjustments bill for FY 2016-17) prior to passage of the Long Bill.
- 2 Provide additional total program funding through the school finance bill, as revenues allow, in a manner that is sustainable in subsequent years.
- 3 Plan to maintain a minimum balance in the SEF of at least \$100 million at the end of FY 2016-17 and subsequent years, which is consistent with the ending balances targeted before the recent economic downturn and the transfers of General Fund surplus to the SEF.

## DISCUSSION

### BACKGROUND – CHANGES IN FUNDING PROJECTION ASSUMPTIONS

Annual projections of education funding have generally included funding for two program areas: (1) public school finance; and (2) categorical programs. Following the passage of Amendment 23<sup>2</sup>, the annual projections of funding for these two areas were fairly straightforward. To reflect current law, staff based the projections on the existing statutory public school finance formula<sup>3</sup>, plus compliance with the requirements of Amendment 23 to provide annual increases in the "base per pupil funding" component of the statutory formula and in state funding for categorical programs. Staff then calculated the General Fund share of required state funding based on:

- Anticipated local funding from local property and specific ownership tax revenues;
- Anticipated funding available from the State Public School Fund;
- Ensuring compliance with the General Fund maintenance of effort requirement in Amendment 23; and

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<sup>2</sup> See Article IX, Section 17 of the State Constitution.

<sup>3</sup> See Article 54 of Title 22, C.R.S.

- The amount of General Fund necessary to maintain the “solvency” of the State Education Fund (SEF) based on avoiding the need for a significant increase or “jump” in General Fund appropriations in future years.

Since 2010, the annual projections have changed in three ways.

- First, the projections incorporate the negative factor (which the General Assembly extended indefinitely during the 2011 Session) on an ongoing basis. Thus, the “current law” amount is no longer generated solely through the statutory school finance formula.
- Second, H.B. 16-1422 set a “current law” amount for use in the annual Long Bill appropriation by requiring the General Assembly to prevent growth in the negative factor (as a dollar amount) from FY 2016-17 to FY 2017-18. Thus, under current law (which determines the Long Bill appropriation), the negative factor may not exceed \$830.7 million in FY 2017-18.
- Finally, the concept of SEF “solvency” changed because of declines in the SEF fund balance. Specifically, the projections now assume a minimum SEF balance (\$100 million in recent years) to account for income tax revenue forecast error.

## 2016 PROJECTION ASSUMPTIONS

As discussed above, H.B. 16-1422 set a statutory baseline *for the FY 2017-18 Long Bill appropriation* requiring the negative factor to remain at or below \$830.7 million. Thus, staff’s current law scenario for FY 2017-18 maintains a flat negative factor. Please note that while the current law scenario assumes a flat negative factor throughout the forecast period, the statute is silent with respect to FY 2018-19 and subsequent years.

Consistent with recent projections, staff’s 2016 funding analysis assumes the following:

- The General Assembly will not change existing appropriations for FY 2016-17 mid-year.
- Based on H.B. 16-1422, the *current law* projection assumes that the negative factor will remain at \$830.7 million in FY 2017-18 and throughout the forecast period.
- The General Assembly will increase state funding for categorical programs by the rate of inflation annually, as required by Amendment 23. Consistent with recent legislative actions, staff assumes the General Assembly will use SEF moneys to comply with this provision.
- The General Assembly will continue to appropriate SEF moneys to support a variety of programs and functions other than school finance and categorical programs (totaling \$169.7 million in FY 2016-17). The projections do not currently include additional increases that may be required to fully implement recent education reform legislation, including S.B. 08-212 (Preschool to Postsecondary Alignment), S.B. 09-163 (Education Accountability System), or S.B. 10-191 (Educator Effectiveness).
- The General Assembly will maintain a minimum year-end fund balance of \$100 million in the SEF to account for potential revenue forecast error.

Finally, staff will update these projections again based on the Legislative Council Staff and Office of State Planning and Budgeting December 2016 revenue forecasts (including adjustments for inflation, SEF revenues, pupil enrollment, and property tax revenues), as well as actual pupil count information for the current school year that will be available in January 2017.



## 2016 PROJECTIONS (FY 2016-17 THROUGH FY 2020-21)

The following projections are for discussion purposes as the General Assembly plans for the overall budget and the annual School Finance Bill based on one question:

### **HOW MUCH SHOULD THE STATE SPEND ON TOTAL PROGRAM IN FY 2017-18?**

The General Assembly faces a menu of options regarding expenditures for total program, ranging from reducing appropriations below FY 2016-17 levels (within constitutional constraints and requiring statutory change) to eliminating the negative factor and “fully funding” the formula (if possible within available revenues).

Similar to recent years, this year’s projections include five incremental scenarios to illustrate potential answers to the question of how much to spend on total program. Ordered from least expensive to most expensive, the scenarios include:

- *Baseline:* Maintain total program funding (the total of state and local shares) at FY 2016-17 levels throughout the forecast period. Anticipated increases in local revenues allow the state share, including the projected General Fund appropriation, to decline each year. Please note that this scenario raises constitutional concerns in the out-years as it would leave little or no funding available for school finance formula “factors” (the amount above statewide base per pupil funding).
- *Caseload:* Maintain constant statewide average per pupil funding at FY 2016-17 levels (\$7,425 per pupil) for the duration of the forecast period. Again, anticipated increases in local revenues would allow the state share to decline in most years although the General Fund appropriation would have to increase in FY 2017-18 to offset necessary reductions in appropriations in State Education Fund appropriations.
- *Inflation:* Increase statewide average per pupil funding by the rate of inflation (as projected in the September 2016 Legislative Council Staff Revenue Forecast) each year. By increasing the statewide average by the rate of inflation, this scenario accounts for inflation and enrollment growth but does still allow growth in the negative factor.
- *Current Law:* Maintain the negative factor at a constant dollar amount (\$830,702,393) for the duration of the forecast period. Based on current revenue forecasts, any spending above the amounts in this scenario would reduce the negative factor.
- *Policy Option:* “Fully fund” the statutory school finance formula and eliminate the negative factor beginning in FY 2017-18.

### *TOTAL STATE SHARE REQUIRED*

Table 1 on the following page shows the *total state funding* necessary to support each scenario based on the Legislative Council Staff September 2016 Revenue Forecast. To simplify the presentation, staff is not including projections based on the Office of State Planning and Budgeting (OSPB) Revenue Forecast. Please note, however, that the OSPB forecast anticipates an inflation rate of 2.7 percent (vs. the 2.9 percent anticipated by Legislative Council Staff). The OSPB inflation rate would decrease costs for the “inflation,” “current law,” and “policy” scenarios.

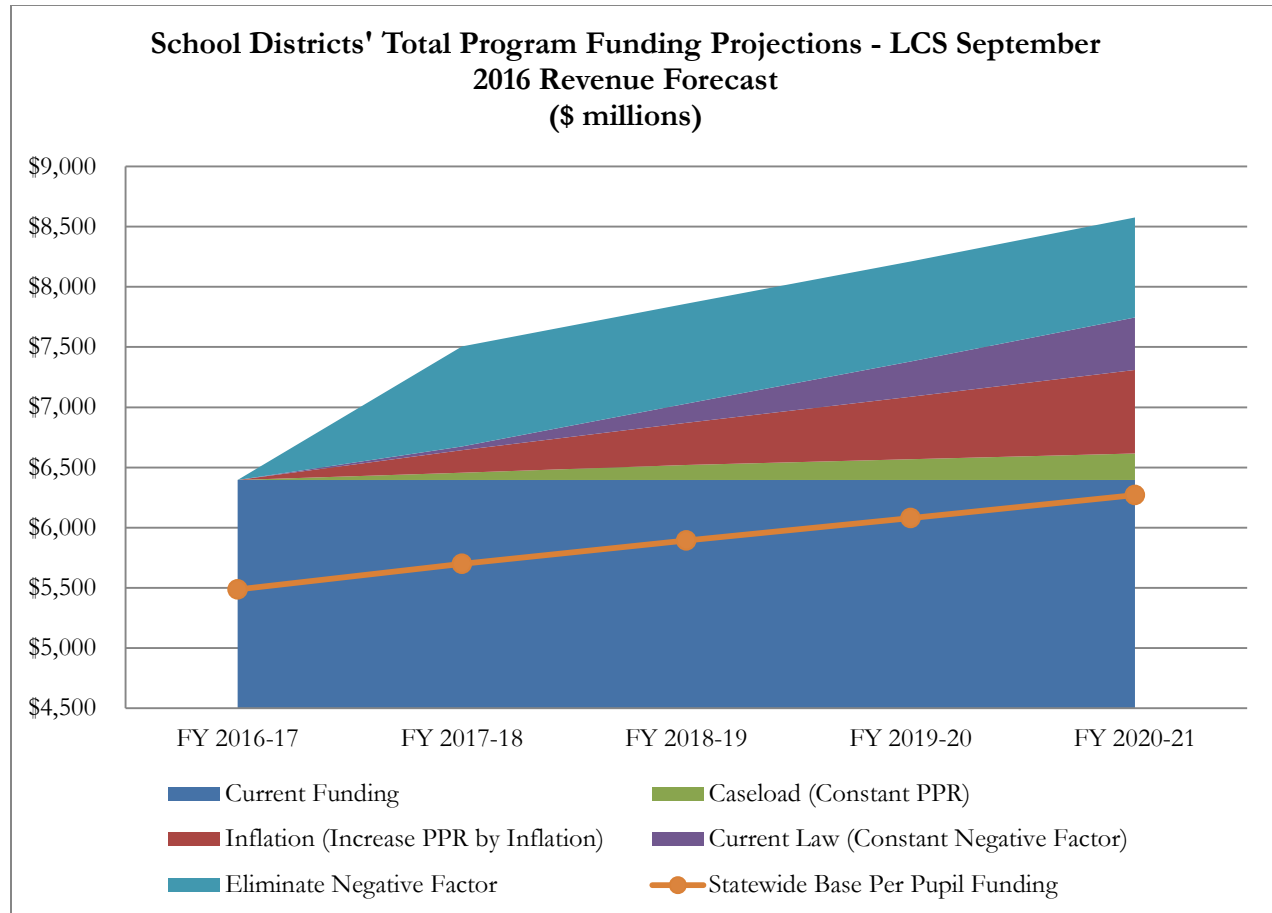
TABLE 1: TOTAL STATE SHARE OF TOTAL PROGRAM FUNDING

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<i>Projected Pupil Count</i>	861,441	869,550	878,213	884,652	891,081
Local Share of Funding	\$2,280,782,709	\$2,451,440,730	\$2,515,178,189	\$2,701,301,375	\$2,771,535,211
<i>Annual Percent Change</i>	0.9%	7.5%	2.6%	7.4%	2.6%
<b>STATE SHARE OF FUNDING - LEGISLATIVE COUNCIL STAFF SEPTEMBER 2016 FORECAST</b>					
Baseline - Maintain Total Program	\$4,115,127,505	\$3,944,469,484	\$3,880,732,025	\$3,694,608,839	\$3,624,375,003
Annual Increase in State Share	<i>n/a</i>	(170,658,021)	(63,737,459)	(186,123,186)	(70,233,836)
Statewide Average Per Pupil	7,425	7,355	7,283	7,230	7,178
Negative Factor	(830,702,393)	(1,109,146,929)	(1,464,369,476)	(1,814,961,352)	(2,180,636,375)
Caseload - Maintain Average PPR	\$4,115,127,505	\$4,004,674,574	\$4,005,256,374	\$3,866,940,126	\$3,844,438,127
Annual Increase in State Share	<i>n/a</i>	(110,452,931)	581,800	(138,316,248)	(22,501,999)
Statewide Average Per Pupil	7,425	7,425	7,425	7,425	7,425
Negative Factor	(830,702,393)	(1,048,941,839)	(1,339,845,127)	(1,642,630,065)	(1,960,573,251)
Inflation - Increase Average PPR by Inflation	\$4,115,127,505	\$4,191,905,407	\$4,355,381,659	\$4,385,734,752	\$4,538,330,989
Annual Increase in State Share	<i>n/a</i>	76,777,902	163,476,252	30,353,093	152,596,237
Statewide Average Per Pupil	7,425	7,640	7,823	8,011	8,203
Negative Factor	(830,702,393)	(861,711,006)	(989,719,842)	(1,123,835,439)	(1,266,680,389)
Current Law - Maintain Negative Factor as a Dollar Amount	\$4,115,127,505	\$4,222,914,020	\$4,514,399,108	\$4,678,867,798	\$4,974,308,985
Annual Increase in State Share	<i>n/a</i>	107,786,515	291,485,088	164,468,690	295,441,187
Statewide Average Per Pupil	7,425	7,676	8,004	8,342	8,693
Negative Factor	(830,702,393)	(830,702,393)	(830,702,393)	(830,702,393)	(830,702,393)
Eliminate Negative Factor in FY 2017-18	\$4,115,127,505	\$5,053,616,413	\$5,345,101,501	\$5,509,570,191	\$5,805,011,378
Annual Increase in State Share	<i>n/a</i>	938,488,908	291,485,088	164,468,690	295,441,187
Statewide Average Per Pupil	7,425	8,631	8,950	9,281	9,625
Negative Factor	(830,702,393)	0	0	0	0

Thus, based on the current Legislative Council Staff revenue forecast, maintaining a constant negative factor (of \$830.7 million) through FY 2020-21 requires an average increase in total *state* funds of \$105.8 million per year. As discussed in greater detail below, the required increase in *General Fund* appropriations is larger in the near term because of the depletion of one-time funding in the State Education Fund.

As a different view, the following graphic shows staff's projections of total program funding (including both state and local shares) based on these incremental scenarios. Each layer of the chart represents additional funding required under each scenario. The graph also includes a line to identify the costs of simply providing base per pupil funding, keeping pace with projected enrollment increases and the constitutionally required inflationary increases in base per pupil funding (this line represents the minimum level of funding implied by the Colorado Supreme Court's decision in the

*Dwyer v. Colorado* case). The area above that line reflects the amount of funding available for the “factors” in the school finance formula under each scenario. As shown in the chart, maintaining total program funding FY 2016-17 levels (the baseline scenario) would leave little funding for the factors by FY 2020-21.



### GENERAL FUND IMPACT

For the past several years, one-time funding in the SEF (as a result of year-end transfers from the General Fund to the SEF) has reduced the pressure on the General Fund to support school finance. For example, the SEF ended FY 2013-14 with a balance of \$1.05 billion as a result of year-end transfers in prior years. However, appropriations since that time have depleted the fund balance and staff currently projects that the SEF will end FY 2016-17 with a balance of approximately \$100 million. As discussed above, staff’s 2016 projections assume a targeted ending balance of \$100 million going forward, meaning that appropriations cannot exceed revenues to the fund in FY 2017-18 and beyond.

The depletion of one-time funding and required decreases in appropriations from the SEF will increase pressure on the General Fund in FY 2017-18 and subsequent years. Table 2 (below) details the incremental changes in *General Fund* appropriations for each scenario using the LCS September 2016 revenue forecast. Please note that the table shows the annual growth required under each scenario rather than the incremental growth between scenarios within a given year.

**TABLE 2: PROJECTION OF GENERAL FUND NEED FOR PUBLIC SCHOOL FINANCE**

(SEPTEMBER 2016 LCS FORECAST WITH \$100 MILLION MINIMUM SEF BALANCE)

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Base Appropriation	\$3,591,214,900	\$4,685,610,889	\$4,963,339,259	\$5,119,168,441
Baseline - Maintain Total Program	(14,750,940)	(77,494,177)	(194,762,694)	(106,224,786)
Caseload - Maintain Average PPR	45,454,150	(13,174,918)	(146,955,756)	(58,492,949)
Inflation - Increase Average PPR by Inflation	232,684,983	149,719,534	21,713,585	116,605,287
Current Law - Maintain Negative Factor as a Dollar Amount	263,693,596	277,728,370	155,829,182	259,450,237
Eliminate Negative Factor in FY 2017-18	1,094,395,989	277,728,370	155,829,182	259,450,237
Adjusted GF Appropriation to "Fully Fund" Formula (Eliminating Negative Factor)	\$4,685,610,889	\$4,963,339,259	\$5,119,168,441	\$5,378,618,678
Total Annual GF Change	\$1,094,395,989	\$277,728,370	\$155,829,182	\$259,450,237
Total Annual Percent Change	30.5%	5.9%	3.1%	5.1%

Table 3 (below) includes detail on all of the applicable fund sources, putting the state share and General Fund projections in broader context. The table includes total program funding and the average per pupil funding level associated with each scenario, as well as the associated state and local funding components, based on a targeted minimum SEF balance of \$100 million at the end of each year.

**TABLE 3: FUND SOURCE DETAIL CORRESPONDING TO GENERAL FUND PROJECTIONS**

(LCS FORECAST - \$100 MILLION MINIMUM SEF FUND BALANCE)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<i>Projected Pupil Count</i>	<i>861,441</i>	<i>869,550</i>	<i>878,213</i>	<i>884,652</i>	<i>891,081</i>
<b>BASELINE - INCREASE AVERAGE PER PUPIL FUNDING BY INFLATION</b>					
General Fund	\$3,591,214,900	\$3,576,463,960	\$3,498,969,783	\$3,304,207,089	\$3,197,982,303
State Education Fund	467,218,161	292,855,881	314,580,341	323,219,849	359,210,799
State Public School Fund	<u>56,694,444</u>	<u>75,149,643</u>	<u>67,181,901</u>	<u>67,181,901</u>	<u>67,181,901</u>
Subtotal: State Share of Funding	\$4,115,127,505	\$3,944,469,484	\$3,880,732,025	\$3,694,608,839	\$3,624,375,003
<i>Annual Percent Change</i>	<i>3.4%</i>	<i>-4.1%</i>	<i>-1.6%</i>	<i>-4.8%</i>	<i>-1.9%</i>
Local Share of Funding	\$2,280,782,709	\$2,451,440,730	\$2,515,178,189	\$2,701,301,375	\$2,771,535,211
<i>Annual Percent Change</i>	<i>0.9%</i>	<i>7.5%</i>	<i>2.6%</i>	<i>7.4%</i>	<i>2.6%</i>
Total Program Funding	\$6,395,910,214	\$6,395,910,214	\$6,395,910,214	\$6,395,910,214	\$6,395,910,214
<i>Annual Percent Change</i>	<i>3.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Average Funding Per Pupil	\$7,425	\$7,355	\$7,283	\$7,230	\$7,178
<i>Annual Percent Change</i>	<i>1.5%</i>	<i>-0.9%</i>	<i>-1.0%</i>	<i>-0.7%</i>	<i>-0.7%</i>
<b>CASELOAD - MAINTAIN CONSTANT STATEWIDE AVERAGE PER PUPIL FUNDING</b>					
General Fund	\$3,591,214,900	\$3,636,669,050	\$3,623,494,132	\$3,476,538,376	\$3,418,045,427
State Education Fund	467,218,161	292,855,881	314,580,341	323,219,849	359,210,799
State Public School Fund	<u>56,694,444</u>	<u>75,149,643</u>	<u>67,181,901</u>	<u>67,181,901</u>	<u>67,181,901</u>
Subtotal: State Share of Funding	\$4,115,127,505	\$4,004,674,574	\$4,005,256,374	\$3,866,940,126	\$3,844,438,127

**TABLE 3: FUND SOURCE DETAIL CORRESPONDING TO GENERAL FUND PROJECTIONS**  
(LCS FORECAST - \$100 MILLION MINIMUM SEF FUND BALANCE)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<i>Annual Percent Change</i>	3.4%	-2.7%	0.0%	-3.5%	-0.6%
Local Share of Funding	\$2,280,782,709	\$2,451,440,730	\$2,515,178,189	\$2,701,301,375	\$2,771,535,211
<i>Annual Percent Change</i>	0.9%	7.5%	2.6%	7.4%	2.6%
Total Program Funding	\$6,395,910,214	\$6,456,115,304	\$6,520,434,563	\$6,568,241,501	\$6,615,973,338
<i>Annual Percent Change</i>	3.0%	0.9%	1.0%	0.7%	0.7%
Average Funding Per Pupil	\$7,425	\$7,425	\$7,425	\$7,425	\$7,425
<i>Annual Percent Change</i>	1.5%	0.0%	0.0%	0.0%	0.0%
<b>INFLATION - INCREASE STATEWIDE AVERAGE PER PUPIL FUNDING BY INFLATION EACH YEAR</b>					
General Fund	\$3,591,214,900	\$3,823,899,883	\$3,973,619,417	\$3,995,333,002	\$4,111,938,289
State Education Fund	467,218,161	292,855,881	314,580,341	323,219,849	359,210,799
State Public School Fund	<u>56,694,444</u>	<u>75,149,643</u>	<u>67,181,901</u>	<u>67,181,901</u>	<u>67,181,901</u>
Subtotal: State Share of Funding	\$4,115,127,505	\$4,191,905,407	\$4,355,381,659	\$4,385,734,752	\$4,538,330,989
<i>Annual Percent Change</i>	3.4%	1.9%	3.9%	0.7%	3.5%
Local Share of Funding	\$2,280,782,709	\$2,451,440,730	\$2,515,178,189	\$2,701,301,375	\$2,771,535,211
<i>Annual Percent Change</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Total Program Funding	\$6,395,910,214	\$6,643,346,137	\$6,870,559,848	\$7,087,036,127	\$7,309,866,200
<i>Annual Percent Change</i>	3.0%	3.9%	3.4%	3.2%	3.1%
Average Funding Per Pupil	\$7,425	\$7,640	\$7,823	\$8,011	\$8,203
<i>Annual Percent Change</i>	1.5%	2.9%	2.4%	2.4%	2.4%
<b>MAINTAIN NEGATIVE FACTOR AS A CONSTANT DOLLAR AMOUNT</b>					
General Fund	\$3,591,214,900	\$3,854,908,496	\$4,132,636,866	\$4,288,466,048	\$4,547,916,285
State Education Fund	467,218,161	292,855,881	314,580,341	323,219,849	359,210,799
State Public School Fund	<u>56,694,444</u>	<u>75,149,643</u>	<u>67,181,901</u>	<u>67,181,901</u>	<u>67,181,901</u>
Subtotal: State Share of Funding	\$4,115,127,505	\$4,222,914,020	\$4,514,399,108	\$4,678,867,798	\$4,974,308,985
<i>Annual Percent Change</i>	3.4%	2.6%	6.9%	3.6%	6.3%
Local Share of Funding	\$2,280,782,709	\$2,451,440,730	\$2,515,178,189	\$2,701,301,375	\$2,771,535,211
<i>Annual Percent Change</i>	0.9%	7.5%	2.6%	7.4%	2.6%
Total Program Funding	\$6,395,910,214	\$6,674,354,750	\$7,029,577,297	\$7,380,169,173	\$7,745,844,196
<i>Annual Percent Change</i>	3.0%	4.4%	5.3%	5.0%	5.0%
Average Funding Per Pupil	\$7,425	\$7,676	\$8,004	\$8,342	\$8,693
<i>Annual Percent Change</i>	1.5%	3.4%	4.3%	4.2%	4.2%
<b>FULLY FUND STATUTORY FORMULA AND ELIMINATE NEGATIVE FACTOR BEGINNING IN FY 2017-18</b>					
General Fund	\$3,591,214,900	\$4,685,610,889	\$4,963,339,259	\$5,119,168,441	\$5,378,618,678
State Education Fund	467,218,161	292,855,881	314,580,341	323,219,849	359,210,799
State Public School Fund	<u>56,694,444</u>	<u>75,149,643</u>	<u>67,181,901</u>	<u>67,181,901</u>	<u>67,181,901</u>
Subtotal: State Share of Funding	\$4,115,127,505	\$5,053,616,413	\$5,345,101,501	\$5,509,570,191	\$5,805,011,378

**TABLE 3: FUND SOURCE DETAIL CORRESPONDING TO GENERAL FUND PROJECTIONS**  
(LCS FORECAST - \$100 MILLION MINIMUM SEF FUND BALANCE)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<i>Annual Percent Change</i>	21.8%	22.8%	5.8%	3.1%	5.4%
Local Share of Funding	\$2,280,782,709	\$2,451,440,730	\$2,515,178,189	\$2,701,301,375	\$2,771,535,211
<i>Annual Percent Change</i>	0.9%	7.5%	2.6%	7.4%	2.6%
Total Program Funding	\$6,395,910,214	\$7,505,057,143	\$7,860,279,690	\$8,210,871,566	\$8,576,546,589
<i>Annual Percent Change</i>	3.0%	17.3%	4.7%	4.5%	4.5%
Average Funding Per Pupil	\$7,425	\$8,631	\$8,950	\$9,281	\$9,625
<i>Annual Percent Change</i>	1.5%	16.2%	3.7%	3.7%	3.7%

### GOVERNOR’S FY 2017-18 BUDGET REQUEST

Relative to the current FY 2016-17 appropriation, the Governor’s budget request proposes a \$48.2 million increase in state funding for school districts’ total program in FY 2017-18, including an increase of \$198.2 million General Fund that is partially offset by a reduction of \$150.0 million cash funds. When combined with an anticipated increase of \$170.3 million in local revenues, the Governor’s proposal provides an increase of \$218.5 million for total program funding after the application of the negative factor.

Please note that, as is discussed in the sixth issue brief in this document, the Governor’s budget transmittal letter also includes a proposal to reduce the General Fund amount requested in R1 by \$15.0 million, resulting in a proposed increase of \$183.2 million General Fund over the current FY 2016-17 appropriation. The Governor’s transmittal letter proposes to: (1) transfer \$15.0 million of the existing balance of 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 the \$15.0 million for the state share of districts’ total program funding to offset the proposed General Fund reduction.

In total, with or without the cash fund transfer proposed in the transmittal letter, the Governor’s request proposes to increase the negative factor by \$45.4 million in FY 2017-18 (from \$830.7 million in FY 2016-17 to \$876.1 million in FY 2017-18). However, the request is based on the September 2016 OSPB revenue forecast and staff notes that the impact on the negative factor depends on the inflation rate assumed in the projection. The Governor’s proposal uses the OSPB projected inflation rate of 2.7 percent for FY 2017-18. Using the Governor’s proposed *appropriations* and the LCS projected *inflation rate* (2.9 percent) would increase the negative factor by an additional \$14.2 million relative to the assumptions in the Governor’s request (to a total of \$890.3 million). The following table shows the components of the Governor’s request relative to the FY 2016-17 appropriation, including the impact under each inflation scenario.

TABLE 4: FY 2017-18 GOVERNOR'S REQUEST

	FY 2016-17	FY 2017-18 REQUEST	
	APPROPRIATION	OSPB FORECAST	LCS FORECAST
Total Program Funding Before Negative Factor	\$7,226,612,607	\$7,490,454,238	\$7,505,057,143
Local Share	\$2,280,782,709	\$2,451,069,818	\$2,451,440,730
<b>State Share</b>			
General Fund	\$3,591,214,900	\$3,789,807,689	\$3,789,807,689
State Education Fund	467,218,161	297,508,583	297,508,583
State Public School Fund	<u>56,694,444</u>	<u>76,000,000</u>	<u>76,000,000</u>
Subtotal - State Share	\$4,115,127,505	\$4,163,316,272	\$4,163,316,272
Total Program Funding After Negative Factor	\$6,395,910,214	\$6,614,386,090	\$6,614,757,002
Negative Factor	(\$830,702,393)	(\$876,068,148)	(\$890,300,141)

## ISSUE: 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.

### SUMMARY

- Local revenues, primarily from property taxes, provide the first source of funding for school finance in Colorado. State funding then fills the gap between each school district's local revenues and the district's total program amount calculated pursuant to the school finance formula.
- Local revenues account for 35.7 percent of total program funding statewide in FY 2016-17. The local share varies significantly between districts (from 4.3 percent to 100.0 percent of total program in FY 2016-17) based on differences in local property wealth (assessed value) and local school finance mill levies.
- While the local ability to support total program funding inherently varies based on local property wealth, disparities in the local *mill levies* supporting total program are increasing pressure on the state budget and raise concerns about equity in the school finance system. Wide variation in the mill levies results in unequal levels of local "effort" to support total program, with some taxpayers (in high property value districts) paying a much lower rate of property taxes. Because the state backfills revenue reductions resulting from the reduced mill levies, taxpayers in the rest of the state (that are also paying higher property tax rates) are subsidizing the reduced mill levies through state taxes.
- Returning to a standard statewide mill levy would reduce inequity among the State's taxpayers and, depending on the level of mill levy chosen, could raise additional revenues for school finance and allow for reductions in the negative factor or allow the State to pursue other priorities.

### RECOMMENDATION

Staff recommends that the General Assembly act to address the current inequities in the school finance property tax system. Specifically, staff recommends that the General Assembly refer a statewide measure to the voters that would:

- Return the state to a uniform (statewide) mill levy for school finance property taxes such that each school district's total program mill levy would be the lesser of the statewide mill levy *or* the mill levy necessary to fully fund the district's total program with local revenues.
- Allow mill levies in districts that are fully locally funded (at less than the statewide mill levy) to "float" on an annual basis below the uniform mill levy to continue to fully fund the district without requiring state funds.



## DISCUSSION

### BACKGROUND: TOTAL PROGRAM FUNDING AND THE STATE AND LOCAL SHARE

As discussed in the General Factors Driving the Budget section of this document, the School Finance Act calculates a total program funding amount for each school district by building on a statewide base per pupil funding amount to account for specific factors that affect the cost of delivering educational services (district size, cost of living, and at-risk students).

Local revenues, primarily from property taxes, provide the first source of funding for school finance in Colorado. The state share of funding then fills the gap between local revenues available to each district and the total program funding amount calculated through the school finance formula. Current total program funding in FY 2016-17 includes \$2.3 billion in local funds, accounting for 35.7 percent of total program funding statewide. Of that amount, \$2.1 billion (93.0 percent of the local share) is from property taxes while the remainder (\$159.4 million) is from specific ownership taxes paid with vehicle registrations.

Because of the heavy reliance on property taxes for the local share of funding, two variables drive the local share for each school district: 1) the school district's assessed value; and 2) the local mill levy.

- The *assessed value* (AV) is the taxable portion of property value in the school district. As an index of property wealth, AV varies widely among school districts. To the extent that a district's AV is highly linked to specific industries such as oil and gas, the AV may also vary significantly from year to year based on prices.
- The *total program mill levy* is the property tax *rate* for each school district.<sup>4</sup> Each school district sets its mill levy each year, and the Department of Education certifies the mill levies based on statute. The enactment of S.B. 07-199 (School Finance) established a ceiling of 27.0 mills for the total program mill levy and effectively froze the mill levies for most school districts; as result, most district mill levies have been unchanged since FY 2007-08. However, as discussed below, district mill levies diverged significantly prior to 2007 and, in some cases, have continued to decrease since 2007.

Using those two variables, each school district's property tax revenue is the result of multiplying the assessed value by the local mill levy.



The total local share is then the sum of the school district's property tax and the specific ownership tax (S.O.T.).

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<sup>4</sup> One "mill" equals one-tenth of one percent (0.001). For a property with an actual value of \$100,000 and an assessed value of \$7,960 (based on the 7.96 percent assessment rate for residential property), each mill of tax would raise \$7.96.



State aid then fills the difference between the local revenues available to a district and the district’s total program funding.



**STATE AID: EQUALIZING DISPARITIES IN PROPERTY WEALTH AND MILL LEVIES**

In school finance terms, this system of funding is called “equalization” because it allows similar districts (based on the factors included in the formula) to spend similar amounts regardless of property wealth.<sup>5</sup> (Please note that this equalization only includes total program funding calculated pursuant to the formula. Locally approved mill levy overrides are excluded from all calculations regarding the state share and are not equalized between districts.)

Based on presentations to the Joint Budget Committee and the Joint Education Committees during the 2016 Session, a preferred school finance system assumes equal levels of local effort (as measured by the mill levy) and then equalizes funding to account for differences in property wealth using the state share. In Colorado, however, the current school finance system is forcing the state share to equalize disparities in both variables of the property tax calculation: 1) local property wealth (measured in this issue brief as assessed value per pupil); and 2) local school finance mill levies.

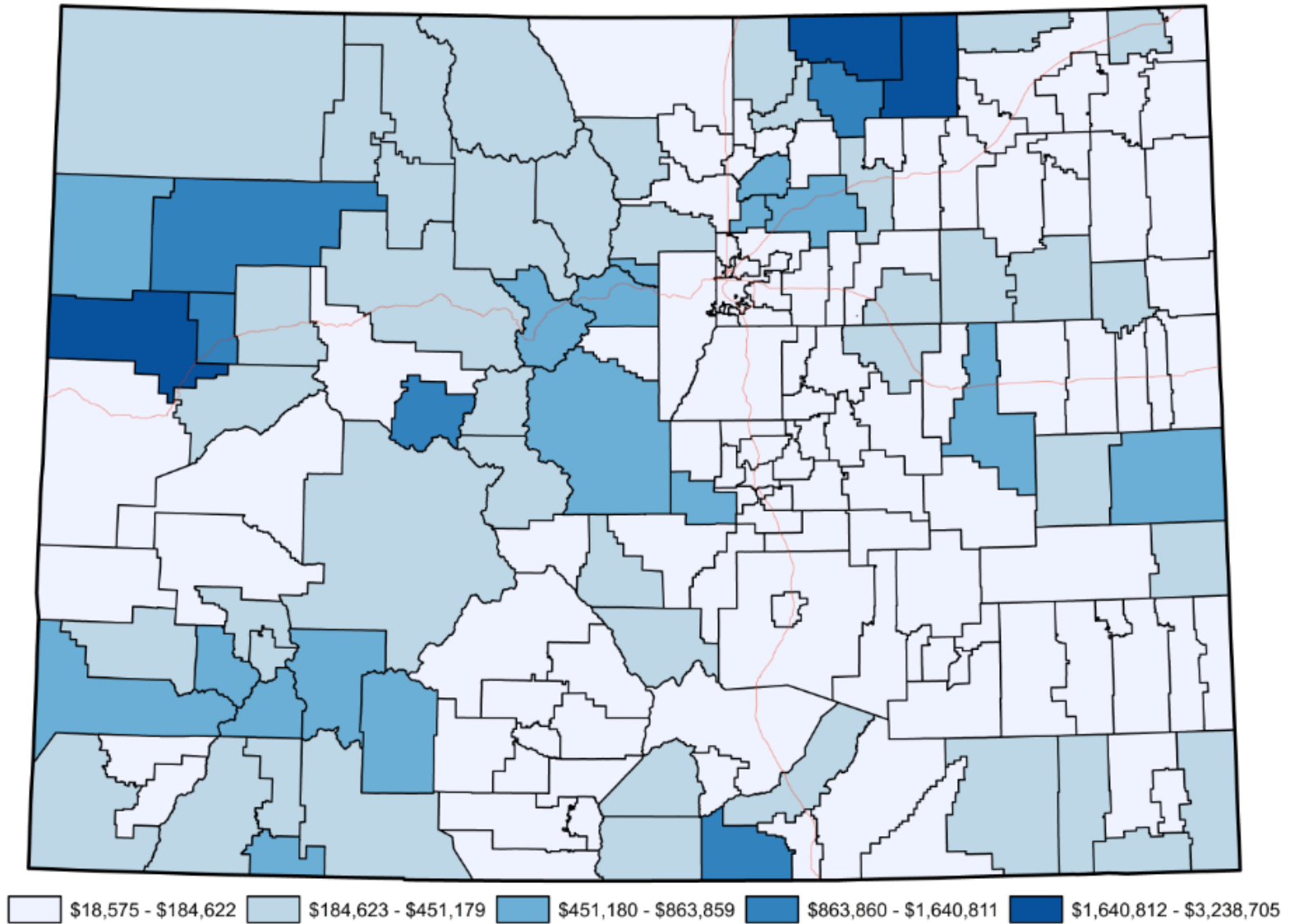
**DISPARITIES IN ASSESSED VALUE PER PUPIL**

As a measure of local property wealth and capacity to support school finance, assessed value per pupil varies across the state, ranging from a low of \$18,575 in El Paso - Fountain to a high of \$3,238,705 in Weld - Pawnee in FY 2015-16 (see the map on the following page). School districts with high assessed value and relatively low pupil counts (such as rural districts with significant oil and gas development) have high assessed value per pupil, indicating a relatively high capacity to support school finance with local revenues. Conversely, districts with either relatively low assessed value or high pupil counts will generally have a lower assessed value per pupil, indicating a comparatively low local capacity on a per pupil basis.

- The school finance system is designed to address these differences in local capacity and ensure that similar school districts (based on the factors in the formula) receive similar levels of total program funding, including both state and local funds.

<sup>5</sup> For additional discussion, see the Legislative Council Staff Publication “School Finance in Colorado”, available at: <https://www.colorado.gov/pacific/sites/default/files/SCHOOL%20FINANCE%20BOOKLET%202016.pdf>

### Assessed Value Per Pupil, FY 2015-16



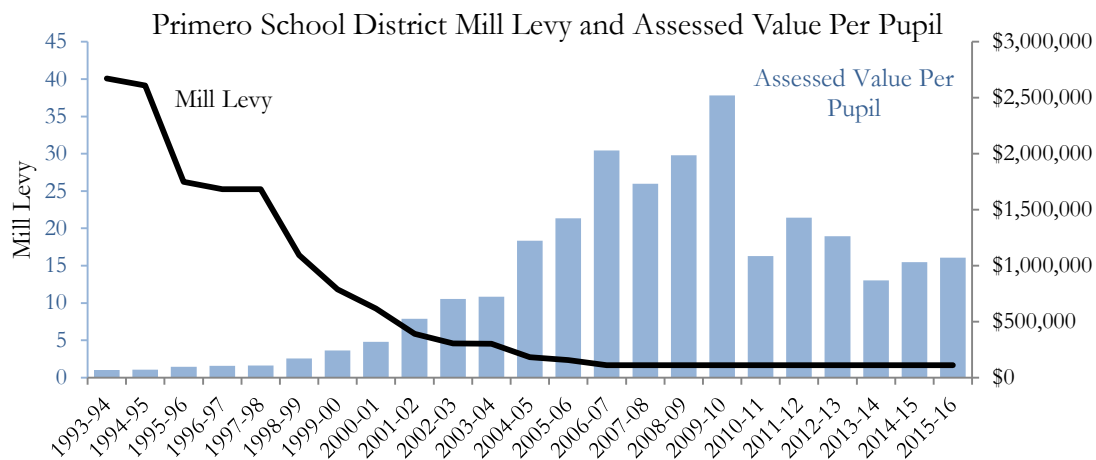
Source: Colorado Legislative Council and Joint Budget Committee

## DISPARITIES IN LOCAL MILL LEVIES

Colorado has previously had a consistent statewide mill levy to support school finance. Recognizing a disparity in mill levies, where high property value districts had low mill levies and low property value districts had high mill levies, the School Finance Act of 1988 implemented a uniform statewide mill levy (originally set at 40.08 mills) and intended to phase that mill levy in over time. For example, that Act (as adjusted by H.B. 90-1314) required most school districts to impose a consistent mill levy of 37.0 mills in 1992 unless the school district would be fully locally funded at a lower mill levy.

However, since that time the implementation of the Taxpayers' Bill of Rights (TABOR, coincidentally approved by the voters in 1992) has driven disparities in local mill levies.

- Under TABOR, school districts' revenues could only grow annually at a rate of inflation (measured as the Denver-Boulder-Greeley consumer price index) plus change in pupil count. If revenues exceed that limit and the school district has not obtained voter approval to retain excess revenues, the school district must reduce the mill levy to remain within the revenue limit. Importantly, once the mill levy "ratchets" down, it remains down regardless of future changes in assessed value (barring a vote to raise the mill levy). As a result, school districts continue to levy the reduced mill levy even when assessed values decrease. As an illustration, the following chart shows the assessed value per pupil in Primero School District in Las Animas County and the school district's total program mill levy for FY 1993-94 through FY 2015-16. Primero's assessed value per pupil increased largely as a result of oil and natural gas development.



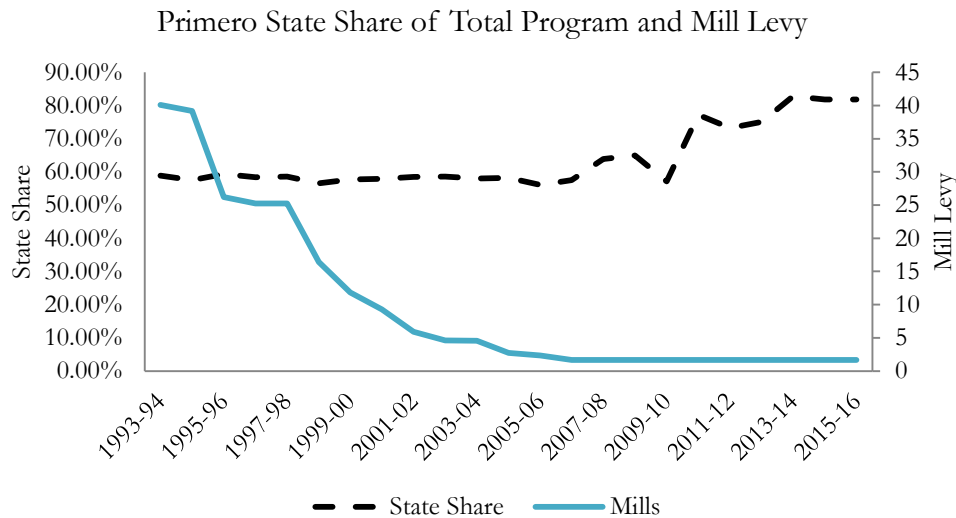
- In 2007, the General Assembly enacted S.B. 07-199 (School Finance). That bill froze mill levies for all districts that had received voter approval to retain revenues above the TABOR limit and set a *maximum* total program mill levy of 27.0 mills. Even with the "freeze" in place, mill levies can still decrease under two scenarios: 1) for the four districts that have not obtained voter approval to retain revenues above the TABOR limit;<sup>6</sup> and 2) for districts that are fully locally funded and must reduce their mill levies to avoid collecting revenues over and above their total program amount.
- Although 174 of Colorado's 178 school districts have obtained voter approval to retain revenues in excess of the TABOR caps, by FY 2007-08, local total program mill levies already ranged

<sup>6</sup> The four remaining districts are: Cherry Creek; El Paso – Colorado Springs District 11; El Paso – Harrison; and Steamboat.

from 1.68 mills in Primero to the statutory maximum of 27.0 mills established in S.B. 07-199 (38 school districts were levying 27.0 mills in FY 2007-08).

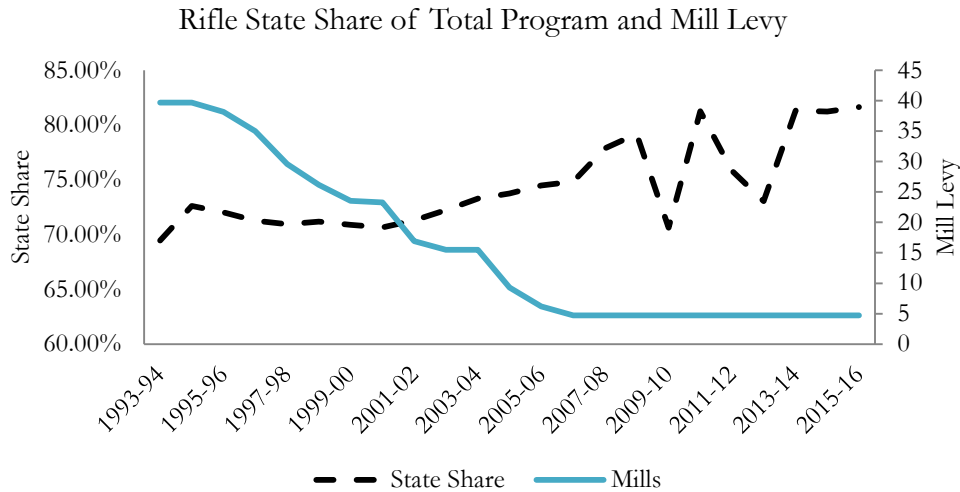
Although the actions of the General Assembly in 2007 have largely halted further divergence since FY 2007-08, the disparities were already significant and the differences have sustained (and in a few cases widened) since FY 2007-08. The reduced mill levies have often required increases in the state share of total program, placing additional pressure on the state budget. Below, staff provides data looking at the changes in total program mill levies and the state share of funding for six illustrative districts from FY 1993-94 through FY 2015-16.

First, Primero’s mill levy decreased from 40.08 mills in FY 1993-94 to 1.68 mills by FY 2006-07 (where it has remained). The district’s state share increased over that period from 58.8 percent in FY 1993-94 to more 81.8 percent in FY 2015-16 (see chart below) even though assessed value per pupil has increased significantly over that period (as shown in the chart on the previous page).

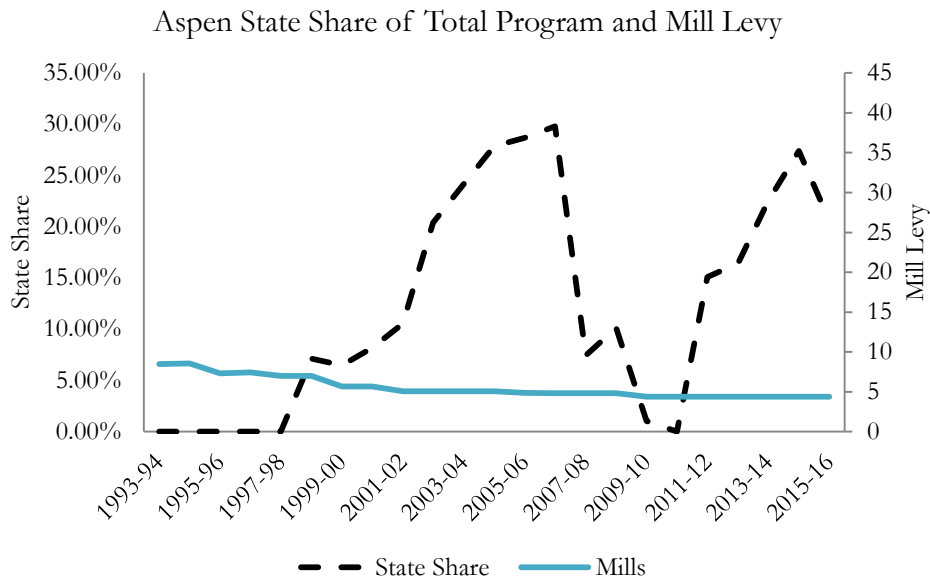


Based on staff’s analysis, if Primero were levying 13.25 mills in FY 2016-17, the district would be *entirely* locally funded (including elimination of the negative factor for Primero). The \$1.87 million in state funding provided to Primero in FY 2016-17 would be available for other school districts (reducing the negative factor) or other uses in the state budget.

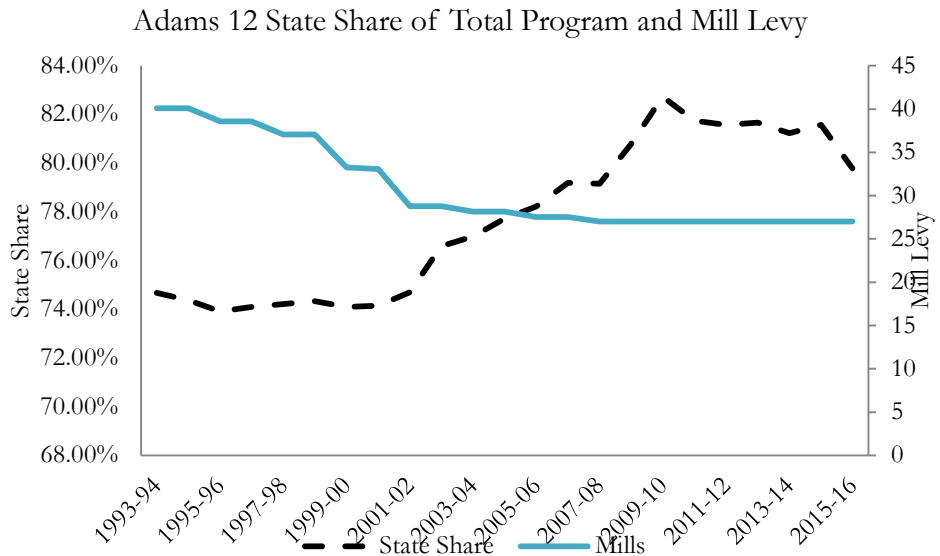
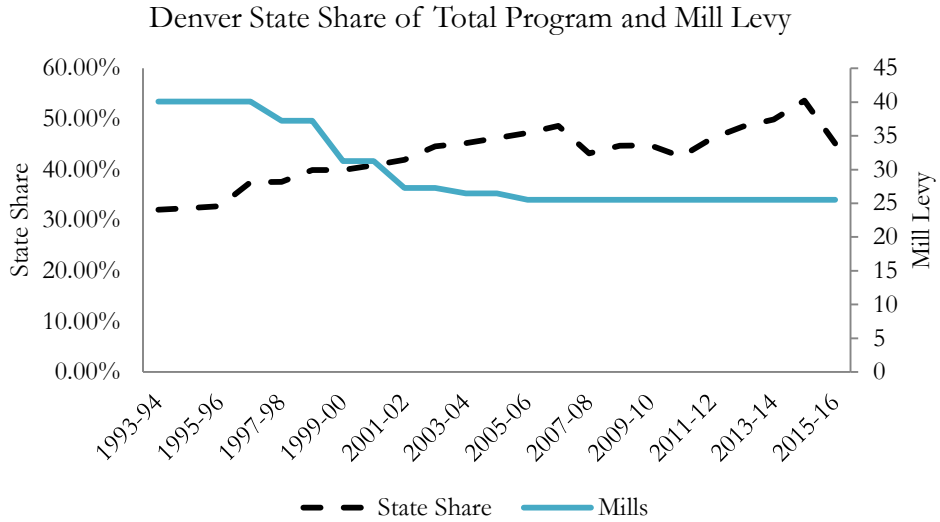
Similarly, Rifle School District in Garfield County, which also experienced increased property wealth largely because of oil and gas development, is levying 4.7 mills and received 81.7 percent of its total program funding from the State in FY 2015-16.



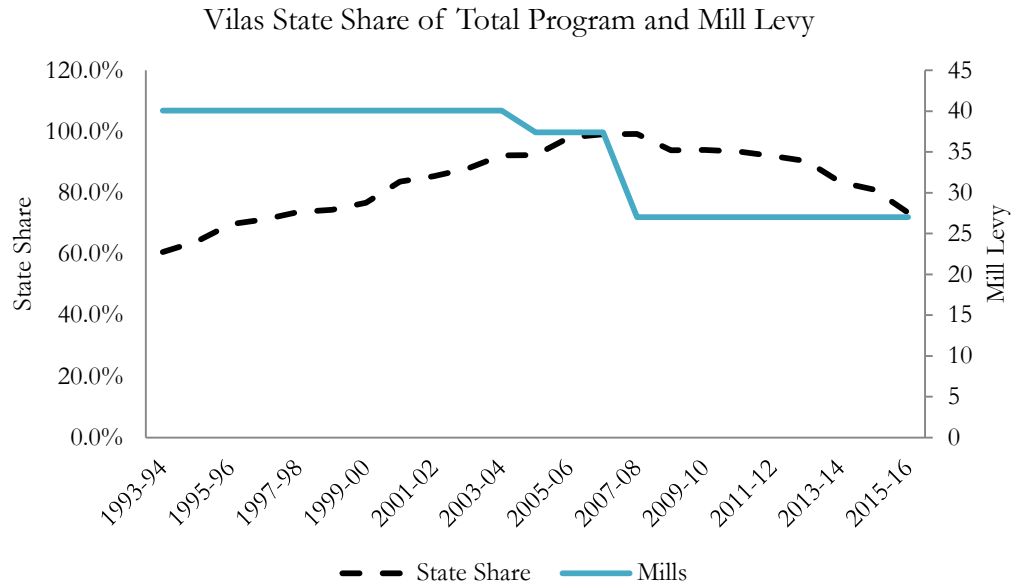
Similar to districts with significant oil and gas development, high property value resort communities also tend to have low mill levies. For example, Aspen is currently levying 4.4 mills for total program and received 20.6 percent of its total program funding from the State in FY 2015-16. Based on Staff's preliminary analysis, levying 6.32 mills would fully fund Aspen's total program (including elimination of the negative factor) and eliminate the need for \$3.2 million in state funding currently supporting Aspen in FY 2016-17.



By contrast, taxpayers in districts with lower assessed value per pupil often continue to pay higher mill levies. For example, taxpayers in Denver and Adams 12 are currently paying 25.5 mills and 27.0 mills, respectively. Even at those mill levies, the state share of total program has increased overall since FY 1993-94 (see charts below).



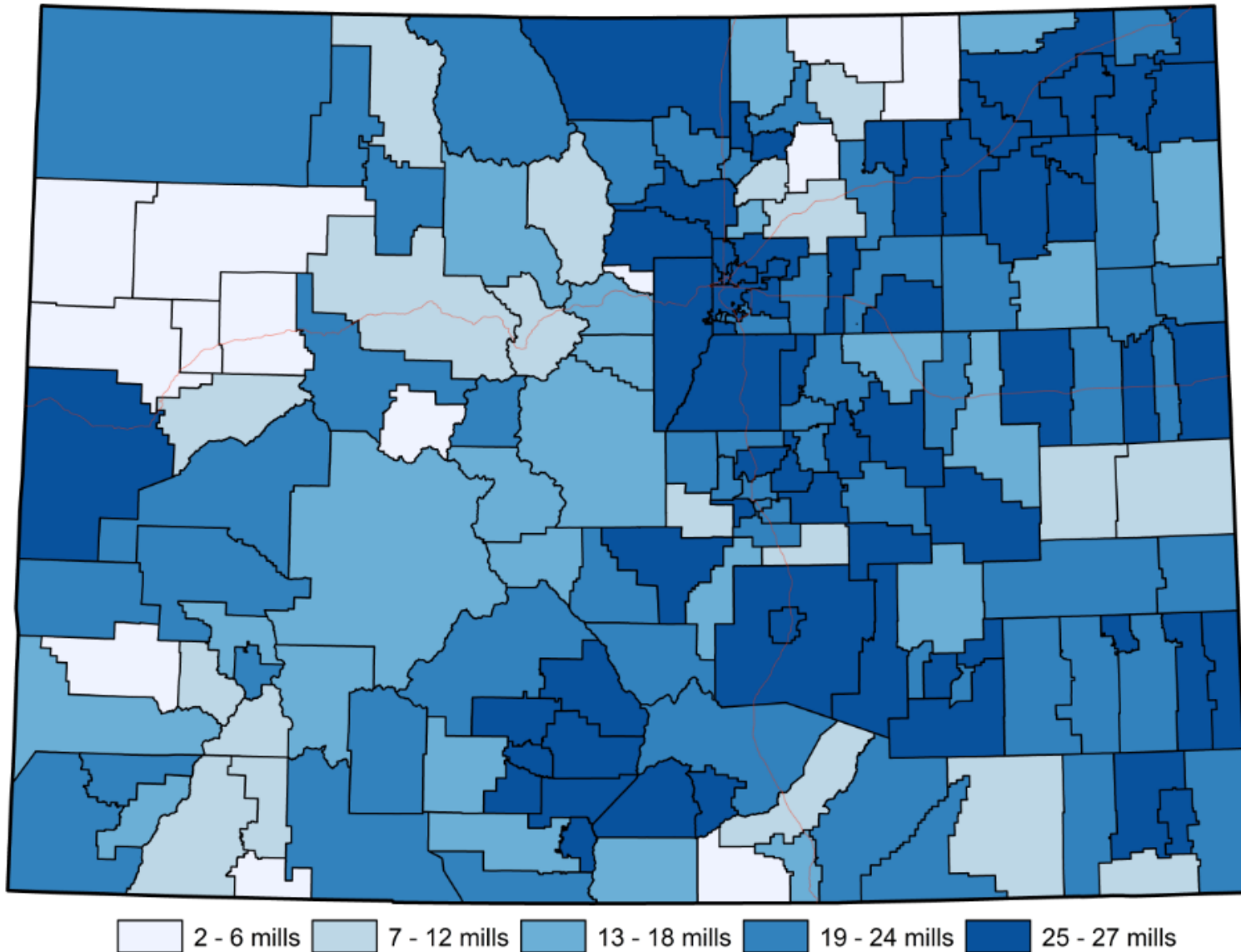
Rural districts are not immune to comparatively high mill levies. In FY 2015-16, taxpayers in 31 school districts with fewer than 1,000 pupils were paying at least 25.0 mills for total program and taxpayers in 25 such districts were paying the statutory maximum of 27.0 mills. For example, Vilas School District in Baca County had a funded pupil count of 63.0 pupils in FY 2015-16 and was levying 27.0 mills, with the State providing 73.5 percent of the district’s total program funding that year (see chart below).



Similar to assessed value, the changes in mill levies have created a patchwork of tax rates (see the map on the following page).



Current Mill Levy, FY 2015-16



Source: Colorado Legislative Council and Joint Budget Committee

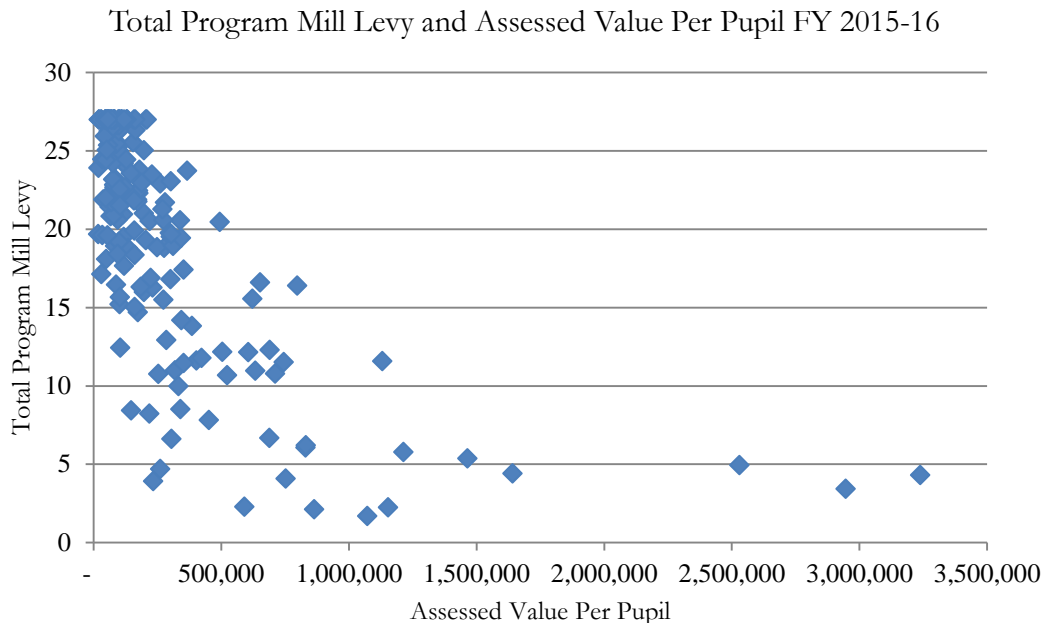
## EQUITY CONCERNS

The current system raises concerns about the equity for both taxpayers and school districts.

### TAXPAYER EQUITY

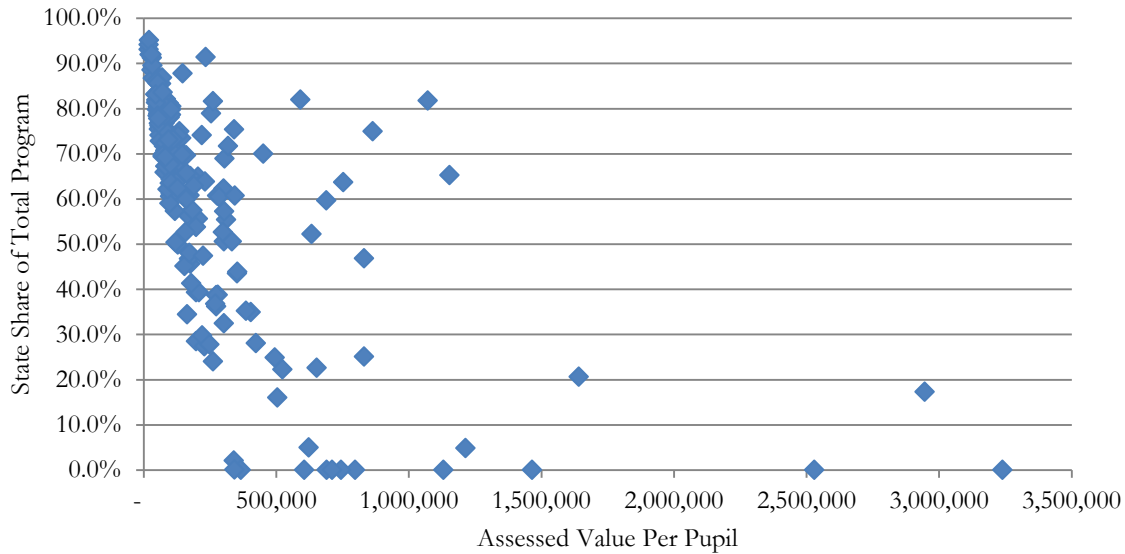
Given the points and data discussed above, staff has three related concerns about the equity of the current system for Colorado taxpayers.

- First, the disparities in total program mill levies (ranging from 1.68 to 27.0 mills) inherently raise concerns about equitable treatment of taxpayers because of the variation in local “effort.” As discussed above, a preferred school finance system would assume a consistent level of local effort as gauged by the mill levy. Indeed, the previous School Finance Act (the School Finance Act of 1988) moved the State to a uniform mill levy to address these concerns. School districts that were fully locally funded at a lower mill levy assessed the lower mill levy but would “float” the mill levy to ensure a consistent level of local funding. The current system has wide variation in mill levies *among districts that are still receiving significant state funding*.
- Second, the current mill levies tend to be regressive, as districts with high levels of assessed value per pupil tend to have the lowest mill levies (see chart below). While the trend toward high property values and low mill levies is clear, staff also notes that districts with similar assessed values per pupil can have very different mill levies, presumably based on whether the mill levy had happened to ratchet down prior to the enactment of the mill levy freeze in FY 2007-08.



- If the low mill levy districts were fully funded locally then one could argue that the system was equitable. Again, however, many districts with relatively high assessed values and relatively low mill levies continue to receive state funding, with some receiving more than 80 percent of their total program from the State (see chart below). While there is a trend toward lower state shares at higher assessed values, the impact on districts with similar property values raises additional questions and concerns about the current system. (In addition, please note that the state share percentages shown in the chart are *after the application of the negative factor*. As a result, the chart actually understates the state share that each district would receive if the General Assembly were to eliminate the negative factor with state funds.)

State Share and Assessed Value Per Pupil FY 2015-16



- Finally, and related to the other two concerns, taxpayers statewide are inherently subsidizing the inequitable mill levies through income and sales tax paid into the General Fund and the State Education Fund that is then distributed to districts with low mill levies. For example, General Fund dollars paid by taxpayers in school districts paying 27.0 mills for total program are supporting school districts where taxpayers are paying far lower rates to support the local share.

### SCHOOL DISTRICT EQUITY

The disparity in mill levies among districts that continue to receive significant state funding has consequences for school districts. Inequity between districts is particularly apparent in the context of a limited state budget and the negative factor. If mill levies were more equitable (showing a consistent level of effort), then more state funds would be available to districts that are already paying higher mill levies and have a lesser capacity to locally fund total program.

- For example, staff's preliminary analysis indicates that setting a consistent statewide mill levy of 27.0 mills (with districts that are fully locally funded at less than 27.0 mills assessing the levy necessary to locally fund) would raise approximately \$362 million in additional local revenues in FY 2016-17. Holding total state funding constant under that scenario would reduce the negative factor by \$362 million and redistribute the state funds currently supporting districts with decreased mill levies.
- As a second benchmark, staff's analysis indicates that a consistent statewide levy of roughly 33.0 mills would eliminate the negative factor in FY 2016-17 without adding any state funding.

Adding another source of potential inequity, staff also suspects that districts with comparatively low mill levies may find it easier to pass mill levy overrides, providing additional local funding that is not considered in the total program calculations. Such districts would simultaneously have low total program mill levies, receive significant state funding to backfill the low mill levies, and find it easier to pass overrides that can add another layer of potential inequity between districts.

It is important to note that the current system provides little or no incentive for most districts to increase the total program mill levy (which is backfilled by the State) and continues to provide the

incentive to pass overrides that will provide funds in addition to total program funding without any impact on the district's state share. Staff notes that this incentive structure is particularly strong for the four remaining districts that have neither sought nor obtained voter approval to retain revenues in excess of the TABOR revenue cap and continue to receive override funds.

## STAFF CONCLUSIONS AND RECOMMENDATION

Staff believes that action is warranted to improve the equity of the school finance funding system in Colorado for both taxpayers and school districts. If the goal of the school finance formula is to equalize funding for school districts based on disparities in the local funding capacity, then staff is at a loss to provide a policy rationale to support the current system which uses state funding to subsidize reduced levels of local effort in districts with comparatively high local capacity. Staff therefore recommends that Colorado return to a system requiring consistent local effort for school finance and equalizing school districts' funding with state funds.<sup>7</sup> Given that doing so would require increases in mill levies for some or all school districts (depending on the mill levy selected), the staff recommendation requires voter approval.

Staff therefore recommends that the General Assembly refer a measure to the voters for a statewide vote that would amend the State Constitution to:

- Restore a consistent statewide mill levy. Districts that are fully locally funded at less than the statewide mill levy would levy the amount necessary to fully fund total program.
- Require districts that are fully locally funded (with mill levies below the statewide level) to “float” their mill levies annually to continue to fully fund total program if the necessary mill levy is below the statewide level. Mill levies below the statewide level would not be locked at a specific level requiring state funding to backfill shortfalls resulting from the reduced mill levies. Rather, state funding would fill the gap between the local revenues raised by the statewide mill levy and each district's total program funding.

While staff is recommending restoring a consistent statewide mill levy, staff is not recommending a specific level for the mill levy or a specific timeline for implementation. The appropriate level and the timeline to phase in the mill levy are both policy decisions that depend entirely on the General Assembly's goals. Along with improving taxpayer equity, potential illustrative policy goals that the General Assembly has put forward in recent years might include:

- Reducing or eliminating the negative factor with the infusion of local funds. Doing so would also restore some of the system's use of local funds that may be more stable than state revenues.
- Using the increase in local revenues to “free up” state funds for other uses, either in education or elsewhere. For example, the staff recommendation could be combined with other measures adjusting tax policies such as the residential/commercial assessment rate balance under Gallagher or the business personal property tax.

Based on concerns about the equity of the current system for taxpayers, staff's recommendation to improve equity stands regardless of the other policy goals chosen by the General Assembly.

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<sup>7</sup> As discussed above, staff notes that the School Finance Act of 1988 responded to very similar concerns about taxpayer equity with the implementation of a consistent mill levy. For additional detail on the School Finance Act of 1988 and the reasons for the consistent mill levy in that Act, see the December 1990 Colorado Commission on School Finance report at: <http://hermes.cde.state.co.us/drupal/islandora/object/co%3A2656>

## ISSUE: 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.

### SUMMARY

- The State Constitution and statute provide the State Board and the Department with more flexibility than most state agencies to fill certain staff positions outside of the classified personnel system. However, the State Constitution and case law have narrowly defined the employees eligible for non-classified status.
- The Department is filling positions as at-will that do not appear to fit within this constitutional authority, including the conversion of nearly 80.0 percent of positions that were classified in FY 2011-12 to non-classified status by FY 2015-16. The converted positions include roles that appear to be directly comparable to classified positions in other state agencies such as administrative staff, accountants, and budget and finance personnel, among others.
- Within the constraints of the constitutional authority, statute authorizes the State Board to designate specific positions for non-classified status and charges the State Board with oversight of the compensation system for at-will employees. There is no record of the State Board taking action to designate positions as eligible for non-classified status in recent years. There is also no record of the State Board voting on a salary schedule for the Department's non-classified employees since 2006. The Department last updated the non-classified salary schedule in FY 2011-12 and there is no clear process to oversee the salary system or benchmark the Department's salaries against similar positions outside of the agency.
- The Department's potential overuse of non-classified status raises serious concerns about equity between state agencies, equity among state employees, and budgetary issues associated with removing employees from the classified compensation system. The overuse of such authority also creates legal exposure for the Department and for the State.

### RECOMMENDATION

Staff recommends that the Committee:

- 1 Discuss personnel management practices with the Department at the upcoming hearing.
- 2 Discuss the Department's personnel practices, including the conversion of classified positions to at-will status with the Department of Personnel at the Department of Personnel's hearing.

- 3 Request an audit of the Department’s personnel systems and practices by the Office of the State Auditor, including examination of every staff position in the Department to determine whether the position should be classified or non-classified in status.
- 4 Direct the Department to consult a third party for regular (such as annual) benchmarking of the Department’s non-classified salaries to ensure that the salary structure is appropriate.
- 5 Based on input from the Department of Personnel and/or the Office of the State Auditor, consider potential legislative action if necessary to correct potential personnel management issues at the Department. However, given that the authority in question is constitutional, staff is not certain that a legislative change would be necessary or helpful.

## DISCUSSION

### BACKGROUND – STATE PERSONNEL SYSTEM AND THE DEPARTMENT OF EDUCATION

The State Constitution and statute provide the Department of Education with more flexibility than most state agencies to hire staff outside of the state personnel system established in Section 13 of Article XII of the State Constitution. Directly relevant to this issue brief, Section 13 (2) (a) of Article XII states:

- “The state personnel system shall comprise all appointive public officers and employees of the state except the following:
- “(VII) Faculty members of educational institutions and departments not reformatory or charitable in character, and such administrators thereof as may be exempt by law.”

Important to this issue brief, the courts have determined that the intent of the constitutional provision was to exempt specific educators (those outside of institutions that are reformatory or charitable in character) from the personnel system. For the Department of Education, the State Supreme Court’s interpretation identifies positions and employees that would be eligible for at-will status:

*“They are teachers by training and although they do not practice their profession in classrooms but are for the most part engaged in research, planning and promulgation of plans, it is impossible to draw a distinction between them and teachers whose activities are devoted directly to the classroom.”<sup>8</sup>*

The General Assembly has added additional detail in statute. Section 22-2-104, C.R.S., reads:

“As a matter of legislative determination, the offices of commissioner of education, assistant commissioners of education, and all positions of employment classified by the board as director, consultant, supervisor, or instructor are declared to be educational in nature and not under the state personnel system.”

However, staff notes that any positions approved under the statutory provision would have to fit within the constitutional constraints discussed above. That is, the statutory authority cannot expand the authority provided in the State Constitution.

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<sup>8</sup> See *Board of Education v. Spurlin* (1960).

## DEPARTMENT OF EDUCATION IMPLEMENTATION

Staff is concerned that the Department of Education has gone beyond its constitutional authority in the classification of employees as at-will. Although the State Board and the Department are authorized to exempt *specific positions* from the state personnel system within the constraints provided in the Constitution, the Department appears to have concluded that *every position* at the Department may be exempt. Staff notes the following:

- In the past four years (FY 2012-13 through FY 2015-16), the Department has eliminated nearly 80.0 percent of the positions that were filled as classified positions in FY 2011-12 and has converted many those positions to at-will (non-classified) status. The actual number of classified FTE in the Department decreased from 106 in FY 2011-12 to 22 in FY 2015-16 (a reduction of 84 positions or 79.2 percent). For scale, this is 22 classified FTE out of 564.2 total FTE actually used by the Department in FY 2015-16 (representing 3.9 percent of total FTE usage).
- While Section 22-2-104, C.R.S. authorizes the State Board to classify specific positions as exempt from the classified system (within the constraints defined by the Constitution), there is no record of the State Board taking any action to exempt either positions in general or the positions that have been converted from classified to non-classified status in particular.
- The Department has eliminated/converted many positions that do not appear to fit within the constraints outlined above. In fact, the Department has eliminated and converted a variety of positions that appear to be directly comparable to classified positions in other departments. The following table (using data provided by the Department) shows the change in the number of classified positions by job type over the past five years.

CHANGE IN DEPARTMENT OF EDUCATION CLASSIFIED FTE USAGE						
CLASSIFIED TITLE/CATEGORY	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	CHANGE SINCE FY 2011-12
Data Specialist	2	2	2	1	0	(2)
Administrative Assistant	31	15	13	8	3	(28)
Office Manager	1	1	1	1	0	(1)
Library Technician	6	5	3	0	0	(6)
IT Professional/IT Manager	21	16	12	8	5	(16)
Media Specialist	1	1	0	0	0	(1)
Program Assistant	16	15	5	4	2	(14)
General Professional	14	13	10	10	8	(6)
Accountant/Accounting Technician	11	9	5	2	2	(9)
Controller	1	1	1	1	1	0
Budget/Budget & Policy Analyst	2	3	1	1	1	(1)
<b>TOTAL</b>	<b>106</b>	<b>81</b>	<b>53</b>	<b>36</b>	<b>22</b>	<b>(84)</b>

The Department has indicated that positions may be converted at an employee's request or when an individual transfers or is promoted to another position. In response to staff inquiries, the Department has also stated that, "when a classified position is vacated through separation, retirement, or transfer, it is posted and filled as at-will." According to the Department, when a position is vacated, the Department reviews the business needs of the unit and evaluates the best means of filling the vacant position. However, the Department has not been able to identify a single position that was filled as a classified position for at least the past five years.

Based on the available information, it does not appear that there is any consideration of the constraints included in the Department's constitutional authority.

## INEQUITABLE TREATMENT OF EMPLOYEES

Moving positions outside of the classified system and hiring employees as at-will staff gives the Department additional flexibility in hiring, compensating, and terminating employees. At-will positions are not subject to the hiring and termination requirements of the classified system and are not constrained by the classified salary schedule or the classified policies for annual and sick leave. Staff notes the following:

- The Department’s data do not allow for a comprehensive analysis of the *pay* of the Department’s at-will positions. First, the loss of classified position titles eliminates the ability to easily compare pay to similar positions outside of the agency. In addition, the Department has not maintained consistent position identification numbers for positions that have been converted from classified to at-will status; as a result, staff is unable to compare the pay *within positions that have been converted*. That said, the transition to at-will status inherently increases the Department’s flexibility to pay more for a given position, within available resources.
- While staff is unable to compare pay for similar positions, staff is able to compare leave policies (annual and sick leave) for the Department’s at-will staff and all classified state employees. As shown in the following table, it takes 16 years for a classified state employee to reach the amount of annual leave that the Department provides to at-will employees at the time of hiring. After 10 years of service, the Department’s at-will employees earn 30 days of annual leave and three days of personal leave per year, compared to 18 days of annual leave and 0 days of personal leave for a classified employee. From a budgetary perspective, beyond the differences in paid time off, staff notes that the Department pays for unused leave time when employees leave the Department. The additional leave would inherently present some additional cost to the State.

COMPARISON OF CDE AT-WILL AND CLASSIFIED EMPLOYEE LEAVE POLICIES (DAYS PER YEAR)						
TIME OF SERVICE	CDE AT-WILL			CLASSIFIED SYSTEM		
	ANNUAL LEAVE PER YEAR	PERSONAL LEAVE PER YEAR	SICK LEAVE PER YEAR	ANNUAL LEAVE PER YEAR	PERSONAL LEAVE PER YEAR	SICK LEAVE PER YEAR
0-5 years	21	1	12	12	0	10
5-7 years	24	2	12	15	0	10
7-10 years	27	2	12	15	0	10
10-16 years	30	3	12	18	0	10
16+ years	30	3	12	21	0	10

Staff notes that the State Board has discretion over the Department’s at-will leave policies and that the policies appear to be relatively similar to the leave afforded to classroom educators and potentially school administrators. Given the constitutional constraints (that the system should only apply to trained educators, etc.), the more generous leave policies *may* be appropriate and equitable for the *intended* pool of potential employees. However, the application of these policies to positions that should actually be part of the classified system raises serious concerns about the equitable treatment of similar employees both statewide (such as accountants at the Department relative to accountants at any other state agency) and within the Department (classified positions relative to similar at-will positions at the Department).



## STAFF CONCERNS AND POINTS TO CONSIDER

Staff understands the appeal of hiring positions at-will and of converting positions to at-will status for the convenience of departmental management. However, the Department's actual use of the authority raises significant concerns. Staff has grouped those concerns into six categories below: (1) departmental authority; (2) inequitable treatment of employees; (3) potential legal exposure; (4) departmental operations; (5) lack of oversight; and (6) budgetary and salary concerns.

*Departmental Authority:* Staff believes that the Department's actions exceed the Department's constitutional and statutory authority. Staff has neither the expertise nor the necessary information to evaluate the appropriate status of each position/employee. However, given the sweeping use of at-will status and the nature of many of the positions involved (which are not specifically educational in nature and would appear to be directly comparable to classified positions in other agencies), staff believes that *at least* a significant portion of at-will positions would fall outside of the Department's authority. For example, staff does not believe that accounting and finance positions at the Department of Education would fall within the Department's authority as prescribed by the State Constitution and the State Supreme Court. The Department has stated that it believes that all departmental employees provide educational supports to school districts, teachers, and students, implying that all positions may be eligible for at-will status. Based on analysis of the constitutional provisions and the relevant case law, staff disagrees and believes that many positions at the Department would not qualify for at-will status.

*Inequitable Treatment of Employees:* At-will staff at the Department of Education may be treated differently (in terms of hiring, compensation, and termination) from their peers at other state agencies and even from their classified peers at the Department, precisely the situation which the classified system is designed to prevent. Among other purposes, the classified personnel system is designed to offer protections to state employees and ensure comparable compensation among state agencies for comparable positions. The system can also facilitate the movement (transfer) of employees between state agencies. The potential overuse of the Department's authority to hire at-will staff creates the potential for inequitable treatment of employees within the Department and between state agencies. The flexibility in pay and the more generous leave policies would also give the Department an unfair advantage over other state agencies in the recruitment of employees.

*Potential Legal Exposure:* The improper declassification of positions can create legal exposure for the Department and the State. For example, if an at-will employee is terminated from a position that should have been classified according to the constitutional and/or statutory constraints, then the terminated employee may have a legal claim against the termination because the position should have been classified and the employee did not receive due process afforded to classified employees.

*Departmental Operations:* The State Personnel System provisions of the State Constitution, particularly as modified by Amendment S in 2012, clearly delineate positions that are eligible for non-classified status.<sup>9</sup> It is staff's understanding that the classified system protects positions in part to insulate employees from political influence. For example, budget and finance staff in any department need to be able to provide objective information without fear of retribution. Beyond the inequitable treatment of state employees, removing the protections of the classified system *may* harm departmental operations by hampering employees' abilities to fulfill their responsibilities. Please note

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<sup>9</sup> See Sections 13 (2) (a) (XI) and (XII) of Article XII of the State Constitution.

that staff is not aware of any specific situations at the Department where this has been an issue. However, it is a role of the classified system to provide protections in those situations, and removing those protections may increase risk.

*Lack of Oversight:* Staff is concerned about the potential lack of oversight of personnel matters at the Department. With only 22 classified positions remaining at the Department in FY 2015-16, the Department has largely eliminated any oversight of employee salaries by the Department of Personnel. The State Constitution and statute charge the State Board of Education with both designating at-will positions (within constitutional constraints) and approving the salary schedule for all of the Department's at-will personnel. However, the Department's actions appear to assume that the State Board has effectively delegated those responsibilities to the Commissioner and departmental management. Staff is not aware of any action by the State Board regarding the designation of at-will staff or the conversion of classified positions to at-will status. In addition, the State Board last voted on a salary schedule for the Department's at-will employees in 2006. The Department last updated the salary schedule for FY 2011-12, raising questions about both the oversight of the salary schedule and the Department's use of the schedule if it has not required an update in the past five years.

*Potential Budgetary/Salary Concerns:* Hiring at-will employees removes positions from the classified salary and compensation system. As discussed above staff is unable to analyze the Department's salaries for at-will staff relative to classified positions within or outside of the Department. However, if the Department is paying more than would be authorized under the classified system, then there would be clear budgetary impacts. As noted above, the Department's leave policies also increase potential costs to the State. Staff notes that there is no formal process in place to either regularly update the salary schedule or to validate that the at-will salaries are appropriate. The Department has consistently argued that salaries for at-will employees are structured to compete for the most qualified candidates, including market drivers such as comparable salaries at school districts. Without external validation, staff is unable to assess whether the Department's at-will salaries are appropriate. For comparison, the Department of Law commissions an external salary survey each year to benchmark attorney salaries at the Department against other public sector attorneys. The Department of Education has not implemented a similar mechanism for external review and input.

#### STAFF RECOMMENDATION

Given the concerns outlined above, staff recommends that the Committee:

- discuss this issue with the Department at the upcoming hearing (scheduled for December 16, 2016);
- discuss the Department's conversion of classified positions to non-classified status with the Department of Personnel at the Department of Personnel's hearing;
- request an audit of the Department's personnel systems and practices by the Office of the State Auditor, including an analysis of every staff position at the Department to determine whether it should be classified or non-classified status;
- direct the Department to consult a third party for regular (such as annual) benchmarking of the Department's non-classified salaries to ensure that the salary structure is appropriate; and
- based on input from the Department of Personnel and/or the Office of the State Auditor, consider potential actions to correct potential personnel management issues at the Department.

Given that so many of the Department's positions are currently treated as at-will, staff is not certain about the best path forward. Given the sheer number of at-will positions and the relatively narrow nature of the Department's authority to operate outside of the classified system, staff believes that an external analysis of each staff position at the Department is necessary to ensure compliance with the constitutional requirements. Staff recommends seeking input from the Department of Personnel, the Office of the State Auditor, and potentially the Office of Legislative Legal Services and/or the Department of Law regarding the necessary or preferred plan of action.

## INFORMATIONAL ISSUE: 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.

### SUMMARY

- Statute authorizes the State Board to approve payments from the Contingency Reserve Fund to school districts facing a variety of unforeseen financial challenges.
- House Bill 16-1422 added a provision authorizing payments to school districts that are absorbing a negative factor reduction in one year that were fully locally funded (had little or no state funding *prior to the application of the negative factor*) in the preceding budget year. Payment cannot exceed 25.0 percent of the district's negative factor reduction, and a district may only receive payment under this provision one time.
- The Legislative Council Staff Final Fiscal Note for H.B. 16-1422 anticipated a need for up to \$955,852 in payments under the new criterion in FY 2016-17. Because the FY 2016-17 Long Bill included an appropriation of \$1.0 million cash funds from the Contingency Reserve Fund for FY 2016-17, H.B. 16-1422 did not include an appropriation for this purpose.
- As a result of actions taken by the State Board since the 2016 Session, the Contingency Reserve Fund currently has a balance of \$564,595, which is \$391,257 short of the FY 2016-17 expenditures anticipated in the Fiscal Note for H.B. 16-1422. The actual need in FY 2016-17 is uncertain but the Department anticipates submitting a supplemental request to refill the Contingency Reserve Fund and support actual requests associated with H.B. 16-1422 in January 2017.

### DISCUSSION

#### BACKGROUND – CONTINGENCY RESERVE FUND

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

- (a) (I): financial emergencies caused by an act of God or arising from extraordinary problems in the collection of taxes;
- (a) (II): financial emergencies caused by nonpayment of property taxes;
- (a) (III): revenues that are insufficient to make abatements and refunds of property taxes;
- (a) (IV): unforeseen contingencies (e.g., reductions in valuation exceeding 20 percent);

- (a) (V): unusual financial burden caused by the instruction of court-ordered or agency-placed non-resident children;
- (a) (VI): unusual financial burden caused by the instruction of children who move into the district following the pupil count date (applies to small districts only);
- (a) (VII): unusual financial burden caused by a significant enrollment decline pursuant to a reorganization;
- (a) (VIII): beginning in FY 2016-17, unusual financial burden caused by a significant reduction in assessed value of real property in a district whose state share of total program before the application of the negative factor was less than 0.5 percent of the district's total program funding in the prior year, resulting in sudden absorption of the negative factor in the budget year (assistance cannot exceed 25.0 percent of the district's negative factor reduction, and a district may only receive assistance under this provision one time); and
- (b): in cases of extreme emergency, other factors that affect the ability of the district to maintain its schools without additional financial assistance.

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

Please note that pursuant to Section 22-54-117 (1) (c), C.R.S., when a school district reimburses the State for supplemental assistance received from the Contingency Reserve, the reimbursement is credited to the Contingency Reserve Fund rather than the General Fund. Thus, these repayments may then be made available to meet other districts' needs.

#### CURRENT STATUS OF THE FUND

As noted above, H.B. 16-1422 added a new criterion under which the State Board may approve assistance from the Contingency Reserve Fund. The bill authorizes assistance for districts that, because of a significant decline in their assessed values, must absorb the negative factor when the district received little or no state funding *prior to the negative factor* in the previous fiscal year. Thus, the provision is targeting districts that had been fully funded with local funds and are forced to absorb the impact of the negative factor in a single year. The assistance is limited to no more than 25.0 percent of the district's reduction in state share due to the implementation of the negative factor and is only available to each district one time.

The Legislative Council Staff Final Fiscal Note (Fiscal Note) for H.B. 16-1422 anticipated a need for up to \$955,852 under this provision in FY 2016-17 (see table below).

PROJECTED CONTINGENCY RESERVE FUND EXPENDITURES UNDER H.B. 16-1422			
COUNTY	DISTRICT	FY 2016-17 NEGATIVE FACTOR (ESTIMATE)	MAXIMUM ASSISTANCE AVAILABLE (ESTIMATE)
Clear Creek	Clear Creek	\$58,426	\$14,607
Lincoln	Genoa-Hugo	153,501	38,375
Morgan	Wiggins	562,747	140,687
Weld	Keenesburg	1,758,334	439,584

PROJECTED CONTINGENCY RESERVE FUND EXPENDITURES UNDER H.B. 16-1422			
COUNTY	DISTRICT	FY 2016-17 NEGATIVE FACTOR (ESTIMATE)	MAXIMUM ASSISTANCE AVAILABLE (ESTIMATE)
Weld	Platte Valley	1,109,761	277,440
Weld	Prairie	180,636	45,159
<b>Total</b>		<b>\$3,823,405</b>	<b>\$955,852</b>

Following payments by the State Board, the General Assembly generally “refills” the Contingency Reserve Fund from the General Fund so that a fund balance will be available for subsequent payments. When the General Assembly passed H.B. 16-1422, the Department had not received applications for assistance from the Contingency Reserve Fund since FY 2013-14 and was not anticipating other requests for funding in FY 2016-17. Because the FY 2016-17 Long Bill included an appropriation of \$1.0 million cash funds from the Contingency Reserve Fund and the Department was not anticipating other requests for funding in either FY 2015-16 or FY 2016-17, H.B. 16-1422 did not appropriate additional Funds into the Contingency Reserve Fund to support the anticipated expenditures under the bill.

However, based on actions taken since the 2016 Session, there is currently only \$564,595 available in the fund, \$391,257 short of the FY 2016-17 payment anticipated in the Fiscal Note for H.B. 16-1422.

- On June 23, 2016 (in FY 2015-16), South Routt County School District submitted a request for \$1,374,642 from the Contingency Reserve Fund as a result of non-payment of property taxes by Peabody Coal for FY 2015-16 and FY 2016-17 (the payment was delayed by Peabody Coal’s bankruptcy proceedings).
- On July 7, 2016, the State Board approved a payment of \$1.0 million to South Routt, depleting the entire balance of the Contingency Reserve Fund.
- Following bankruptcy proceedings and negotiations with the County, Peabody then paid the FY 2015-16 tax amount (\$564,595) to South Routt. The Department received the repayment of \$564,595 from South Routt on November 18, 2016, making that amount available in the Contingency Reserve Fund.

The Department paid the remaining \$435,405 to South Routt in anticipation of Spring 2017 property tax collections. If Peabody pays its anticipated taxes in Spring 2017, then the school district will repay the remaining amount to the Department. However, unless and until that repayment is received, the current fund balance is \$391,257 short of the potential FY 2016-17 expenditures anticipated in the Fiscal Note for H.B. 16-1422. Staff notes the following as the Committee plans for the 2017 Session

- The potential need for FY 2016-17 is uncertain. The data that would inform requests associated with the provision added in H.B. 16-1422 will not be available until December 2016, and the Department will not receive requests until the data are available.
- The Department expects to submit a supplemental request in January 2017 to refill the Contingency Reserve Fund and allow the State Board to respond to any new requests submitted by school districts.

## ISSUE: 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.

### SUMMARY

- Current law, enacted in S.B. 08-212 (Colorado's Achievement Plan for Kids or CAP4K), requires the State Board to review the statewide academic standards by July 1, 2018, and every six years thereafter.
- With request R4, the Department is requesting a one-time appropriation of \$340,840 in FY 2017-18 to support the required review and revision. The request includes funds to support: (1) a statewide public engagement process to review and consider revisions to each of the 10 academic content areas; (2) contracts with experts to benchmark the revised standards to national and international models; and (3) contracts for additional project management, copy editing, and printing of the new standards.

### RECOMMENDATION

Staff recommends that the Committee discuss request R4, including the scope of review and revision necessary, with the Department at the upcoming hearing.

### DISCUSSION

#### BACKGROUND – CAP4K AND THE STATEWIDE ACADEMIC STANDARDS

The Colorado Academic Standards detail expectations, by grade level, for what Colorado students should know, building toward a goal of "post-secondary and workforce readiness" upon graduation from high school. Congress first required states to develop and adopt statewide standards and aligned assessments with the 1994 reauthorization of the Elementary and Secondary Education Act. Colorado adopted its first statewide academic standards (the Model Content Standards) in 1995.

As enacted in S.B. 08-212 (CAP4K), Section 22-7-1005 (1), C.R.S., required the State Board to adopt new statewide academic standards aligning preschool through postsecondary education by December 15, 2009. The statute requires new standards in at least the following areas: reading, writing, mathematics, science, history, geography, visual arts, performing arts, physical education, world languages, English language competency, economics, civics, and financial literacy. With a focus on creating "fewer, clearer, and higher" standards than had previously been in place, the State Board adopted the new standards as required in December 2009. The Colorado Academic Standards include 10 academic content areas: comprehensive health and physical education; dance; drama and theatre arts; math; music; reading, writing, and communicating; science; social studies; visual arts; and world languages as well as English language development.

The adopted English language arts and mathematics standards include the national "Common Core" standards, an effort initiated and managed by the National Governor's Association and adopted by 42 states (and the District of Columbia). However, Colorado's standards also go beyond the Common Core by including additional content areas (the Common Core includes only English language arts and mathematics) as well as additional expectations in English language arts and mathematics.

Current law, as enacted in CAP4K, requires the State Board to periodically review and revise the statewide standards. Section 22-7-1005 (6), C.R.S., requires the State Board to complete the first review and revision cycle by July 1, 2018:

“On or before July 1, 2018, and on or before July 1 every 6 years thereafter, the state board shall review and adopt any appropriate revisions to the preschool through elementary and secondary education standards specified in this section. In adopting revisions, the state board may add or delete one or more of the specific instructional areas based on the needs of the state and changes in national and international expectations. In adopting revisions to the standards pursuant to this subsection (6), the state board shall ensure that the standards continue to meet the requirements specified in subsection (3) of this section.”

#### FY 2017-18 REQUEST R4 – STANDARDS REVISION

With R4, the Department is requesting a one-time appropriation of \$340,840 cash funds from the State Education Fund to support the required review and revision. The proposal includes three basic components:

- \$155,840 for stakeholder committee meetings. The Department is proposing to form eight committees to bring together key stakeholders including educators, parents, business representatives, and higher education representatives to review each content area and recommend revisions. The proposal assumes that each committee would meet in person five times. The costs for this component include estimated travel reimbursements and lodging for committee members (\$75,840), reimbursements for school districts to support substitute teachers to cover for educators attending meetings (\$48,000), and meeting venue rentals and meals (\$32,000).
- \$80,000 for external expert review and benchmarking reports. Section 22-7-1006 (3) (f), C.R.S., requires the state board to ensure that the standards are “comparable in scope relevance, and rigor to the highest national and international standards that have been implemented successfully and are consistent with and relevant to achievement of the goals specified in section 22-7-1002.” The Department’s cost estimate for this component is based on costs for the benchmarking analysis when the standards were adopted in 2009.
- \$105,000 for temporary and contracted support services. This component includes funds for project management services (\$10,000), arts content area facilitation (\$40,000), copy editing for the new standards (\$25,000), and online feedback management services (\$30,000).

For context, the Department has provided the following information comparing the proposed budget for the standards review and revision process to estimated expenditures for the original process to develop the standards in 2009.



COST COMPARISON FOR STANDARDS DEVELOPMENT AND REVISION PROCESSES		
ACTIVITY	ESTIMATED 2009 COSTS FOR DEVELOPMENT	PROPOSED FY 2017-18 BUDGET FOR REVISION
<b>Stakeholder Committee Revision Meetings</b>		
Committee member travel reimbursement	\$100,000	\$75,840
Substitute teacher reimbursement	0	48,000
Meeting venues and meals	135,000	32,000
Materials	22,500	0
<b>Subtotal</b>	<b>257,500</b>	<b>155,840</b>
<b>Outside Consultation and Expertise</b>		
External expert review and benchmarking	\$82,000	\$80,000
<b>Temporary, Contracted Support Services</b>		
Project management services	\$33,600	\$10,000
Arts content area facilitation*	0	40,000
Copy editing	16,500	25,000
Online feedback management services	0	30,000
Meeting facilitation	53,000	0
Meeting note-taking and support	108,000	0
<b>Subtotal</b>	<b>\$211,100</b>	<b>\$105,000</b>
<b>Standards Advisory Committee</b>		
Committee member travel reimbursement	\$7,000	\$0
Meeting venues and meals	45,000	0
Materials	5,000	0
<b>Subtotal</b>	<b>\$57,000</b>	<b>\$0</b>
<b>Stakeholder Tours</b>		
Venues	\$30,000	\$0
<b>Additional Department Staff</b>		
Salary costs	\$425,000	\$0
Staff travel	10,000	0
<b>Subtotal</b>	<b>\$435,000</b>	<b>\$0</b>
<b>TOTAL</b>	<b>\$1,072,600</b>	<b>\$340,840</b>

\* The Department had a full-time Arts Content Specialist in 2009 but no longer has a permanent position. The Department is seeking contract assistance to facilitate the arts content areas.

## POINTS TO CONSIDER

Current law clearly requires the State Board to review and revise the standards by FY 2017-18. The key question for the Committee's consideration is the intended scope of the review and revision process. The Department is proposing what appears to be a relatively comprehensive process to engage key stakeholders and solicit input from the field regarding what is working and what is not working in the current standards. If the General Assembly intends for the Department to complete a similarly comprehensive process, then staff suspects that much of the proposed funding will be necessary.

## INFORMATIONAL ISSUE: 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.

### DISCUSSION

#### BACKGROUND – B.E.S.T. PROGRAM

Created in H.B. 08-1335 (Building Excellent Schools Today Act), the B.E.S.T. program provides financial assistance to schools and school districts to support capital construction projects. The program is currently supported by five major revenue sources:

- 50 percent of the gross amount of revenues from income and mineral royalties derived from state public school lands, or more if required to make lease payments under the terms of lease-purchase agreements (\$68.8 million in FY 2015-16).
- Recreational marijuana excise taxes (\$80.0 million in FY 2015-16, including \$40.0 million in annual revenues and \$40.0 million in *one-time* revenues provided by Proposition BB).
- Local matching moneys that pass through the fund (\$16.4 million in FY 2015-16).
- Lottery “spillover” proceeds (\$8.1 million in FY 2015-16).
- Interest (\$2.6 million in FY 2015-16).

Subject to State Board authorization, the PSCCA Board may provide financial assistance to applicants as matching grants or by instructing the State Treasurer to enter into lease-purchase agreements on behalf of the State to finance public school facility capital construction. The act limits the total amount of annual lease payments payable by the State in any fiscal year, and requires payments above specified limits to be made only from applicant matching moneys. Financial assistance is awarded based on specified statutory criteria, as well as the results of the statewide assessment of public school facilities.

#### GOVERNOR'S FY 2017-18 GENERAL FUND BALANCING PROPOSAL

The Governor's budget transmittal letter includes a General Fund balancing proposal for FY 2017-18 with two components:

- Transfer \$15.0 million from the cash fund supporting the B.E.S.T. program (the Public School Capital Construction Assistance Fund) to the State Public School Fund. As discussed below, this component will reduce the cash funds available for B.E.S.T. grants although it would not impact the Department's anticipated expenditures in FY 2017-18 or FY 2018-19.
- Use the transferred funds to increase appropriations from the State Public School Fund to support school finance (the state share of districts' total program funding) and offset a reduction of \$15.0 million General Fund for school finance to assist with General Fund balancing in FY 2017-18.

Based on the Department’s current revenue and expenditure estimates for the Public School Capital Construction Assistance Fund, the proposal would leave a balance of \$197.0 million in the cash fund at the end of FY 2017-18 (see cash flow below).

PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND CASH FLOW					
(\$ in millions)					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Beginning fund balance	176.7	244.0	354.6	252.9	197.0
<b>Revenues</b>					
Transfer from Treasury for C.O.P. purchases	\$174.7	\$70.3	\$10.8	\$0.0	\$0.0
Local government pass-thru	16.8	16.4	16.4	16.4	16.4
State Land Board revenue	92.5	65.8	40.0	40.0	40.0
Marijuana excise tax	23.9	40.0	40.0	40.0	40.0
One-time marijuana tax (Prop. BB)	0.0	40.0	0.0	0.0	0.0
Lottery spillover	2.0	8.1	1.0	1.0	1.0
Interest	2.0	2.6	2.9	2.0	1.5
<b>Total Revenues</b>	<b>\$312.0</b>	<b>\$243.2</b>	<b>\$111.1</b>	<b>\$99.4</b>	<b>\$98.9</b>
<b>Expenditures</b>					
Cash expenditures	\$244.7	\$132.6	\$131.8	\$140.2	\$140.1
Emergency reserve	0.0	0.0	1.0	0.0	0.0
Reserve for multi-year grants	0.0	0.0	41.4	0.0	0.0
Statutory reserve (Sec. 22-43.7-104 (3.5), C.R.S.)	0.0	0.0	38.6	0.0	0.0
<b>Total Expenditures</b>	<b>\$244.7</b>	<b>\$132.6</b>	<b>\$212.8</b>	<b>\$140.2</b>	<b>\$140.1</b>
Available Ending Fund Balance	\$244.0	\$354.6	\$252.9	\$212.0	\$155.8
Proposed Transfer to SPSF	0.0	0.0	0.0	15.0	0.0
<b>Proposed Available Ending Fund Balance</b>	<b>\$244.0</b>	<b>\$354.6</b>	<b>\$252.9</b>	<b>\$197.0</b>	<b>\$155.8</b>

### POINTS TO CONSIDER

Staff assumes that the Committee would prefer to wait to take action on this proposal through the FY 2017-18 figure setting and budget balancing process, based updated revenue forecasts used for balancing. Thus, staff is not making any recommendation regarding the Governor’s proposal at this time and has not planned to address the proposal again prior to figure setting. However, looking toward the FY 2017-18 budgeting process, staff raises the following points for the Committee’s consideration.

- Staff assumes that any transfers from the Public School Capital Construction Assistance Fund may be controversial with school districts. While the transfer does not affect the program’s currently anticipated expenditures for the next two years (through FY 2019-20), the proposal would inherently reduce the funds available for grants.
- This proposal is part of the Governor’s budget package to balance to the September 2016 Office of State Planning and Budgeting (OSPB) revenue forecast. The General Assembly will balance to a March 2017 revenue forecast, which may impact the need (or lack thereof) for the cash fund transfer.
- As discussed in the first issue brief in this document, request R1 proposes an increase of \$198.2 million General Fund for the state share of districts’ total program funding. The Committee should note that this cash fund transfer proposal is not assumed in request R1. As a result, including this proposal, the Governor is actually proposing an increase of \$183.2 million General Fund after including the \$15.0 million offset in this proposal.

## ISSUE: 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.

### SUMMARY

- Congress reauthorized the Elementary and Secondary Education Act (ESEA) in 2015 with the passage of the Every Student Succeeds Act (ESSA). The ESSA includes changes to federal requirements for statewide assessment and accountability systems.
- While the ESSA does not appear to require any change to Colorado’s assessment or accountability systems, the law does provide some additional flexibility on both fronts and would allow the General Assembly to modify one or both systems if it chose to do so.
- Assessment and accountability systems may both arise as issues during the 2017 Session. The State Board has discussed seeking to change the system of standardized assessments and the first cohort of schools and districts reaching the end of the “five year clock” under the accountability system will require action by the State Board in 2017.

### RECOMMENDATION

Staff recommends that the Committee discuss the potential impact of the Every Student Succeeds Act with the Department at the upcoming hearing. In particular, the Committee may wish to discuss the potential budgetary impact of any changes that the State Board and the Department are considering making to the assessment and accountability systems.

### DISCUSSION

Congress reauthorized the Elementary and Secondary Education Act in 2015. The Every Student Succeeds Act of 2015 (ESSA) replaced the No Child Left Behind Act of 2001. Overall, the ESSA appears to increase the flexibility afforded to states, including changes to federal requirements for assessments, accountability, and a variety of federal funding programs that reduce federal prescriptions and increase deference to the states. While the new legislation is broad, this issue brief focuses on two specific issues that may arise with potential budgetary impacts during the 2017 Session: (1) statewide standardized assessments; and (2) state accountability systems. Staff notes the following for the Committee’s consideration looking toward the 2017 Session:

- Based on discussions with the Department, the ESSA would not require any changes to Colorado’s current assessment and accountability systems. However, the new law does give states increased flexibility and would *allow* for changes to both systems should the General Assembly choose to make changes. Any such changes would require legislation.

- The Department is currently developing the State Plan required by ESSA, with in depth “hub and spoke” committees devoted to major topics. This issue brief does not address the State Plan and assumes that the Department will address any questions about the plan and the planning process at the upcoming hearing.
- This issue brief does not address potential changes in federal funding under the ESSA. Any changes in funding will be subject to the federal budgetary process and remain highly uncertain.
- This issue brief also does not address federal regulations associated with the ESSA. The Department has communicated its concerns regarding the proposed regulations to the U.S. Department of Education. However, given the change in federal administration, staff assumes that regulations associated with the ESSA are also highly uncertain.

## STANDARDIZED ASSESSMENTS

According to the Department, the ESSA does not require any changes to Colorado’s assessment system as the State’s system continues to exceed federal requirements. As required by the ESSA, Colorado’s current assessment system, the Colorado Measures of Academic Success (CMAS), is aligned to the State’s current standards. As discussed below, the CMAS also tests more subjects and more grade levels than required by the ESSA. The major change in ESSA for assessments appears to be increased flexibility in high school:

- The ESSA allows for the use of one nationally recognized test in high school (such as the ACT or SAT in 11<sup>th</sup> grade) and does not require any other testing for grades 9 through 12 other than science once during grade 10, 11, or 12.
- Under current state law Colorado currently administers the following in high school: the CMAS test in English language arts and math in grade 9; the PSAT for reading and math in grade 10; and the SAT, CMAS science, and CMAS social studies (on a sampling basis) in grade 11.

The following table compares the current state administration with federal requirements under No Child Left Behind and the new federal requirements under the ESSA.

ANTICIPATED FY 2016-17 STATEWIDE ASSESSMENT SCHEDULE			
GRADE	COLORADO MEASURES OF ACADEMIC SUCCESS* (STATE REQUIREMENTS)	NO CHILD LEFT BEHIND FEDERAL REQUIREMENTS	EVERY STUDENT SUCCEEDS ACT FEDERAL REQUIREMENTS
3	English language arts	reading/language arts	reading/language arts
	math	math	math
4	English language arts	reading/language arts	reading/language arts
	math	math	math
	social studies (sampled)		
5	English language arts	reading/language arts	reading/language arts
	math	math	math
	science	science (in grades 3,4, or 5)	science (in grades 3,4, or 5)
6	English language arts	reading/language arts	reading/language arts
	math	math	math
7	English language arts	reading/language arts	reading/language arts
	math	math	math

**ANTICIPATED FY 2016-17 STATEWIDE ASSESSMENT SCHEDULE**

GRADE	COLORADO MEASURES OF ACADEMIC SUCCESS* (STATE REQUIREMENTS)	NO CHILD LEFT BEHIND FEDERAL REQUIREMENTS	EVERY STUDENT SUCCEEDS ACT FEDERAL REQUIREMENTS
	social studies (sampled)		
8	English language arts math science	reading/language arts math science (6, 7, 8 or 9)	reading/language arts math science (6, 7, 8, or 9)
9	English language arts math	English language arts (10, 11, 12) math (10, 11, OR 12)	English language arts (9, 10, 11, or 12) math (9, 10, 11, or 12)
10	PSAT 10 -- Reading PSAT 10 -- Math		
11	SAT science social studies (sampled)	science (10, 11, or 12)	science (10, 11, or 12)
12			

\*The Department also administers alternate assessments for children with disabilities who are unable to participate in the CMAS, even with accommodations. Alternate assessments are administered in the same grades and subjects as the CMAS. An alternate assessment is also administered to 11th grade students in reading, writing, math, and science. The Department utilizes federal special education funding (IDEA Part B) to pay for the development and administration of alternate assessments outside of social studies.

As shown in the table, the new federal requirements would allow the State to eliminate the CMAS tests in grade 9, the PSAT in grade 10, and the social studies test in grade 11. As in prior years, the federal requirements would allow the State to eliminate the social studies tests entirely. Based on prior years, staff anticipates that the federal requirements will drive additional legislative discussions during the 2017 Session. Please note that *any* change to the system in terms of the grades and tests administered would require legislation. Staff notes that efforts to scale back the State’s testing involve tradeoffs.

- *Pros:* Eliminating tests would reduce the testing burden on schools, teachers, and students and would presumably reduce costs (the savings would depend on the specific tests chosen for elimination and are uncertain).
- *Cons:* Eliminating the CMAS tests in grade 9 would affect the Department’s ability to measure longitudinal growth. Eliminating the PSAT in grade 10 would presumably affect students’ preparation for the SAT in grade 11. Eliminating social studies assessments in any or all of the tested grades may reduce schools’ focus on social studies instruction.

The ESSA also authorizes a new Innovative Assessment and Accountability Demonstration Program, allowing up to seven states to participate. The program allows states to apply for the program to allow local education authorities to pilot innovative assessments with the intention that successful assessments would eventually be scaled up for statewide implementation. Staff is uncertain about the State’s degree of interest in participating in the program and the likelihood of success if the State applies to participate.

**2017 SESSION CONSIDERATIONS - ASSESSMENTS**

Staff notes that the Department’s current pricing agreement (contract) with Pearson for the development and administration of the CMAS expires at the end of FY 2016-17. Therefore, Colorado faces another decision point with respect to assessments for FY 2017-18. Staff understands that the State Board has been in discussions of potential options for the assessment system including the potential development of new statewide assessments. To date, however, staff has not received a change request of any type seeking changes to the assessment system for FY 2017-18. Illustrative options that the State Board and the General Assembly might consider include:

- Continue with administration of the CMAS, including the PARCC portions, in FY 2017-18. Based on discussions with the Department, Colorado may be able to join another state’s pricing agreement at our current price (for English language arts and math only), for FY 2017-18. Maintaining the current system through FY 2017-18 (and potentially beyond) would provide stability to the field. The State could pursue this option for the long term or for FY 2017-18 only, with a plan to transition to new assessments the following year. Please note that development of new assessments for FY 2018-19 would require development costs in FY 2017-18.
- Purchase a different off-the-shelf assessment for FY 2017-18. Given the timing, development of entirely new assessments for FY 2017-18 seems problematic and would likely require at least a transition year. Use of an off-the-shelf product would allow the State to change assessments without developing a whole new system (or could allow for a transition to a new system). However, it would reduce stability for the field.

Finally staff notes that, as discussed in the fifth issue in this document, current law requires the State to review and revise the statewide academic standards in FY 2017-18, and the Department has submitted request R4 to support that process. Based on the Department’s current timeline, any significant revisions to the standards would be fully implemented later. Given federal and state requirements that the assessment system align with the state standards the General Assembly will need to plan for changes in standards and assessments to maintain that alignment.

**STATEWIDE ACCOUNTABILITY SYSTEM**

As with assessments, the ESSA does not appear to require significant change to the state accountability system, as the state system appears to exceed the requirements in the new federal law.

Senate Bill 09-163 (Education Accountability System) established the statewide accountability system under which the Department evaluates the performance of schools and school districts relative to state expectations for academic performance. The system uses a variety of measures such as academic achievement, growth, and high school graduation and dropout rates. Under the system, the Department and the State Board evaluate each district and school’s performance and assign an accreditation (for districts) or plan (for schools) type to each district and school (see table below).

DISTRICT AND SCHOOL ACCOUNTABILITY RATINGS UNDER S.B. 09-163	
DISTRICT ACCREDITATION RATINGS	SCHOOL PLAN TYPES
Accredited with Distinction	Performance Plan
Accredited	Improvement Plan
Accredited with Improvement	Priority Improvement Plan
Accredited with Priority Improvement	Turnaround Plan
Accredited with Turnaround	

Based on the principle that higher performing districts deserve increased autonomy and lower performing districts need additional support and monitoring, the Department provides additional support to schools and districts in the bottom two performance categories (priority improvement and turnaround). Any school or district that remains in turnaround or priority improvement status for more than five consecutive years (on the “five-year clock”) faces specific consequences and must select from actions that are prescribed in state statute (see Section 22-11-209, C.R.S., for district options and Section 22-11-210, C.R.S., for school options). The options specified in statute, which drew from options included in the federal No Child Left Behind law, include: change in district or school management, conversion to charter schools, conversion to innovation school status, school closure (or revoked charter for a charter school), and district reorganization (for districts at the end of the “clock”).

The ESSA provides more flexibility to states with respect to accountability systems than its predecessor, No Child Left Behind. While any significant change would require legislation because Colorado’s system is created in state law, the ESSA does provide the State with additional options.

- First, the ESSA appears to focus solely on schools for accountability purposes. Unlike No Child Left Behind and the state law, the accountability provisions in the ESSA do not appear to address performance at the school district level at all. Thus, under ESSA, the General Assembly could modify or eliminate the evaluation of school districts under the accountability system.
- Second, while No Child Left Behind specified actions for persistently low performing schools (which provided the model for the State’s system), the ESSA does not specify remedies. Rather, the ESSA simply states that schools that are low performing for four consecutive years will be “subject to more rigorous state-determined action.” As a result, the General Assembly could modify the list of prescribed actions or presumably leave the actions at the discretion of the State Board.

#### **2017 SESSION CONSIDERATIONS - ACCOUNTABILITY**

Staff expects accountability and the five-year clock to be significant topics of discussion during the 2017 Session. The current fiscal year (FY 2016-17) marks the first round of schools and districts reaching the end of the five-year clock under S.B. 09-163. Based on preliminary ratings released this fall (which are still subject to appeal by the schools and districts), five districts and twelve schools have reached the end of the clock and are thus subject to the mandatory action by the State Board of Education. The Department and the State Board are currently establishing a hearing process for schools and districts at the end of the clock in consultation with the Department of Law (which is a driver of the Department’s request for additional legal services funding in request R5).

Based on additional review of the district/school performance information, the Commissioner will make recommendations to the State Board for each district and school that remains at the end of the clock in the final ratings this winter and spring. The State Board will also receive input from the State Review Panel (an external body of experts created in S.B. 09-163) for each district and school. Current law requires the State Board to direct action for each district and school (based on the *final* ratings that are not yet available) by June 30, 2017.

Because this is the first cohort of districts and schools to reach the end of the clock, the State is in relatively uncharted territory. The status of schools and districts reaching the end of the clock will likely generate legislative discussion during the 2017 Session. Staff also notes that the ESSA provides increased flexibility for the General Assembly to reconsider aspects of the accountability system



(such as the inclusion of school district accreditation and the prescriptive list of corrective actions) if desired during the 2017 Session.

## INFORMATIONAL ISSUE: 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.

### SUMMARY

- Concurrent enrollment programs allow students to earn high school and college credit simultaneously through a single concurrent enrollment course. Since the passage of the Concurrent Enrollment Act in 2009, student participation has grown to include nearly 30.0 percent of high school students statewide, representing 94.0 percent of school districts, by FY 2014-15.
- Since 2009, the General Assembly has also expanded the number of options available for high school students to pursue concurrent enrollment courses. While the majority of concurrent enrollment students participate through the Concurrent Enrollment Program authorized in H.B. 19-1319, students also may participate through the Accelerating Students through Concurrent Enrollment (ASCENT) program, early college high schools, and pathways in technology early college high schools (P-TECH, beginning in FY 2016-17). Local education providers and institutions of higher education also may have specific dual enrollment programs not specifically authorized in state statute.
- The Department reports that inconsistent implementation has created challenges for students, school districts, and institutions of higher education participating in concurrent enrollment. The Departments of Education and Higher Education conducted a LEAN process review of the concurrent enrollment program in 2016. For FY 2017-18, the Department is requesting an increase of \$93,737 General Fund and 0.9 FTE to create a new position to provide dedicated support to school districts participating in concurrent enrollment programs.

### DISCUSSION

Concurrent enrollment programs allow high school students to earn both high school and college credit simultaneously through a single course, generally with no additional cost to the student for tuition. In 2009, the Concurrent Enrollment Act (H.B. 09-1319) repealed three previously existing programs and replaced them with a new concurrent enrollment program. House Bill 09-1319 also created the Accelerating Students Through Concurrent Enrollment (ASCENT) program, which allows students meeting certain criteria to voluntarily extend their high school education beyond 12th grade in order to attend college courses ("fifth year" students). Since 2009, the General

Assembly has created additional options to allow students to participate in concurrent enrollment. The following sections provide a brief summary of the various concurrent enrollment options available to Colorado high school students and some information about participation through FY 2014-15 (the most recent year for which data are available).<sup>10</sup>

### CONCURRENT ENROLLMENT PROGRAM (H.B. 09-1319)

The Concurrent Enrollment Program created in H.B. 09-1319 allows high school students in grades nine through 12 to simultaneously enroll in their high school and one or more higher education institutions, earning both high school and college credit for course work.

- *Participation:* The Concurrent Enrollment Program is the most utilized (by enrollment) concurrent enrollment option in Colorado. Participation has increased from 9,349 students in FY 2010-11 to 24,010 students in FY 2014-15, and according to the Department 94 percent of school districts participated in FY 2014-15.
- *Eligibility:* Students must have academic plans approved and meet all application deadlines and college course requirements. Only twelfth grade students may take remedial coursework through the program.
- *Tuition Costs:* Costs are based on negotiated agreements between each local education provider and the participating institution of higher education. School districts are required to pay the tuition for courses, up to the community college tuition rate. Districts may require parents to repay tuition costs for courses that are not successfully completed. Institutions are eligible for college opportunity fund (COF) stipends for participating students. Parents may be charged more than the community college tuition rate for courses at four-year institutions.
- *Transferability:* Successfully completed (non-remedial) coursework courses are transferrable as either basic skills credit or academic credit applicable toward earning a degree at the institution or any other Colorado public institution of higher education.

As discussed below, the Department reports that inconsistent implementation has created challenges for students, schools, districts, and the cooperating institutions of higher education. The Department is requesting funds to support a dedicated employee to address those concerns in FY 2017-18.

### ASCENT (H.B. 09-1319)

The Accelerating Students Through Concurrent Enrollment (ASCENT) program, also created in H.B. 09-1319, allows students to remain enrolled in high school for a fifth year to enroll in a higher education institution. Students remain in the enrollment count for the school district and are taking courses at the institution of higher education.

- *Participation:* Participation is capped as a number of “slots” in a footnote in the Long Bill. The number of students participating increased from 99 in FY 2010-11 to 462 in FY 2014-15. The FY 2016-17 Long Bill authorizes the State Board to approve up to 550 slots. The State Board of Education allocates slots to participating school districts.

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<sup>10</sup> This issue brief and the participation data included here draw heavily from the FY 2014-15 Concurrent Enrollment Legislative Report produced by the Departments of Education and Higher Education in May 2016 as well as additional information provided by both departments. The most recent legislative report is available at: [http://highered.colorado.gov/Publications/Reports/Enrollment/FY2015/2015\\_Concurrent\\_Enrollment\\_May\\_2016.pdf](http://highered.colorado.gov/Publications/Reports/Enrollment/FY2015/2015_Concurrent_Enrollment_May_2016.pdf)

- *Eligibility:* Pursuant to Sec. 22-35-108 (2), C.R.S., eligible students must: (1) have completed or be scheduled to complete at least twelve credit hours postsecondary coursework prior to completion of the twelfth grade year; (2) not require basic skills courses; (3) be selected to participate in ASCENT by his or her high school principal or equivalent administrator; and (4) have been accepted into a postsecondary degree program at an institution of higher education.
- *Tuition Costs:* Students are funded within the participating districts' total program funding line item. However, like multi-district on-line students, ASCENT students are funded at a fixed rate statewide (\$6,795 per pupil FTE in FY 2016-17) rather than at each district's per pupil funding rate. Tuition costs are based on negotiated agreements between each local education provider and the participating institution of higher education. School districts are required to pay the tuition for courses, up to the community college tuition rate. Institutions are eligible for college opportunity fund (COF) stipends for participating students. Parents may be charged more than the community college tuition rate for courses at four-year institutions.
- *Transferability:* Successfully completed courses are transferrable as either basic skills credit or academic credit applicable toward earning a degree at the institution or any other Colorado public institution of higher education.

#### EARLY COLLEGES (H.B. 09-1319)

Early college high schools are secondary schools that only provide a curriculum that is designed to ensure that any student who completes the curriculum will have completed either an associate's degree or sixty credits toward the completion of a postsecondary credential. The number of early college programs statewide has increased from five schools in FY 2010-11 to nine schools in FY 2015-16. Schools are approved by the State Board of Education and provide courses through partnerships with institutions of higher education.

- *Participation:* Statewide, early colleges enrolled 2,910 students in eight schools in FY 2014-15, increasing to 3,751 students in nine schools in FY 2015-16.
- *Eligibility:* There are no statutory eligibility criteria for students to attend early college high schools.
- *Funding/Tuition Costs:* Early colleges are funded through annual per pupil distributions under the School Finance Act.
- *Transferability:* Successfully completed (non-remedial) coursework courses are transferrable as either basic skills credit or academic credit applicable toward earning a degree at the institution or any other Colorado public institution of higher education.

Early College programs are unique in that they are exempt from the requirements of the Concurrent Enrollment Act.

#### P-TECH (H.B. 15-1270)

House Bill 15-1270 authorized the creation the Pathways in Technology Early College High Schools (P-TECH) program. P-TECH schools include grades nine through fourteen and are designed to prepare students for careers in industry by enabling students to graduate with both a high school diploma and an associate's degree. The schools are operated as collaborative efforts between local education providers (such as school districts, charter schools, or BOCES), a community college, and one or more industry partners. The schools focus specifically on science, technology, engineering, and mathematics. All P-TECH schools must receive joint approval from both the Commissioner of Education (Department of Education) and the Executive Director of the Department of Higher

Education. Fiscal year 2016-17 is the first year of potential operations of P-TECH schools. The Department reports that three programs are operating this year.

- *Participation:* While final student count data are not yet available for FY 2016-17, the Department is estimating that approximately 1,500 students are attending the three P-TECH programs initiated in FY 2016-17.
- *Eligibility:* All high school students are eligible but the students must begin at the school in ninth grade.
- *Funding/Tuition Costs:* Students in grades nine through twelve are funded at the per pupil amount for the school district. Students in grades thirteen and fourteen will be funded at the same statewide rate as ASCENT students. Total funding and costs are allocated based on agreements between the local education provider, the community college, and the industry partner/employer. Students are also eligible for COF stipends for postsecondary courses.
- *Transferability:* Successfully completed (non-remedial) courses are transferrable as either basic skills credit or academic credit applicable toward earning a degree at the institution or any other Colorado public institution of higher education.

#### OTHER DUAL ENROLLMENT PROGRAMS

Institutions of higher education also provide other dual enrollment programs that are not specifically authorized in state statute (such as C.U. Succeeds, among others). These programs are not part of the Concurrent Enrollment Programs Act.

- *Participation:* According to the Department of Higher Education's data, 11,241 students participated in dual enrollment programs in FY 2014-15. Reported participation has varied in recent years, with a high of 11,338 in FY 2010-11 and a low of 8,771 in FY 2012-13.
- *Eligibility:* Enrollment criteria vary based on the program in question.
- *Funding/Tuition Costs:* Funding situations and agreements vary depending on the program.
- *Transferability:* Transferability varies depending on the program. According to the Department, extended studies programs and courses that are not transcribed can prevent transferability.

#### FY 2017-18 R3 – CONCURRENT ENROLLMENT

For FY 2017-18, the Department of Education is requesting an increase of \$93,737 General Fund and 0.9 FTE (annualizing to \$96,388 General Fund and 1.0 FTE in subsequent years) to add a dedicated staff position to support concurrent enrollment implementation. According to the Department, increasing participation in concurrent enrollment programs has highlighted inconsistent and inefficient implementation of the program by local education providers (LEPs) and institutions of higher education. Because the program(s) rely upon negotiated agreements between LEPs and the institutions, the agreements vary, including cases where individual LEPs or institutions will have different agreements or processes with multiple partners. As a result, students and LEPs report cases of numerous duplicate forms and highly inefficient enrollment processes, and the Department argues that these inefficiencies could be costing schools and districts up to \$3 million per year in staff time.

The Department conducted a LEAN process to review concurrent enrollment programs in conjunction with the Department of Higher Education and the Concurrent Enrollment Advisory Board. The LEAN process identified three systemic issues creating barriers and challenges within the concurrent enrollment programs: (1) variation; (2) equity and access; and (3) inefficiency.

- *Variation:* As a result of a lack of coordination between school districts, LEPs and partnering institutions have developed their own process for concurrent enrollment such as admissions, advising, registration, scheduling, approving faculty to teach courses, placing students, and determining eligibility. As a result, even within the statewide programs, the systems and students' experiences can vary significantly. In some cases, the variation in implementation has encouraged LEPs to work with higher education institutions outside of their normal service area.
- *Equity/ Access:* The review found that the variation in implementation resulted in uneven access to participate in concurrent enrollment throughout the State. The review found that this variation results in inequities for students in rural districts, students taking courses for which they are underprepared, and students taking courses for which credit will not transfer and does not count toward a degree.
- *Inefficiency:* The LEAN process found duplication of efforts between and among higher education institutions and LEP partners. Areas of duplication include data management, data privacy requirements, and other policies. The process found errors in coding, invoicing and billing, as well as inefficiencies in registration, enrollment, invoicing, and billing. The review estimated that the inefficiencies were wasting thousands of hours of LEP staff time and forcing students, families and providers to spend time on unnecessarily duplicative paperwork.

The Department is requesting the new position to provide direct support to participating school districts to improve and streamline local implementation of concurrent enrollment programs. Staff notes that the LEAN process recommended creating a cross-agency team for concurrent enrollment, including adding 1.0 new FTE to *each* department involved (1.0 FTE for the Department of Education and 1.0 FTE for the Department of Higher Education). However, the Department of Higher Education has not requested the recommended resources for FY 2017-18.

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

**Appendix A: Number Pages**

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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**DEPARTMENT OF EDUCATION**  
**Dr. Katy Anthes, Interim Commissioner**

**(1) MANAGEMENT AND ADMINISTRATION**

This section provides funding and staff for: the State Board of Education; the administration of a variety of education-related programs and for the general department administration, including human resources, budgeting, accounting, information management, and facilities maintenance. This section also includes funding for the Office of Professional Services, the Division of On-line Learning, as well as funding associated with the State Charter School Institute. The primary source of cash funds is the Educator Licensure Cash Fund. The major sources of reappropriated funds are indirect cost recoveries and transfers of funds from various cash- and federally-funded line items. Federal funds are from a variety of sources.

**(A) Administration and Centrally-Appropriated Line Items**

State Board of Education	<u>296,962</u>	<u>307,789</u>	<u>311,194</u>	<u>311,194</u>
FTE	1.8	1.3	2.0	2.0
General Fund	296,962	307,789	311,194	311,194
 General Department and Program Administration	 <u>3,919,761</u>	 <u>4,110,736</u>	 <u>4,252,945</u>	 <u>4,252,945</u>
FTE	34.4	33.2	34.6	34.6
General Fund	1,715,092	1,763,782	1,792,802	1,792,802
Cash Funds	140,033	129,160	177,081	177,081
Reappropriated Funds	2,064,636	2,217,794	2,283,062	2,283,062
 Office of Professional Services	 <u>2,624,258</u>	 <u>2,560,240</u>	 <u>2,212,518</u>	 <u>3,110,519</u>
FTE	24.8	24.6	25.0	25.0
Cash Funds	2,624,258	2,560,240	2,212,518	3,110,519

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Division of On-line Learning	<u>389,585</u>	<u>351,450</u>	<u>359,549</u>	<u>359,549</u>	
FTE	3.3	2.8	3.3	3.3	
General Fund	46,027	0	0	0	
Cash Funds	343,558	351,450	359,549	359,549	
Health, Life, and Dental	<u>3,559,982</u>	<u>4,740,929</u>	<u>4,834,978</u>	<u>5,270,848</u>	*
General Fund	1,429,754	1,700,148	1,802,970	2,090,077	
Cash Funds	193,063	565,607	653,174	676,250	
Reappropriated Funds	284,788	508,433	429,949	458,579	
Federal Funds	1,652,377	1,966,741	1,948,885	2,045,942	
Short-term Disability	<u>74,195</u>	<u>88,638</u>	<u>77,458</u>	<u>80,933</u>	*
General Fund	24,969	27,057	25,329	28,740	
Cash Funds	3,851	11,949	11,387	11,192	
Reappropriated Funds	6,412	9,944	8,124	8,757	
Federal Funds	38,963	39,688	32,618	32,244	
S.B. 04-257 Amortization Equalization Disbursement	<u>1,521,739</u>	<u>1,897,700</u>	<u>2,054,352</u>	<u>2,298,013</u>	*
General Fund	514,962	581,811	675,152	819,361	
Cash Funds	78,899	255,387	301,250	316,553	
Reappropriated Funds	130,841	212,557	214,983	248,206	
Federal Funds	797,037	847,945	862,967	913,893	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>1,426,627</u>	<u>1,833,003</u>	<u>2,032,954</u>	<u>2,297,982</u>	*
General Fund	482,812	561,976	668,120	819,330	
Cash Funds	73,967	246,680	298,112	316,553	
Reappropriated Funds	122,626	205,310	212,744	248,206	
Federal Funds	747,222	819,037	853,978	913,893	



*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Salary Survey	<u>1,054,844</u>	<u>425,241</u>	<u>6,591</u>	<u>1,248,516</u>	
General Fund	368,711	140,890	6,591	448,226	
Cash Funds	48,653	27,942	0	167,714	
Reappropriated Funds	92,103	45,344	0	135,093	
Federal Funds	545,377	211,065	0	497,483	
Merit Pay	<u>353,938</u>	<u>376,729</u>	0	0	
General Fund	119,477	119,026	0	0	
Cash Funds	18,611	25,664	0	0	
Reappropriated Funds	31,124	42,695	0	0	
Federal Funds	184,726	189,344	0	0	
Workers' Compensation	<u>383,251</u>	<u>435,200</u>	<u>506,964</u>	<u>519,385</u>	
General Fund	242,122	166,333	193,794	198,544	
Cash Funds	63,335	38,081	65,432	67,034	
Reappropriated Funds	77,794	53,443	43,115	44,171	
Federal Funds	0	177,343	204,623	209,636	
Legal Services	<u>594,818</u>	<u>480,453</u>	<u>577,049</u>	<u>773,698</u>	*
General Fund	262,271	264,318	264,429	447,231	
Cash Funds	324,119	210,552	293,610	306,615	
Reappropriated Funds	8,428	5,583	19,010	19,852	
Administrative Law Judge Services	<u>154,350</u>	<u>177,671</u>	<u>224,252</u>	<u>256,136</u>	*
Cash Funds	128,406	147,004	185,545	211,925	
Reappropriated Funds	25,944	30,667	38,707	44,211	
Payment to Risk Management and Property Funds	<u>75,598</u>	<u>79,031</u>	<u>108,806</u>	<u>132,922</u>	
General Fund	75,598	79,031	108,806	132,922	

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Leased Space	0	<u>847,521</u>	<u>918,507</u>	<u>1,167,134</u>	
General Fund	0	49,430	63,222	77,041	
Cash Funds	0	94,708	168,459	211,172	
Reappropriated Funds	0	12,389	20,213	32,820	
Federal Funds	0	690,994	666,613	846,101	
Capitol Complex Leased Space	<u>523,254</u>	<u>749,257</u>	<u>723,654</u>	<u>840,502</u>	
General Fund	81,599	165,536	159,143	184,838	
Cash Funds	64,691	89,544	83,204	96,640	
Reappropriated Funds	102,924	125,859	115,415	134,051	
Federal Funds	274,040	368,318	365,892	424,973	
Reprinting and Distributing Laws Concerning Education	<u>30,082</u>	<u>32,424</u>	<u>35,480</u>	<u>35,480</u>	
Cash Funds	30,082	32,424	35,480	35,480	
<b>SUBTOTAL - (A) Administration and Centrally-</b>					
<b>Appropriated Line Items</b>	16,983,244	19,494,012	19,237,251	22,955,756	19.3%
FTE	<u>64.3</u>	<u>61.9</u>	<u>64.9</u>	<u>64.9</u>	<u>(0.0%)</u>
General Fund	5,660,356	5,927,127	6,071,552	7,350,306	21.1%
Cash Funds	4,135,526	4,786,392	4,844,801	6,064,277	25.2%
Reappropriated Funds	2,947,620	3,470,018	3,385,322	3,657,008	8.0%
Federal Funds	4,239,742	5,310,475	4,935,576	5,884,165	19.2%

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
<b>(B) Information Technology</b>					
Information Technology Services	<u>3,325,026</u>	<u>3,472,743</u>	<u>4,051,818</u>	<u>4,051,818</u>	
FTE	20.4	23.4	28.2	28.2	
General Fund	3,200,497	3,384,893	1,425,355	1,425,355	
Cash Funds	0	0	2,000,000	2,000,000	
Reappropriated Funds	124,529	87,850	626,463	626,463	
CORE Operations	<u>256,674</u>	<u>281,533</u>	<u>282,536</u>	<u>223,689</u>	
General Fund	94,769	78,863	107,278	84,936	
Cash Funds	31,248	7,119	35,374	28,005	
Reappropriated Funds	82,760	121,724	139,884	110,748	
Federal Funds	47,897	73,827	0	0	
Information Technology Asset Maintenance	<u>2,284,180</u>	<u>862,146</u>	<u>862,146</u>	<u>862,146</u>	
General Fund	2,284,180	862,146	862,146	862,146	
Disaster Recovery	<u>15,466</u>	<u>17,792</u>	<u>19,722</u>	<u>19,722</u>	
General Fund	15,466	17,792	19,722	19,722	
Payments to OIT	<u>630,337</u>	<u>734,984</u>	<u>340,453</u>	<u>707,648</u>	*
General Fund	630,337	359,423	176,332	366,491	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	375,561	164,121	341,157	

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
<b>SUBTOTAL - (B) Information Technology</b>	6,511,683	5,369,198	5,556,675	5,865,023	5.5%
<i>FTE</i>	<u>20.4</u>	<u>23.4</u>	<u>28.2</u>	<u>28.2</u>	<u>(0.0%)</u>
General Fund	6,225,249	4,703,117	2,590,833	2,758,650	6.5%
Cash Funds	31,248	7,119	2,035,374	2,028,005	(0.4%)
Reappropriated Funds	207,289	585,135	930,468	1,078,368	15.9%
Federal Funds	47,897	73,827	0	0	0.0%

**(C) Assessments and Data Analyses**

Colorado Student Assessment Program	<u>27,719,932</u>	<u>28,213,207</u>	<u>33,152,288</u>	<u>33,112,688</u>
<i>FTE</i>	13.7	18.3	11.8	11.8
Cash Funds	21,975,949	22,396,850	26,268,932	26,229,332
Federal Funds	5,743,983	5,816,357	6,883,356	6,883,356
Federal Grant for State Assessments and Related Activities	<u>2,247,224</u>	<u>2,247,224</u>	<u>2,247,224</u>	<u>2,247,224</u>
<i>FTE</i>	5.7	5.9	5.7	5.7
Federal Funds	2,247,224	2,247,224	2,247,224	2,247,224
Longitudinal Analyses of Student Assessment Results	<u>552,944</u>	<u>571,764</u>	<u>691,277</u>	<u>736,392</u>
<i>FTE</i>	2.7	2.4	3.6	4.1
General Fund	367,419	325,528	393,277	438,392
Cash Funds	185,525	246,236	298,000	298,000
Basic Skills Placement or Assessment Tests	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>
Cash Funds	0	0	50,000	50,000

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Preschool to Postsecondary Education Alignment	<u>673,018</u>	<u>590,655</u>	<u>630,153</u>	<u>630,153</u>	
FTE	4.4	2.8	4.0	4.0	
General Fund	93,913	7,232	35,400	35,400	
Cash Funds	579,105	583,423	594,753	594,753	
Educator Effectiveness Unit Administration	<u>547,543</u>	<u>1,314,102</u>	<u>1,865,610</u>	<u>1,865,610</u>	
FTE	4.7	8.4	12.5	12.5	
General Fund	432,718	1,203,898	1,736,357	1,736,357	
Cash Funds	114,825	110,204	129,253	129,253	
Educator Effectiveness Implementation	<u>8,253,294</u>	<u>2,018,622</u>	<u>1,200,000</u>	<u>0</u>	
FTE	16.5	0.0	4.0	0.0	
Cash Funds	3,650,011	0	0	0	
Federal Funds	4,603,283	2,018,622	1,200,000	0	
Accountability and Improvement Planning	<u>1,676,936</u>	<u>1,757,947</u>	<u>1,732,237</u>	<u>1,732,237</u>	
FTE	3.7	3.7	11.4	11.4	
General Fund	1,110,552	1,207,615	1,181,905	1,181,905	
Federal Funds	566,384	550,332	550,332	550,332	
<b>SUBTOTAL - (C) Assessments and Data Analyses</b>	41,670,891	36,713,521	41,568,789	40,374,304	(2.9%)
FTE	<u>51.4</u>	<u>41.5</u>	<u>53.0</u>	<u>49.5</u>	<u>(6.6%)</u>
General Fund	2,004,602	2,744,273	3,346,939	3,392,054	1.3%
Cash Funds	26,505,415	23,336,713	27,340,938	27,301,338	(0.1%)
Federal Funds	13,160,874	10,632,535	10,880,912	9,680,912	(11.0%)

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
<b>(D) State Charter School Institute</b>					
State Charter School Institute Administration, Oversight, and Management	<u>2,619,649</u>	<u>3,167,162</u>	<u>2,831,760</u>	<u>3,500,000</u>	
FTE	11.5	11.4	11.7	11.7	
Cash Funds	0	335,402	0	0	
Reappropriated Funds	2,619,649	2,831,760	2,831,760	3,500,000	
Institute Charter School Assistance Fund	<u>967,409</u>	<u>1,431,252</u>	<u>460,000</u>	<u>750,000</u>	
Cash Funds	967,409	1,431,252	460,000	750,000	
Other Transfers to Institute Charter Schools	<u>6,457,773</u>	<u>8,988,771</u>	<u>6,500,000</u>	<u>9,000,000</u>	
Cash Funds	2,834,794	5,365,792	0	0	
Reappropriated Funds	3,622,979	3,622,979	6,500,000	9,000,000	
Transfer of Federal Moneys to Institute Charter Schools	<u>7,583,203</u>	<u>5,972,652</u>	<u>7,600,000</u>	<u>7,600,000</u>	
FTE	4.3	1.7	4.5	4.5	
Reappropriated Funds	6,327,460	0	7,600,000	7,600,000	
Federal Funds	1,255,743	5,972,652	0	0	
Department Implementation of Section 22-30.5-501 et seq., C.R.S.	<u>214,782</u>	<u>192,836</u>	<u>227,505</u>	<u>227,505</u>	
FTE	1.4	1.3	1.6	1.6	
Reappropriated Funds	214,782	192,836	227,505	227,505	
<b>SUBTOTAL - (D) State Charter School Institute</b>	17,842,816	19,752,673	17,619,265	21,077,505	19.6%
FTE	<u>17.2</u>	<u>14.4</u>	<u>17.8</u>	<u>17.8</u>	0.0%
Cash Funds	3,802,203	7,132,446	460,000	750,000	63.0%
Reappropriated Funds	12,784,870	6,647,575	17,159,265	20,327,505	18.5%
Federal Funds	1,255,743	5,972,652	0	0	0.0%

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
<b>(E) Indirect Cost Assessment</b>					
Indirect Cost Assessment	<u>528,192</u>	<u>617,191</u>	<u>549,469</u>	<u>732,153</u>	
Cash Funds	301,950	355,325	321,464	428,322	
Federal Funds	226,242	261,866	228,005	303,831	
<b>SUBTOTAL - (E) Indirect Cost Assessment</b>	528,192	617,191	549,469	732,153	33.2%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	301,950	355,325	321,464	428,322	33.2%
Federal Funds	226,242	261,866	228,005	303,831	33.3%
<b>TOTAL - (1) Management and Administration</b>	83,536,826	81,946,595	84,531,449	91,004,741	7.7%
<i>FTE</i>	<u>153.3</u>	<u>141.2</u>	<u>163.9</u>	<u>160.4</u>	<u>(2.1%)</u>
General Fund	13,890,207	13,374,517	12,009,324	13,501,010	12.4%
Cash Funds	34,776,342	35,617,995	35,002,577	36,571,942	4.5%
Reappropriated Funds	15,939,779	10,702,728	21,475,055	25,062,881	16.7%
Federal Funds	18,930,498	22,251,355	16,044,493	15,868,908	(1.1%)

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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**(2) ASSISTANCE TO PUBLIC SCHOOLS**

This section provides funding that is distributed to public schools and school districts, as well as funding for Department staff who administer this funding or who provide direct support to schools and school districts.

**(A) Public School Finance**

Administration	<u>1,601,548</u>	<u>1,621,008</u>	<u>1,776,557</u>	<u>1,836,514</u>	*
FTE	16.7	17.1	17.9	17.9	
Cash Funds	84,266	81,027	155,354	215,311	
Reappropriated Funds	1,517,282	1,539,981	1,621,203	1,621,203	
State Share of Districts' Total Program Funding	<u>3,950,612,483</u>	<u>3,979,778,973</u>	<u>4,115,127,505</u>	<u>4,163,316,272</u>	*
General Fund	3,184,047,461	3,299,295,175	2,717,379,900	2,915,531,594	
General Fund Exempt	0	0	873,835,000	873,835,000	
Cash Funds	766,565,022	680,483,798	523,912,605	373,949,678	
Hold-harmless Full-day Kindergarten Funding	<u>7,471,409</u>	<u>7,778,615</u>	<u>7,922,486</u>	<u>8,118,253</u>	*
Cash Funds	7,471,409	7,778,615	7,922,486	8,118,253	
District Per Pupil Reimbursements for Juveniles Held in Jail	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>	
Cash Funds	0	0	10,000	10,000	
At-risk Supplemental Aid	<u>4,858,813</u>	<u>5,006,308</u>	<u>5,094,358</u>	<u>5,094,358</u>	
Cash Funds	4,858,813	5,006,308	5,094,358	5,094,358	
At-risk Per Pupil Additional Funding	<u>0</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	
Cash Funds	0	5,000,000	5,000,000	5,000,000	
Small Rural Districts Additional Funding	<u>0</u>	<u>10,000,000</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	10,000,000	0	0	



*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
<b>SUBTOTAL - (A) Public School Finance</b>	3,964,544,253	4,009,184,904	4,134,930,906	4,183,375,397	1.2%
<i>FTE</i>	<u>16.7</u>	<u>17.1</u>	<u>17.9</u>	<u>17.9</u>	<u>0.0%</u>
General Fund	3,184,047,461	3,299,295,175	2,717,379,900	2,915,531,594	7.3%
General Fund Exempt	0	0	873,835,000	873,835,000	0.0%
Cash Funds	778,979,510	708,349,748	542,094,803	392,387,600	(27.6%)
Reappropriated Funds	1,517,282	1,539,981	1,621,203	1,621,203	0.0%

**(B) Categorical Programs**

**(I) District Programs Required by Statute**

Special Education - Children with Disabilities	<u>319,534,626</u>	<u>338,537,983</u>	<u>322,663,964</u>	<u>327,052,706</u> *
<i>FTE</i>	79.5	83.9	63.0	63.0
General Fund	71,572,347	71,572,347	71,572,347	71,572,347
Cash Funds	89,409,439	93,663,058	95,565,575	99,867,270
Reappropriated Funds	0	0	104,043	191,090
Federal Funds	158,552,840	173,302,578	155,421,999	155,421,999
English Language Proficiency Program	<u>26,297,835</u>	<u>27,269,957</u>	<u>30,024,205</u>	<u>31,471,430</u> *
<i>FTE</i>	2.6	2.6	4.6	4.6
General Fund	3,101,598	3,101,598	3,101,598	3,101,598
Cash Funds	13,637,547	15,041,326	15,684,186	17,131,411
Federal Funds	9,558,690	9,127,033	11,238,421	11,238,421

<b>SUBTOTAL -</b>	345,832,461	365,807,940	352,688,169	358,524,136	1.7%
<i>FTE</i>	<u>82.1</u>	<u>86.5</u>	<u>67.6</u>	<u>67.6</u>	<u>(0.0%)</u>
General Fund	74,673,945	74,673,945	74,673,945	74,673,945	0.0%
Cash Funds	103,046,986	108,704,384	111,249,761	116,998,681	5.2%
Reappropriated Funds	0	0	104,043	191,090	83.7%
Federal Funds	168,111,530	182,429,611	166,660,420	166,660,420	0.0%

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
<b>(II) Other Categorical Programs</b>					
Public School Transportation	<u>55,779,222</u>	<u>58,321,985</u>	<u>56,657,903</u>	<u>58,052,338</u>	*
FTE	2.0	2.0	2.0	2.0	
General Fund	36,922,227	36,922,227	36,922,227	36,922,227	
Cash Funds	18,856,995	21,399,758	19,735,676	21,130,111	
Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education					
	<u>24,983,788</u>	<u>25,436,648</u>	<u>25,639,363</u>	<u>26,146,519</u>	*
General Fund	17,792,850	17,792,850	17,792,850	17,792,850	
Cash Funds	7,190,938	7,643,798	7,846,513	8,353,669	
Special Education Programs for Gifted and Talented Children					
	<u>11,860,181</u>	<u>12,023,342</u>	<u>12,169,325</u>	<u>12,335,740</u>	*
FTE	2.7	2.4	1.5	1.5	
General Fund	5,500,000	5,500,000	5,500,000	5,500,000	
Cash Funds	6,360,181	6,523,342	6,669,325	6,835,740	
Expelled and At-risk Student Services Grant Program					
	<u>7,482,984</u>	<u>7,434,927</u>	<u>7,493,560</u>	<u>7,493,560</u>	
FTE	1.1	1.3	1.0	1.0	
General Fund	5,788,151	5,788,807	5,788,807	5,788,807	
Cash Funds	1,694,833	1,646,120	1,704,753	1,704,753	
Small Attendance Center Aid					
	<u>959,379</u>	<u>959,379</u>	<u>1,076,550</u>	<u>1,076,550</u>	
General Fund	787,645	787,645	787,645	787,645	
Cash Funds	171,734	171,734	288,905	288,905	

*JBC Staff Budget Briefing: FY 2017-18*  
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	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
Comprehensive Health Education	<u>1,004,978</u>	<u>972,961</u>	<u>1,005,396</u>	<u>1,005,396</u>	
FTE	1.3	1.7	1.0	1.0	
General Fund	300,000	300,000	300,000	300,000	
Cash Funds	704,978	672,961	705,396	705,396	
<b>SUBTOTAL -</b>	102,070,532	105,149,242	104,042,097	106,110,103	2.0%
FTE	<u>7.1</u>	<u>7.4</u>	<u>5.5</u>	<u>5.5</u>	0.0%
General Fund	67,090,873	67,091,529	67,091,529	67,091,529	0.0%
Cash Funds	34,979,659	38,057,713	36,950,568	39,018,574	5.6%
<b>SUBTOTAL - (B) Categorical Programs</b>	447,902,993	470,957,182	456,730,266	464,634,239	1.7%
FTE	<u>89.2</u>	<u>93.9</u>	<u>73.1</u>	<u>73.1</u>	(0.0%)
General Fund	141,764,818	141,765,474	141,765,474	141,765,474	0.0%
Cash Funds	138,026,645	146,762,097	148,200,329	156,017,255	5.3%
Reappropriated Funds	0	0	104,043	191,090	83.7%
Federal Funds	168,111,530	182,429,611	166,660,420	166,660,420	0.0%
<b>(C) Grant Programs, Distributions, and Other Assistance</b>					
<b>(I) Health and Nutrition</b>					
Federal Nutrition Programs	<u>185,903,606</u>	<u>190,883,847</u>	<u>156,554,412</u>	<u>156,554,412</u>	
FTE	14.4	15.4	9.0	9.0	
General Fund	84,282	75,101	88,564	88,564	
Federal Funds	185,819,324	190,808,746	156,465,848	156,465,848	
State Match for School Lunch Program	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>	
Cash Funds	2,472,644	2,472,644	2,472,644	2,472,644	

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
Child Nutrition School Lunch Protection Program	<u>1,514,617</u>	<u>1,501,764</u> 0.3	<u>1,661,258</u>	<u>1,661,258</u>	
General Fund	664,764	655,912	811,258	811,258	
Cash Funds	849,853	845,852	850,000	850,000	
Start Smart Nutrition Program Fund	<u>1,097,983</u>	<u>1,370,721</u>	<u>700,000</u>	<u>900,000</u>	
General Fund	1,097,983	1,370,721	700,000	900,000	
Start Smart Nutrition Program	<u>964,516</u>	<u>938,120</u>	<u>1,100,000</u>	<u>1,300,000</u>	
Cash Funds	39,000	52,509	400,000	400,000	
Reappropriated Funds	925,516	885,611	700,000	900,000	
Federal Funds	0	0	0	0	
Breakfast After the Bell	<u>14,340,446</u>	<u>29,409,054</u>	<u>29,412,780</u>	<u>29,412,780</u>	
FTE	0.3	0.1	0.3	0.3	
General Fund	22,643	19,798	23,524	23,524	
Reappropriated Funds	0	0	0	0	
Federal Funds	14,317,803	29,389,256	29,389,256	29,389,256	
S.B. 97-101 Public School Health Services	<u>160,335</u>	<u>153,845</u>	<u>154,008</u>	<u>170,979</u>	
FTE	1.5	1.5	1.4	1.4	
Reappropriated Funds	0	0	154,008	170,979	
Federal Funds	160,335	153,845	0	0	
School Health Professionals Grant Program	<u>2,407,056</u>	<u>2,229,507</u>	<u>2,280,833</u>	<u>11,923,726</u> *	
FTE	1.0	0.3	1.0	4.0	
Cash Funds	2,407,056	2,229,507	2,280,833	11,923,726	

*JBC Staff Budget Briefing: FY 2017-18*  
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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Program	<u>183,631</u>	<u>2,201</u>	<u>0</u>	<u>0</u>	
FTE	0.3	0.0	0.0	0.0	
Cash Funds	183,631	2,201	0	0	
<b>SUBTOTAL -</b>	209,044,834	228,961,703	194,335,935	204,395,799	5.2%
FTE	<u>17.5</u>	<u>17.6</u>	<u>11.7</u>	<u>14.7</u>	<u>25.6%</u>
General Fund	1,869,672	2,121,532	1,623,346	1,823,346	12.3%
Cash Funds	5,952,184	5,602,713	6,003,477	15,646,370	160.6%
Reappropriated Funds	925,516	885,611	854,008	1,070,979	25.4%
Federal Funds	200,297,462	220,351,847	185,855,104	185,855,104	0.0%
<b>(II) Capital Construction</b>					
Division of Public School Capital Construction Assistance	<u>725,917</u>	<u>664,344</u>	<u>1,382,625</u>	<u>1,382,625</u>	
FTE	6.7	7.5	15.0	15.0	
Cash Funds	725,917	664,344	1,382,625	1,382,625	
Public School Capital Construction Assistance Board - Lease Payments	<u>54,484,817</u>	<u>54,418,487</u>	<u>70,000,000</u>	<u>65,000,000</u>	
Cash Funds	54,484,817	54,418,487	70,000,000	65,000,000	
Public School Capital Construction Assistance Board - Cash Grants	<u>461,345</u>	<u>12,201,302</u>	<u>70,000,000</u>	<u>70,000,000</u>	
Cash Funds	461,345	12,201,302	70,000,000	70,000,000	
Financial Assistance Priority Assessment	<u>28,500</u>	<u>785,247</u>	<u>200,000</u>	<u>200,000</u>	
Cash Funds	28,500	785,247	200,000	200,000	

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
State Aid for Charter School Facilities	<u>13,500,000</u>	<u>22,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	
Cash Funds	13,500,000	22,000,000	25,000,000	25,000,000	
<b>SUBTOTAL -</b>	69,200,579	90,069,380	166,582,625	161,582,625	(3.0%)
<i>FTE</i>	<u>6.7</u>	<u>7.5</u>	<u>15.0</u>	<u>15.0</u>	0.0%
Cash Funds	69,200,579	90,069,380	166,582,625	161,582,625	(3.0%)

**(III) Reading and Literacy**

Early Literacy Competitive Grant Program	<u>4,989,760</u>	<u>5,176,398</u>	<u>5,197,604</u>	<u>5,197,604</u>	
FTE	8.3	9.0	8.0	8.0	
Cash Funds	4,989,760	5,176,398	5,197,604	5,197,604	
Early Literacy Program Per Pupil Intervention Funding	<u>33,123,766</u>	<u>33,008,207</u>	<u>33,242,424</u>	<u>33,242,424</u>	
FTE	1.0	0.0	1.0	1.0	
Cash Funds	33,123,766	33,008,207	33,242,424	33,242,424	
Early Literacy Assessment Tool Program	<u>2,678,996</u>	<u>2,795,730</u>	<u>2,987,226</u>	<u>2,987,226</u>	
Cash Funds	2,678,996	2,795,730	2,987,226	2,987,226	
Adult Education and Literacy Grant Program	<u>949,197</u>	<u>946,471</u>	<u>961,444</u>	<u>961,444</u>	
FTE	0.6	1.3	1.0	1.0	
General Fund	0	0	961,444	961,444	
Cash Funds	0	946,471	0	0	
Reappropriated Funds	949,197	0	0	0	

*JBC Staff Budget Briefing: FY 2017-18*  
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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Adult Education and Literacy Grant Fund	<u>960,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	960,000	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
<b>SUBTOTAL -</b>	42,701,719	41,926,806	42,388,698	42,388,698	0.0%
FTE	<u>9.9</u>	<u>10.3</u>	<u>10.0</u>	<u>10.0</u>	0.0%
General Fund	960,000	0	961,444	961,444	0.0%
Cash Funds	40,792,522	41,926,806	41,427,254	41,427,254	0.0%
Reappropriated Funds	949,197	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

**(IV) Professional Development and Instructional Support**

Content Specialists	<u>463,571</u>	<u>451,095</u>	<u>469,900</u>	<u>810,740</u> *
FTE	3.9	3.3	5.0	5.0
Cash Funds	463,571	451,095	469,900	810,740
School Bullying Prevention and Education Cash Fund	<u>0</u>	<u>2,000,000</u>	<u>900,000</u>	<u>2,000,000</u>
General Fund	0	2,000,000	0	0
Cash Funds	0	0	900,000	2,000,000
Office of Dropout Prevention and Student Reengagement	<u>549,915</u>	<u>4,108,953</u>	<u>1,017,578</u>	<u>2,117,578</u>
FTE	3.2	0.0	0.9	0.9
General Fund	0	2,000,000	0	0
Cash Funds	0	0	900,000	2,000,000
Reappropriated Funds	0	1,991,375	0	0
Federal Funds	549,915	117,578	117,578	117,578

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	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
Stipends for Nationally Board Certified Teachers	<u>1,228,288</u>	<u>1,189,496</u>	<u>1,384,000</u>	<u>1,384,000</u>	
Cash Funds	1,228,288	1,189,496	1,384,000	1,384,000	
Quality Teacher Recruitment Program	<u>2,820,000</u>	<u>2,967,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	
Cash Funds	2,820,000	2,967,000	3,000,000	3,000,000	
Educator Perception	<u>91,000</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	
General Fund	91,000	0	100,000	0	
English Language Learners Technical Assistance	<u>251,070</u>	<u>361,236</u>	<u>373,245</u>	<u>373,245</u>	
FTE	2.2	4.6	5.0	5.0	
General Fund	229,425	313,045	321,448	321,448	
Cash Funds	21,645	48,191	51,797	51,797	
English Language Proficiency Act Excellence Awards Program	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	
Cash Funds	0	500,000	500,000	500,000	
Reappropriated Funds	500,000	0	0	0	
English Language Learners Professional Development and Student Support Program	<u>27,000,000</u>	<u>27,000,000</u>	<u>27,000,000</u>	<u>27,000,000</u>	
Cash Funds	0	27,000,000	27,000,000	27,000,000	
Reappropriated Funds	27,000,000	0	0	0	
Advanced Placement Incentives Pilot Program	<u>260,312</u>	<u>259,522</u>	<u>260,931</u>	<u>260,931</u>	
FTE	0.0	0.5	0.3	0.3	
Cash Funds	260,312	259,522	260,931	260,931	



*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
School Turnaround Leaders Development Program	<u>1,986,663</u>	<u>1,999,150</u>	<u>2,000,991</u>	<u>2,000,991</u>	
FTE	0.5	0.7	1.2	1.2	
Cash Funds	0	1,999,150	2,000,991	2,000,991	
Reappropriated Funds	1,986,663	0	0	0	
English Language Proficiency Act Excellence Awards Fund	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	500,000	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
English Language Learners Professional Development and Student Support Fund	<u>27,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	27,000,000	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
School Turnaround Leaders Development Fund	<u>2,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	2,000,000	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

*JBC Staff Budget Briefing: FY 2017-18*  
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	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
<b>SUBTOTAL -</b>	64,650,819	40,836,452	37,006,645	39,447,485	6.6%
<i>FTE</i>	<u>9.8</u>	<u>9.1</u>	<u>12.4</u>	<u>12.4</u>	0.0%
General Fund	320,425	4,313,045	421,448	321,448	(23.7%)
Cash Funds	34,293,816	34,414,454	36,467,619	39,008,459	7.0%
Reappropriated Funds	29,486,663	1,991,375	0	0	0.0%
Federal Funds	549,915	117,578	117,578	117,578	0.0%

**(V) Facility Schools**

Facility Schools Unit and Facility Schools Board	<u>263,109</u>	<u>192,917</u>	<u>317,665</u>	<u>317,665</u>	
<i>FTE</i>	2.8	2.6	3.0	3.0	
Reappropriated Funds	263,109	192,917	317,665	317,665	
Facility School Funding	<u>14,117,114</u>	<u>14,013,515</u>	<u>16,604,845</u>	<u>16,604,845</u>	
Cash Funds	14,117,114	14,013,515	16,604,845	16,604,845	

<b>SUBTOTAL -</b>	14,380,223	14,206,432	16,922,510	16,922,510	0.0%
<i>FTE</i>	<u>2.8</u>	<u>2.6</u>	<u>3.0</u>	<u>3.0</u>	0.0%
Cash Funds	14,117,114	14,013,515	16,604,845	16,604,845	0.0%
Reappropriated Funds	263,109	192,917	317,665	317,665	0.0%

**(VI) Other Assistance**

Appropriated Sponsored Programs	<u>215,374,593</u>	<u>238,721,042</u>	<u>281,611,760</u>	<u>278,175,453</u>	
<i>FTE</i>	85.5	71.9	68.7	68.7	
Cash Funds	0	831,255	2,702,223	2,702,223	
Reappropriated Funds	1,275,906	0	4,631,407	1,195,100	
Federal Funds	214,098,687	237,889,787	274,278,130	274,278,130	

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
School Counselor Corps Grant Program	<u>8,002,249</u>	<u>9,998,279</u>	<u>10,000,000</u>	<u>10,000,000</u>	
FTE	2.3	2.9	2.0	2.0	
Cash Funds	8,002,249	9,998,279	10,000,000	10,000,000	
BOCES Funding per Section 22-5-122, C.R.S.	<u>3,277,976</u>	<u>3,287,932</u>	<u>3,308,255</u>	<u>3,308,255</u>	
FTE	0.8	0.8	1.0	1.0	
Cash Funds	3,277,976	3,287,932	3,308,255	3,308,255	
Contingency Reserve Fund	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>	
Cash Funds	0	0	1,000,000	1,000,000	
Supplemental On-line Education Services	<u>480,000</u>	<u>480,000</u>	<u>960,000</u>	<u>960,000</u>	
Cash Funds	480,000	480,000	960,000	960,000	
Interstate Compact on Educational Opportunity for Military Children	<u>23,015</u>	<u>23,015</u>	<u>20,619</u>	<u>20,619</u>	
Cash Funds	23,015	23,015	20,619	20,619	
College and Career Readiness	<u>156,404</u>	<u>166,630</u>	<u>225,041</u>	<u>260,884</u> *	
FTE	1.5	1.5	2.5	2.9	
General Fund	156,404	166,630	225,041	260,884	
Colorado Student Leaders Institute Pilot Program	<u>0</u>	<u>218,825</u>	<u>218,825</u>	<u>218,825</u>	
Cash Funds	0	218,825	218,825	218,825	
Career Development Success Pilot Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,000,000</u>	
General Fund	0	0	0	1,000,000	

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Minority Teacher Study Strategy Report	48,875	0	0	0	
General Fund	48,875	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

<b>SUBTOTAL -</b>	227,363,112	252,895,723	297,344,500	294,944,036	(0.8%)
<i>FTE</i>	<u>90.1</u>	<u>77.1</u>	<u>74.2</u>	<u>74.6</u>	<u>0.5%</u>
General Fund	205,279	166,630	225,041	1,260,884	460.3%
Cash Funds	11,783,240	14,839,306	18,209,922	18,209,922	0.0%
Reappropriated Funds	1,275,906	0	4,631,407	1,195,100	(74.2%)
Federal Funds	214,098,687	237,889,787	274,278,130	274,278,130	0.0%

<b>SUBTOTAL - (C) Grant Programs, Distributions, and</b>					
<b>Other Assistance</b>	627,341,286	668,896,496	754,580,913	759,681,153	0.7%
<i>FTE</i>	<u>136.8</u>	<u>124.2</u>	<u>126.3</u>	<u>129.7</u>	<u>2.7%</u>
General Fund	3,355,376	6,601,207	3,231,279	4,367,122	35.2%
Cash Funds	176,139,455	200,866,174	285,295,742	292,479,475	2.5%
Reappropriated Funds	32,900,391	3,069,903	5,803,080	2,583,744	(55.5%)
Federal Funds	414,946,064	458,359,212	460,250,812	460,250,812	0.0%

**(D) Indirect Cost Assessment**

Indirect Cost Assessment	<u>2,057,248</u>	<u>2,529,155</u>	<u>2,308,966</u>	<u>3,049,865</u>	
Cash Funds	25,000	25,000	25,000	25,000	
Reappropriated Funds	55,571	55,571	55,571	55,571	
Federal Funds	1,976,677	2,448,584	2,228,395	2,969,294	

*JBC Staff Budget Briefing: FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
<b>SUBTOTAL - (D) Indirect Cost Assessment</b>	2,057,248	2,529,155	2,308,966	3,049,865	32.1%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	25,000	25,000	25,000	25,000	0.0%
Reappropriated Funds	55,571	55,571	55,571	55,571	0.0%
Federal Funds	1,976,677	2,448,584	2,228,395	2,969,294	33.2%
<b>TOTAL - (2) Assistance to Public Schools</b>	5,041,845,780	5,151,567,737	5,348,551,051	5,410,740,654	1.2%
<i>FTE</i>	<u>242.7</u>	<u>235.2</u>	<u>217.3</u>	<u>220.7</u>	<u>1.6%</u>
General Fund	3,329,167,655	3,447,661,856	2,862,376,653	3,061,664,190	7.0%
General Fund Exempt	0	0	873,835,000	873,835,000	0.0%
Cash Funds	1,093,170,610	1,056,003,019	975,615,874	840,909,330	(13.8%)
Reappropriated Funds	34,473,244	4,665,455	7,583,897	4,451,608	(41.3%)
Federal Funds	585,034,271	643,237,407	629,139,627	629,880,526	0.1%

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*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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**(3) LIBRARY PROGRAMS**

This section provides funding for various library-related programs. Library programs are primarily funded with General Fund and federal funds. Cash funds include grants and donations. Transfers from the Disabled Telephone Users Fund support privately operated reading services for the blind and are reflected as reappropriated funds.

Administration	<u>899,064</u>	<u>920,541</u>	<u>1,077,426</u>	<u>1,077,426</u>	
FTE	12.1	10.1	14.3	14.3	
General Fund	771,634	796,803	823,566	823,566	
Cash Funds	127,430	123,738	253,860	253,860	
Federal Library Funding	<u>2,722,826</u>	<u>2,761,501</u>	<u>3,089,065</u>	<u>3,089,065</u>	
FTE	25.0	25.3	23.8	23.8	
Federal Funds	2,722,826	2,761,501	3,089,065	3,089,065	
Colorado Library Consortium	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	
General Fund	1,000,000	1,000,000	1,000,000	1,000,000	
Colorado Virtual Library	<u>359,796</u>	<u>353,628</u>	<u>379,796</u>	<u>379,796</u>	
General Fund	359,796	353,628	359,796	359,796	
Cash Funds	0	0	20,000	20,000	
Colorado Talking Book Library, Building Maintenance and Utilities Expenses	<u>67,997</u>	<u>68,708</u>	<u>90,660</u>	<u>90,660</u>	
General Fund	67,997	68,708	90,660	90,660	
Reading Services for the Blind	<u>360,000</u>	<u>410,000</u>	<u>410,000</u>	<u>410,000</u>	
General Fund	0	50,000	50,000	50,000	
Reappropriated Funds	360,000	360,000	360,000	360,000	

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	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
State Grants to Publicly-Supported Libraries Program	<u>1,996,842</u>	<u>2,495,099</u> 0.5	<u>2,500,000</u>	<u>2,500,000</u>	
General Fund	0	2,495,099	2,500,000	2,500,000	
Reappropriated Funds	1,996,842	0	0	0	
Indirect Cost Assessment	<u>55,327</u>	<u>55,327</u>	<u>55,327</u>	<u>55,327</u>	
Federal Funds	55,327	55,327	55,327	55,327	
State Grants to Publicly-Supported Libraries Fund	<u>2,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	2,000,000	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
<b>TOTAL - (3) Library Programs</b>	<u>9,461,852</u>	<u>8,064,804</u>	<u>8,602,274</u>	<u>8,602,274</u>	0.0%
<i>FTE</i>	<u>37.1</u>	<u>35.9</u>	<u>38.1</u>	<u>38.1</u>	0.0%
General Fund	4,199,427	4,764,238	4,824,022	4,824,022	0.0%
Cash Funds	127,430	123,738	273,860	273,860	0.0%
Reappropriated Funds	2,356,842	360,000	360,000	360,000	0.0%
Federal Funds	2,778,153	2,816,828	3,144,392	3,144,392	0.0%

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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**(4) SCHOOL FOR THE DEAF AND THE BLIND**

This section provides operational funding for the Colorado School for the Deaf and the Blind (CSDB), which provides educational services for hearing impaired/deaf and visually impaired/blind children. The primary source of funding is the General Fund. For each student eligible for funding under the School Finance Act, the CSDB receives funding from each student's "home" school district. Reappropriated funds reflect program funding that would otherwise be paid to the home school district (from the Facility School Funding section above), as well as federal funds transferred from local school districts. Cash funds consist of fees paid by individuals for workshops and conferences and housing reimbursements.

**(A) School Operations**

Personal Services	<u>9,125,576</u>	<u>10,120,936</u>	<u>10,568,120</u>	<u>10,624,781</u> *	
FTE	133.2	133.6	153.1	153.1	
General Fund	7,619,941	8,580,073	8,957,226	9,013,887	
Reappropriated Funds	1,505,635	1,540,863	1,610,894	1,610,894	
Early Intervention Services	<u>1,015,041</u>	<u>1,185,635</u>	<u>1,226,824</u>	<u>1,226,824</u>	
FTE	9.0	10.0	10.0	10.0	
General Fund	1,015,041	1,185,635	1,226,824	1,226,824	
Shift Differential	98,800	110,479	110,489	114,584	
General Fund	98,800	110,479	110,489	114,584	
Operating Expenses	<u>417,261</u>	<u>724,989</u>	<u>668,291</u>	<u>668,291</u>	
General Fund	417,261	724,989	668,291	668,291	
Vehicle Lease Payments	<u>14,250</u>	<u>14,534</u>	<u>16,697</u>	<u>22,963</u> *	
General Fund	14,250	14,534	16,697	22,963	
Utilities	<u>559,347</u>	<u>487,724</u>	<u>602,580</u>	<u>602,580</u>	
General Fund	559,347	487,724	602,580	602,580	



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	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
Allocation of State and Federal Categorical Program					
Funding	<u>168,238</u>	<u>129,425</u>	<u>170,000</u>	<u>170,000</u>	
FTE	0.2	0.2	0.4	0.4	
Reappropriated Funds	168,238	129,425	170,000	170,000	
Medicaid Reimbursements for Public School Health					
Services	<u>217,371</u>	<u>249,190</u>	<u>403,244</u>	<u>403,244</u>	
FTE	1.1	1.2	1.5	1.5	
Reappropriated Funds	217,371	249,190	403,244	403,244	
<b>SUBTOTAL - (A) School Operations</b>	11,615,884	13,022,912	13,766,245	13,833,267	0.5%
FTE	<u>143.5</u>	<u>145.0</u>	<u>165.0</u>	<u>165.0</u>	0.0%
General Fund	9,724,640	11,103,434	11,582,107	11,649,129	0.6%
Reappropriated Funds	1,891,244	1,919,478	2,184,138	2,184,138	0.0%
<b>(B) Special Purpose</b>					
Fees and Conferences	<u>2,436</u>	<u>460</u>	<u>120,000</u>	<u>120,000</u>	
Cash Funds	2,436	460	120,000	120,000	
Outreach Services	<u>673,500</u>	<u>383,155</u>	<u>1,025,000</u>	<u>1,025,000</u>	
FTE	3.3	3.2	6.2	6.2	
Cash Funds	574,523	296,366	755,000	755,000	
Reappropriated Funds	98,977	86,789	270,000	270,000	
Tuition from Out-of-state Students	<u>0</u>	<u>64,086</u>	<u>200,000</u>	<u>200,000</u>	
Cash Funds	0	64,086	200,000	200,000	
Reappropriated Funds	0	0	0	0	

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	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>Request vs. Appropriation</b>
Grants	<u>399,656</u>	<u>530,826</u>	<u>1,202,331</u>	<u>1,202,331</u>	
FTE	4.2	3.7	9.0	9.0	
Reappropriated Funds	399,656	530,826	1,202,331	1,202,331	
<b>SUBTOTAL - (B) Special Purpose</b>	1,075,592	978,527	2,547,331	2,547,331	0.0%
FTE	<u>7.5</u>	<u>6.9</u>	<u>15.2</u>	<u>15.2</u>	0.0%
Cash Funds	576,959	360,912	1,075,000	1,075,000	0.0%
Reappropriated Funds	498,633	617,615	1,472,331	1,472,331	0.0%
<b>TOTAL - (4) School for the Deaf and the Blind</b>	12,691,476	14,001,439	16,313,576	16,380,598	0.4%
FTE	<u>151.0</u>	<u>151.9</u>	<u>180.2</u>	<u>180.2</u>	0.0%
General Fund	9,724,640	11,103,434	11,582,107	11,649,129	0.6%
Cash Funds	576,959	360,912	1,075,000	1,075,000	0.0%
Reappropriated Funds	2,389,877	2,537,093	3,656,469	3,656,469	0.0%
<b>TOTAL - Department of Education</b>	5,147,535,934	5,255,580,575	5,457,998,350	5,526,728,267	1.3%
FTE	<u>584.1</u>	<u>564.2</u>	<u>599.5</u>	<u>599.4</u>	(0.0%)
General Fund	3,356,981,929	3,476,904,045	2,890,792,106	3,091,638,351	6.9%
General Fund Exempt	0	0	873,835,000	873,835,000	0.0%
Cash Funds	1,128,651,341	1,092,105,664	1,011,967,311	878,830,132	(13.2%)
Reappropriated Funds	55,159,742	18,265,276	33,075,421	33,530,958	1.4%
Federal Funds	606,742,922	668,305,590	648,328,512	648,893,826	0.1%

## APPENDIX B

### RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

#### 2015 SESSION BILLS

**S.B. 15-056 (FREQUENCY OF STATEWIDE SOCIAL STUDIES TESTING):** Modifies requirements related to the Department of Education’s (DOE) administration of statewide standardized social studies assessments. Continues to require DOE to administer social studies assessments to students enrolled in a single specified elementary school grade, middle school grade, and high school grade but prohibits administration in grade twelve. Contingent on H.B. 15-1323 or S.B. 15-257 becoming law, requires DOE to administer the assessment to a representative sample of schools annually so long as it administers the assessment in each public school at least once every three years. Allows school districts and charter schools to request to have the assessment administered in years when they would otherwise not be part of the representative sample and requires DOE to administer the assessment in any such school in the year following the request. Contingent on H.B. 15-1323 or S.B. 15-257 becoming law, appropriates \$935,180 cash funds from the State Education Fund to DOE for FY 2015-16. Because H.B. 15-1323 became law, the appropriation is effective for FY 2015-16.

**S.B. 15-111 (EDUCATOR LICENSURE CASH FUND CONTINUOUS APPROPRIATION):** Extends the continuous appropriation of the Educator Licensure Cash Fund to the Department of Education through FY 2017-18. Prior law continuously appropriated the Educator Licensure Cash Fund to the Department for FY 2011-12 through FY 2014-15; S.B. 15-111 extends the continuous appropriation for three additional fiscal years.

**S.B. 15-234 (LONG BILL):** General appropriations act for FY 2015-16. Also includes supplemental adjustments to FY 2014-15 appropriations for the Department of Education.

**S.B. 15-235 (INCREASING CAP ON APPROPRIATION FOR SCHOOL LUNCH PROTECTION PROGRAM):** Increases the statutory cap on appropriations to support the Child Nutrition School Lunch Protection Program from \$1.5 million per year to \$2.5 million per year, beginning in FY 2014-15. Makes the following appropriations to the Department of Education for the Child Nutrition School Lunch Protection Program: (1) \$141,471 General Fund for FY 2014-15; and (2) \$161,258 General Fund for FY 2015-16.

**S.B. 15-267 (SCHOOL FINANCE):** Amends the “Public School Finance Act of 1994” and other statutory provisions to provide funding for school districts for FY 2015-16, making the following changes:

- Increases the *statewide base per pupil funding* amount from \$6,121.00 to \$6,292.39 (2.8 percent) to account for the annual change in the Denver-Boulder-Greeley consumer price index in CY 2014.
- For FY 2015-16, increases the specified minimum total program funding amount that results after the application of the *negative factor* by \$25.0 million.
- Limits the dollar amount of the negative factor in FY 2016-17 to be less than or equal to the value of the negative factor for FY 2015-16.

- Repeals the "minimum state aid" requirement in the School Finance Act which had been suspended for FY 2010-11 through FY 2014-15 but was to be reinstated in FY 2015-16 under current law.
- Creates an "at-risk per pupil additional funding" distribution outside of the school finance formula and directs the Department to distribute funds to school districts based on the number of at-risk students in the school district.
- Increases the transfer of interest and income earned on the Public School (Permanent) Fund to the State Public School Fund by \$5.0 million per year beginning in FY 2015-16 and appropriates the additional \$5.0 million in FY 2015-16 to support the newly created at-risk per pupil additional funding distribution.

Makes the following appropriations to the Department of Education for FY 2015-16: (1) \$25.0 million General Fund for the state share of districts' total program funding; and (2) \$5.0 million cash funds from the State Public School Fund (originally from interest and income earned on the Permanent Fund) for at-risk per pupil additional funding.

**S.B. 15-290 (COLORADO STUDENT LEADERS INSTITUTE):** Creates the Colorado Student Leaders Institute, a competitive summer residential education program for high school students. Creates an executive governing board for the institute and sets the conditions for the board's composition and selection. Sets minimum requirements for curriculum, enrichment activities, and student participation and limits participation to no more than 100 students annually. Authorizes the institute to solicit gifts, grants, and donations, and deposits any such revenues in the Colorado Student Leaders Cash Fund (created in the bill), and continuously appropriates all revenues in the cash fund to the institute's executive board. For FY 2015-16, makes the following appropriations: \$218,825 cash funds from the State Education Fund to the Department of Education to be transferred to the Office of the Lieutenant Governor; and \$218,825 reappropriated funds and 1.0 FTE to the Office of the Lieutenant Governor.

**H.B. 15-1170 (INCREASING POSTSECONDARY AND WORKFORCE READINESS):** Creates the position of postsecondary and workforce readiness statewide coordinator within the Department of Labor and Employment to work with local education providers, businesses, industry, area vocational schools, community colleges, the Department of Education, the Department of Higher Education, and the career and technical education division within the community college system to raise the level of postsecondary and workforce readiness achieved by high school students. Beginning in FY 2016-17, modifies the statewide education accountability system by requiring the Department of Education to include the percentages of high school graduates who enroll in a career and technical education program, community college, or four-year institution of higher education as measures of postsecondary and workforce readiness. For FY 2015-16, makes the following appropriations: \$92,934 General Fund and 0.7 FTE to the Department of Education; \$118,969 General Fund and 1.0 FTE to the Department of Labor and Employment (CDLE); and \$20,000 reappropriated funds (from the appropriation to the CDLE) to the Office of the Governor for information technology services provided to the CDLE.

**H.B. 15-1270 (PATHWAYS IN TECHNOLOGY EARLY COLLEGE HIGH SCHOOLS):** Authorizes the creation of Pathways in Technology Early College High Schools (P-Tech schools). A P-Tech school is a public school that includes grades 9 through 14 and is designed to prepare students for careers in industry by enabling students to graduate with both a high school diploma and an associate degree.

A P-Tech school is operated as a collaborative effort by a local education provider such as a school district, a community college, and one or more industry employers. A P-tech school, in contrast to other early colleges, focuses specifically on science, technology, engineering, and mathematics, and includes two additional years of high school (grades 13 and 14). A P-Tech school is funded through the annual School Finance Act, and a district with a P-Tech school may include the P-Tech school's students in grades 9-12 in the school district's pupil enrollment. Students in grades 13 and 14 are funded at the fixed per pupil amount established annually for students participating in the ASCENT program (Accelerating Students through Concurrent Enrollment). A student enrolled in grades 13 and 14 may also receive a stipend from the College Opportunity Fund for the postsecondary courses the student takes. For FY 2015-16, makes the following appropriations: \$7,232 General Fund and 0.1 FTE to the Department of Education; and \$7,232 General Fund and 0.1 FTE to the Department of Higher Education. The bill is expected to drive costs of \$4.1 million General Fund by FY 2021-22, due to impacts on school finance once the bill is fully implemented.

**H.B. 15-1274 (CREATION OF CAREER PATHWAYS FOR STUDENTS):** Requires the Colorado Workforce Development Council in the Department of Labor and Employment, in collaboration and consultation with partners including the Department of Higher Education and the community college system, the Department of Education, the Governor's Office of Economic Development and International Trade, and partner industries and local educational institutions, to design integrated career pathways within identified growth industries. For FY 2015-16, provides the following appropriations: \$485,043 General Fund and 2.5 FTE to the Department of Labor and Employment for the Workforce Development Council; \$86,960 General Fund to the Department of Higher Education, which is reappropriated to the community college system; and \$200,000 reappropriated funds to the Department of Higher Education, from the amount initially appropriated to the Department of Labor and Employment, for an on-line resource publicizing the new career pathways.

**H.B. 15-1275 (CAREER AND TECH ED IN CONCURRENT ENROLLMENT):** Clarifies that career and technical course work related to apprenticeship programs and internship programs may be used for concurrent enrollment, and directs the Concurrent Enrollment Advisory Board to collaborate with other entities to promote cooperative agreements that include apprenticeship programs and internship programs in concurrent enrollment programs. For FY 2015-16, appropriates \$450,000 General Fund to the Department of Higher Education.

**H.B. 15-1321 (FLEXIBILITY & FUNDING FOR RURAL SCHOOL DISTRICTS):** Provides additional administrative flexibility for small rural school districts. Authorizes the Department of Education (DOE) to define rural school districts based on size and proximity to urban areas. Exempts rural districts that enroll fewer than 1,000 students from certain requirements related to accountability reporting and school-level financial transparency requirements. Allows rural school districts enrolling fewer than 6,500 students to provide notice of meetings to school board members via electronic mail rather than written mail as under current law. Defines small rural school district as a school district that DOE identifies as rural and that enrolls fewer than 1,000 students in kindergarten through twelfth grade. Allows small rural districts to raise additional local property tax revenues through mil levy overrides, increasing the limit from 20.0 percent of the district's total program funding or \$200,000 (whichever is greater) to 30.0 percent of total program funding or \$200,000 (whichever is greater). Makes a one-time appropriation of \$10.0 million cash funds from the State Education Fund to the DOE for FY 2015-16 for distribution to small rural school districts

and eligible charter schools (institute charter schools that have small rural districts as accounting districts) on a per-pupil basis for specific uses in alignment with authorized uses of State Education Fund money.

**H.B. 15-1323 (CHANGES TO ASSESSMENTS IN PUBLIC SCHOOLS):** Modifies the system of statewide standardized assessments in English language arts, mathematics, science, and social studies. Restricts the Department of Education (DOE) to administering the tests in English language arts and mathematics to students enrolled in grades three through nine and science tests one time each in elementary, middle, and high school. Eliminates social studies assessments. Requires DOE to continue to administer a curriculum-based college entrance exam to students in eleventh grade and to administer the writing portion of the exam when requested to do so by students. Requires the DOE to administer a tenth grade college entrance preparation exam. Requires DOE to request various waivers of federal law. Requires DOE make tests available in paper and pencil format when requested by a local education provider (LEP) and requires each LEP to adopt a written policy by which the LEP decides whether to request paper and pencil tests. Requires that LEPs adopt a policy allowing parents of students to opt out of participation in one or more state assessments without imposing negative consequences on the student or parent. Creates a pilot program through which LEPs may jointly or individually administer local assessments to prove the validity and reliability of the assessments and the comparability of the assessments with the existing statewide assessments. Based on results of the pilot program, requires DOE to recommend that the State Board of Education (State Board) either adopt one of the local assessments as the new statewide assessment or continue administering the statewide assessment. If the State Board adopts a new state assessment, requires the State Board to notify the General Assembly, as implementation of a new statewide assessment is conditional on the enactment of legislation approving the assessment. For FY 2015-16, reduces appropriations to the Department of Education by \$2,369,118 cash funds from the State Education Fund.

**H.B. 15-1367 (RETAIL MARIJUANA TAXES):** Refers a ballot issue to voters in November 2015, asking whether the State may retain and spend revenue collected from the Proposition AA excise and special sales taxes on retail marijuana in FY 2014-15. Creates a \$58.0 million Proposition AA Refund Account (Refund Account) in the General Fund. Contingent on voter approval of the ballot issue, the act makes several appropriations to the Department of Education for FY 2015-16, as detailed in the following table. Voters approved the issue in November 2015.

APPROPRIATIONS TO DEPARTMENT OF EDUCATION THAT ARE CONTINGENT ON VOTER APPROVAL		
DIVISION AND LINE ITEM	FUND SOURCE	DOLLAR AMOUNT
<u>Assistance to Public Schools</u>		
Appropriation to School Bullying and Prevention Cash Fund	CF - Proposition AA Refund Account	\$2,000,000
Appropriation to Student Re-engagement Grant Program Fund	CF - Proposition AA Refund Account	1,000,000
Student Re-engagement Grant Program	RF – Student Re-engagement Grant Program Fund	1,000,000
<b>TOTAL</b>		<b>\$4,000,000</b>

## 2016 SESSION BILLS

**S.B. 16-072 (INCREASE ANNUAL B.E.S.T. LEASE-PURCHASE PAYMENT):** Increases the statutory cap on annual lease-purchase payments made by the Building Excellent Schools Today (B.E.S.T.)

Program. Raises the cap on total lease purchase payments from \$80.0 million (up to \$40.0 million state funds) allowed under current law to:

- \$90.0 million (up to \$45.0 million in state funds) in FY 2016-17;
- \$100.0 million (up to \$50.0 million in state funds) in FY 2017-18 and subsequent years.

Also adjusts eligibility criteria and the application process for charter schools. For FY 2016-17, appropriates \$5.0 million cash funds from the Public School Capital Construction Assistance Fund to the Department of Education to support additional B.E.S.T. lease payments.

**S.B. 16-104 (INCENTIVES TO BUILD NUMBER OF RURAL TEACHERS):** Creates several new programs in the Department of Higher Education to provide incentives for individuals to become teachers in rural school districts and to support the needs of professional educators in rural school districts. Provides an appropriation of \$441,095 General Fund and 0.3 FTE to the Department of Higher Education for the new programs and related administrative costs for FY 2016-17. Adjusts FY 2016-17 appropriations in the Department of Education for the State Share of Districts' Total Program Funding to increase funding from the State Public School Fund by \$441,095 cash funds and decrease funding from the General Fund by the same amount.

**H.B. 16-1222 (SUPPLEMENTAL ONLINE EDUCATION AND BLENDED LEARNING RESOURCES):** Creates the Supplemental Online and Blended Learning Program, expanding and replacing the existing Supplemental On-line Education Services program. Requires the Department to designate a board of cooperative educational services (BOCES) to design and articulate a statewide plan for supplemental online and blended learning and to lead, manage, and administer the statewide program. Requires the designated BOCES to ensure that all schools in the state have access to supplemental online and blended learning resources, professional development for teachers, and consulting assistance. For FY 2016-17, appropriates \$480,000 cash funds from the State Public School Fund to the Department of Education to support the program.

**H.B. 16-1234 (STATE ASSESSMENT SELECTION AND LOCAL FLEXIBILITY):** Requires the Department of Education to investigate methods for and costs of creating or selecting new statewide assessments in mathematics, English language arts, science, and social studies. Specifies that the investigation must examine the methods and costs of allowing local education providers (schools, school districts, and BOCES) to create or select assessments for use in the statewide accountability system. Requires the Department to report the results of the investigation to the State Board of Education and the education committees of the General Assembly. For FY 2016-17, appropriates \$39,600 cash funds from the State Education Fund to the Department of Education.

**H.B. 16-1253 (CURRENT YEAR ADJUSTMENTS TO SCHOOL FINANCE):** Makes mid-year adjustments to school finance-related appropriations of state funds for FY 2015-16. Decreases *state* total program funding in FY 2015-16 by \$133.5 million total funds (including \$93.5 million General Fund and \$40.0 million cash funds from the State Public School Fund) to account for a \$133.5 million increase in *local* revenues available for school finance and maintain a constant level of total program funding. Maintaining a constant level of total program funding with lower-than-anticipated pupil counts and at-risk pupil counts reduced the negative factor in FY 2015-16 by \$24.5 million.

**H.B. 16-1405 (LONG BILL):** General appropriations act for FY 2016-17. Also includes supplemental adjustments to FY 2015-16 appropriations for the Department of Education.

**H.B. 16-1408 (CASH FUND ALLOCATIONS FOR HEALTH-RELATED PROGRAMS):** Establishes a new formula for the allocation of the annual payment received by the state as part of the Tobacco Master Settlement Agreement (Tobacco MSA). The new formula allocates all Tobacco MSA revenue by percentage shares, rather than the hybrid scheme of fixed dollar amounts and capped percentage shares in multiple tiers in current law. The formula eliminates dedicated funding transferred to the Early Literacy Fund in the Department of Education. The bill supports Early Literacy Program funding previously supported with Tobacco MSA money with cash funds from the Marijuana Tax Cash Fund. For FY 2016-17, makes the following appropriation adjustments for the Department of Education: (1) reduces the appropriation for the Early Literacy Competitive Grant Program by \$4,378,678 cash funds transferred from Tobacco MSA dollars; and (2) increases the appropriation from the Marijuana Tax Cash Fund for that program by the same amount.

**H.B. 16-1422 (SCHOOL FINANCE):** Amends the “Public School Finance Act of 1994” and other statutory provisions to provide funding for school districts for FY 2016-17, making the following changes:

- Increases the *statewide base per pupil funding* amount from \$6,292.39 to \$6,367.90 (1.2 percent) to account for the annual change in the Denver-Boulder-Greeley consumer price index in CY 2015;
- Maintains the negative factor at a constant dollar amount (\$830.7 million) from FY 2015-16 to FY 2016-17 and specifies that the negative factor cannot exceed that amount in FY 2018-19;
- Adjusts the size factor within the school finance formula by creating a new tier for districts with a funded pupil count between 3,500 and 5,000 pupils, increasing the size factor for school districts in that range;
- Authorizes the Commissioner of Education to withhold funding in the following year from school districts that are required to reimburse the state for ("buy out") categorical funding but fail to do so by the end of the fiscal year in which they are required to do so;
- Requires school districts in which the district's total program mill levy generates more revenue than the district's total program and categorical buyout requirements to hold the mill levy constant and to deposit the excess revenues in a total program reserve fund required by the bill;
- Authorizes supplemental assistance from the Contingency Reserve Fund for districts that, because of a significant decline in their assessed values, must implement the full negative factor when the district received little or no state funding prior to the negative factor in the previous fiscal year. The assistance is limited to no more than 25.0 percent of the district's reduction in state share due to the implementation of the negative factor and is only available to each district one time.

The bill also includes a variety of statutory provisions pertaining to charter schools. For FY 2016-17, appropriates \$124,664 cash funds from the State Education Fund to the Department of Education to cover cost increases associated with the bill's changes to the size factor.

**H.B. 16-1429 (ALTERNATIVE EDUCATION CAMPUS CRITERIA AND PILOT PROGRAM):** Modifies the statutory criteria for designation (by the State Board of Education) as an alternative education campus (AEC) by:



- Lowering the threshold for AEC designation from 95 percent high-risk students (under current law) to 90 percent high-risk students;
- Substituting four absences in any one month, or ten absences in any given year, for the current high-risk criteria of failing to remain continuously enrolled and regularly attending school in the previous semester;
- Expanding high-risk criteria to include students who are wards of the courts, are in foster care, or have experienced the loss of a parent or sibling; and
- Redefining the meaning of behavioral health issues related to high-risk students in AECs.

Requires the Department to continue working with interested stakeholders and interested AECs to find and develop methods to measure qualitative aspects of AEC performance. For FY 2016-17, appropriates \$43,896 General Fund to the Department of Education.

## APPENDIX C FOOTNOTES AND INFORMATION REQUESTS

### UPDATE ON LONG BILL FOOTNOTES

- 5 Department of Education, Assistance to Public Schools, Public School finance, State Share of Districts' Total Program Funding -- Pursuant to Section 22-35-108 (2) (a), C.R.S., the purpose of this footnote is to specify what portion of this appropriation is intended to be available for the Accelerating Students Through Concurrent Enrollment (ASCENT) Program for FY 2016-17. It is the intent of the General Assembly that the Department of Education be authorized to utilize up to \$3,737,250 of this appropriation to fund qualified students designated as ASCENT Program participants. This amount is calculated based on an estimated 550 FTE participants funded at a rate of \$6,795 per FTE pursuant to Section 22-54-104 (4.7), C.R.S.

**COMMENT:** House Bill 09-1319 created the ASCENT Program for students who voluntarily extend their high school education beyond 12<sup>th</sup> grade in order to attend college courses ("fifth year" students). The stated objectives of the program include the following:

- Increasing the percentage of students who participate in higher education, especially among low-income and traditionally under-served populations;
- Decreasing the number of high school dropouts;
- Decreasing the time required for a student to complete a postsecondary degree;
- Reducing state expenditures for public education; and
- Increasing the number of educational pathways available to students.

Similar to students participating in multi-district online programs and the Colorado Preschool Program, ASCENT students are counted and funded through the School Finance Act formula. However, the ASCENT program is subject to available appropriations. As funding for ASCENT is calculated as part of school districts' total program funding, state funding for ASCENT students is included within the State Share of Districts' Total Program Funding line item. This footnote thus provides the mechanism for the General Assembly to limit the appropriation for ASCENT.

Similar to other concurrent enrollment programs, higher education institutions include ASCENT students in determining the number of full time equivalent students enrolled in the institution. The higher education institution receives tuition from ASCENT students' home school districts, as well as College Opportunity Fund Program stipend payments.

In order to inform the General Assembly of the level of interest in the ASCENT Program, in September local education providers submit an estimate of the number of current grade 12 seniors who will seek to be designated as ASCENT Program participants in the following fiscal year. The Department is required to report this data as part of its annual budget request. The Department has requested that districts provide updated numbers in February, and these updated figures are provided to the Joint Budget Committee for purposes of preparing a budget

proposal for the following fiscal year. Ultimately, the State Board of Education is charged with determining how many qualified students may be designated as ASCENT Program participants for the following school year, based on available appropriations.

The Department's FY 2017-18 budget request assumes a continuation level of ASCENT participation (550 slots) in FY 2017-18, unchanged from the FY 2016-17 appropriation.

- 6 Department of Education, Assistance to Public Schools, Grant Programs, Distributions, and Other Assistance, Capital Construction, Public School Capital Construction Assistance Board – Cash Grants – This appropriation remains available until the completion of the project or the close of FY 2018-19, whichever comes first. At project completion or the end of the three-year period, any unexpected balance reverts to the Public School Capital Construction Assistance Fund.

**COMMENT:** This footnote makes funding appropriated to the Building Excellent Schools Today (B.E.S.T.) Program for cash grants available for up to three years to allow for the completion of projects requiring funding for more than a single fiscal year.

- 7 Department of Education, Library Programs, Reading Services for the Blind – This appropriation is for the support of privately operated reading services for the blind, as authorized by Section 24-90-105.5, C.R.S. It is the intent of the General Assembly that \$360,000 of this appropriation be used to provide access to radio and television broadcasts of locally published and produced materials and \$50,000 of this appropriation be used to provide telephone access to digital transmissions of nationally published and produced materials.

**COMMENT:** This footnote has been included for several years to express the General Assembly's intent concerning this appropriation. The Department annually contracts with Audio Information Network of Colorado (AINC) to provide an on-the-air volunteer reading service for the blind, visually impaired, and print-handicapped citizens of Colorado. Broadcasts are provided in Boulder, Louisville, and Lafayette and are available on local cable as a standard radio frequency at 98.9 KHzs. AINC is currently working through cable associations with the cities to expand local coverage. The services provided by AINC are also made available through the internet, telephone, and podcasts. In FY 2012-13, the General Assembly increased the allocation for the contract with AINC from \$200,000 per year to \$300,000. The General Assembly added \$10,000 for FY 2014-15 and an additional \$50,000 for FY 2015-16, for a total of \$360,000.

The remaining \$50,000 is used to purchase services from the National Federation for the Blind (NFB) for its Newslines service, which provides eligible Coloradans access to newspapers nationwide and a few magazines via touch tone telephone, internet, and by email. Newslines services now include television listings (based on an individual's zip code); the NFB indicates that this additional service has increased use of their Newslines service nationwide significantly. Anyone who is a patron of the Colorado Talking Book Library (CTBL) is eligible to access Newslines services. The CTBL is able to sign patrons up for the Newslines service through their existing database.

- 8 Department of Education, Library Programs, State Grants to Publicly-Supported Libraries Program – It is the intent of the General Assembly that grants provided through this line item be used to support efforts to improve early literacy.

**COMMENT:** The General Assembly added this footnote to the FY 2013-14 Long Bill and has continued it in each subsequent Long Bill. The Department reports that approximately 80 percent of grantees used grant funds to support early literacy efforts in FY 2015-16. The remaining 20 percent, which tend to be academic libraries and some school districts, purchased educational resources that did not fit a strict definition of early literacy.

*Background Information:* Senate Bill 00-085 created the State Grants to Publicly-Supported Libraries Program to provide funds to enable public libraries, school libraries, and academic libraries to purchase educational resources that they would otherwise be unable to afford. The program operated for FY 2000-01 through FY 2001-02. The Governor vetoed the appropriations to the program for FY 2002-03, and the line items were unfunded from FY 2002-13 through FY 2012-13. The Committee reinstated the program for FY 2013-14 with an appropriation of \$2.0 million General Fund to the State Grants to Publicly-Supported Libraries Fund line item and \$2.0 million reappropriated funds for the State Grants to Publicly-Supported Libraries Program line item. The General Assembly continued that level of funding in FY 2014-15. In FY 2015-16, the General Assembly eliminated the dual line item structure of the program and appropriated \$2.5 million General Fund directly to the State Grants to Publicly-Supported Libraries Program, an increase of \$500,000 above the prior year appropriation. The Department has used the \$500,000 increase to increase the base amount for every grant recipient. The program has awarded \$2,461,462 to 315 grantees statewide (representing 96.9 percent of 327 potential applicants) in FY 2016-17, with a base amount of \$3,500 per grantee (regardless of the size of the population served) and additional amounts on a per capita basis.

The Department reports that grantees used FY 2015-16 grant funds to: launch new e-book resources for parents and families, create new collections for toddler story time, buy online resources, and enhance collections related to early childhood development and other topics associated with early literacy and educational materials. The Department anticipates similar uses in FY 2016-17.

## UPDATE ON REQUESTS FOR INFORMATION

- 2 Department of **Education**, Assistance to Public Schools, Categorical Programs; and Department of **Higher Education**, Division of Occupational Education, Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S. -- The Department of Education is requested to work with the Department of Higher Education and to provide to the Joint Budget Committee information concerning the distribution of state funds available for each categorical program, excluding grant programs. The information for special education programs for children with disabilities, English language proficiency programs, public school transportation, career and technical education, and small attendance center aid is requested to include the following: (a) a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2015-16 and the maximum allowable distribution pursuant to state law and/or State Board of Education rule; and (b) a comparison of the state and federal funding distributed to each

district or administrative unit for each program in fiscal year 2014-15 and actual district expenditures for each program in fiscal year 2014-15. The information for special education programs for gifted and talented children is requested to include a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2014-15 and actual district expenditures in fiscal year 2014-15.

**COMMENT:** The Department provided the requested information, which is summarized below.

*Background Information:* Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase total state funding for all categorical programs (in aggregate) 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. The General Assembly determines on an annual basis how to finance this increase and how to allocate the required increase among the various categorical programs. The annual Long Bill includes at least the minimum required increase in state funding for categorical programs. Thus, the Joint Budget Committee makes a recommendation to the General Assembly each year concerning the allocation of these funds. This footnote is intended to provide the Committee with data to inform this decision.

Please note that pursuant to S.B. 07-199 [Section 22-55-107 (3), C.R.S.], the House and Senate Education Committees may submit to the Joint Budget Committee a joint recommendation regarding the allocation of the required state funding increase for categorical programs for the next budget year. The Joint Budget Committee is required to consider such a recommendation when developing the Long Bill for the following budget year. The Education Committees have not submitted any such recommendations to date.

*Statutory Reimbursement Formula:* State funding is provided through a statutory formula for five categorical programs. Table A provides a comparison of the state funding available and the maximum statutory reimbursement for each of these programs for FY 2015-16. Unless otherwise noted, data are derived from the Department's response to this request for information. Based on this comparison, state funding for English language proficiency programs (including both categorical funding and \$27.0 million appropriated to the English Language Learners Professional Development and Student Support Program) was the least adequate in FY 2015-16, covering 28.4 percent of the maximum appropriation for that year.

**TABLE A: MAXIMUM AMOUNT OF STATE FUNDS DISTRICTS WERE STATUTORILY ELIGIBLE TO RECEIVE FOR FY 2015-16**

LONG BILL LINE ITEM	DESCRIPTION OF WHAT DETERMINES MAXIMUM STATE FUNDING	TOTAL STATE FUNDS	MAXIMUM STATE FUNDING	PERCENT OF MAXIMUM COVERED BY STATE FUNDS	ESTIMATED INCREASE REQUIRED TO FUND STATUTORY MAXIMUM
<b>District Programs Required by Statute</b>					
Special Education - Children With Disabilities a/	Driven by the number of children requiring special education services, characteristics of the children eligible for such services, and the cost of such services	\$162,623,221	\$240,586,750	67.6%	\$77,963,529
English Language Proficiency Program b/	Driven by the number of eligible students and statewide average per pupil operating revenue	45,142,930	158,799,008	28.4%	113,656,078
<b>Other Categorical Programs (with specified statutory reimbursement levels)</b>					
Public School Transportation	Driven by total miles traveled and total transportation-related costs (excluding capital outlay expenses)	56,438,573	91,967,281	61.4%	35,528,708
Colorado Vocational Distributions Act	Driven by the number of students participating in vocational education programs and the costs of such services per FTE in relation to each districts per pupil operating revenue	26,510,445	25,436,648	104.2%	(1,073,797)
Small Attendance Center Aid	Driven by the number of eligible schools, such schools' enrollment, and eligible districts' per pupil funding	959,379	1,195,968	80.2%	236,589
<b>TOTAL</b>					<b>\$226,311,107</b>

a/ The estimated increase to fund the statutory maximum for special education for children with disabilities is based on the following: \$115,168,750 (\$1,250 for each student with disabilities); \$120,918,000 (assuming districts received \$6,000 per student for 100 percent of the 20,153 students with specified disabilities, rather than for 35.5 percent of these students); \$4,000,000 for high cost grants; and \$500,000 for "educational orphans." Staff has not attempted to estimate the costs of "fully funding" the high cost grant program.

b/ The State funds provided for the English Language Proficiency Program in FY 2015-16 include \$18,142,930 provided through the English Language Proficiency Program categorical program and \$27,000,000 distributed through the English Language Learners Professional Development and Student Support program which is outside of the categorical program but offsets districts' costs to provide services to English language learners.

*Percent of Actual Expenditures Covered by State and Federal Funds:* Table A compares available state funding to the amount of state funding that districts are eligible to receive pursuant to state statute. However, these statutory formulas are generally designed to cover only a portion of districts' costs. One should also consider a comparison of actual district expenditures on categorical programs to the amount of state and federal funding available for categorical programs.

Table B provides a comparison of actual district expenditures for categorical programs to available state and federal funding. Based on the availability and relevance of district expenditure data, the table excludes data for three programs: Expelled and At-risk Student Services Grant Program, Small Attendance Center Aid, and Comprehensive Health Education. The data are derived from the Department's response to this request for information.

This analysis indicates that districts spent \$995.0 million in FY 2014-15 on five categorical programs, over and above state and federal funding made available for these programs – the equivalent of 16.8 percent of districts' total program funding for FY 2014-15. Districts spent the largest portion of their total program funding to provide special education services to children with disabilities (\$550.7 million), followed by English language proficiency programs (\$185.1 million) and public school transportation services (\$178.5 million).

**TABLE B: Categorical Program Revenues and Expenditures: FY 2014-15**

Long Bill Line Item	(a) State Funds	(b) Federal Funds	(c) = (a) + (b) Total State and Federal Funds	(d) Total District Expenditures	(e) = (c)/(d) State/Federal Share of Expenditures	(f) = (d) - (c) Local Share of Expenditures
<b>District Programs Required by Statute</b>						
Special Education - Children with Disabilities a/	\$190,968,999	\$151,718,914	\$342,687,913	\$893,356,822	38.4%	550,668,909
English Language Proficiency Program	38,642,326	9,059,075	47,701,401	232,813,439	20.5%	185,112,038
<b>Other Categorical Programs</b>						
Public School Transportation	55,517,492	0	55,517,492	234,022,001	23.7%	178,504,509
Career and Technical Education	26,449,151	5,353,423	31,802,574	91,229,970	34.9%	59,427,396
Special Education - Gifted and Talented Children	9,566,850	0	9,566,850	30,897,153	31.0%	21,330,303
<b>TOTAL</b>						<b>\$995,043,155</b>

a/ State funding includes Public School Finance Act funding for preschool children with disabilities.



1 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding -- The Department is requested to provide to the Joint Budget Committee, on or before November 1, 2016, information concerning the Colorado Preschool Program. The information provided is requested to include the following for fiscal year 2015-16: (a) data reflecting the ratio of the total funded pupil count for the Program to the total funded pupil count for kindergarten; (b) data indicating the number of three-year-old children who participated in the Program; (c) data indicating the number of children who participated in the Program for a full-day rather than a half-day; and (d) the state and local shares of total program funding that are attributable to the Program.

**COMMENT:** The Department provided the information as requested, and it is summarized below. Please note that, in addition, the Department prepares an annual legislative report concerning the Colorado Preschool Program, including student achievement and other data. The most recent report is available at:

<https://www.cde.state.co.us/cpp/2016legreport>

*District Participation:* The purpose of the Colorado Preschool Program (CPP) is to serve three-, four-, and five-year-old children who lack overall learning readiness due to significant family risk factors, who are in need of language development, or who are neglected or dependent children. School district participation in the program is voluntary. Participating districts are required to provide preschool classes four half-days each week throughout the school year, with the remaining half-day being used for home visits, teacher training, etc.

The number of school districts participating in the CPP has increased from 32 in FY 1988-89 to 173 (of 178) in FY 2015-16; the State Charter School Institute also participates in the CPP. The five school districts that are not currently participating are small, rural districts, including Cheyenne – Kit Carson, Elbert – Agate, Otero – Manzanola, Otero – Swink, and Washington – Lone Star.

*Total Number of Slots:* The number of state-funded half-day preschool program “slots” is limited in statute. Since the program began operating in January 1989, its target population has been expanded and the maximum number of children that may be served has increased from 2,000 to 28,360. The General Assembly increased the number of authorized CPP slots from 14,360 in FY 2006-07 to 16,360 in FY 2011-12 and 20,160 in FY 2008-09. In addition, in FY 2008-09, the General Assembly repealed a provision allowing districts to use some of the CPP slots to provide a full-day kindergarten program, thereby freeing up 2,454 slots to serve additional preschool children. In FY 2013-14, the General Assembly added 3,200 slots through a new program within CPP, called ECARE, which allows school districts to use the slots for half-day preschool, full-day preschool, or to provide full-day kindergarten, depending on the needs of the district. In FY 2014-15, the General Assembly added 5,000 slots to the ECARE program, bringing the total number of CPP slots to 28,360, including 8,200 ECARE slots.

For FY 2015-16, participating districts and the State Charter School Institute received funding to serve a total of 28,360 pupils. For comparison purposes, the number of pupils in public kindergarten programs statewide was 64,635. Thus, on a statewide basis, the total

number of CPP slots authorized for FY 2015-16 represented 43.9 percent of the public school kindergarten students.

To put this ratio in perspective, please note that the proportion of the funded pupil count considered “at-risk” in FY 2015-16 based on the School Finance Act formula (which counts the number of children eligible for the federal free lunch program or whose dominant language is not English) was 37.1 percent. If every district had received CPP slots in proportion to its at-risk population entering kindergarten programs the following year (using the number of children in kindergarten programs in FY 2015-16 as a proxy), a total of 23,960 CPP slots would have been necessary. This analysis implies that the State has provided for 4,400 more slots than would have been necessary to provide half-day preschool to all at-risk children (under the School Finance Act definition, which is more restrictive than the CPP eligibility criteria), assuming all slots were used for preschool children rather than kindergarten.

The following table uses the School Finance Act definition of “at-risk” for purposes of estimating the shortfall (or surplus) of CPP *preschool* slots for fiscal years FY 2005-06 through FY 2015-16.

HISTORIC COMPARISON OF STATEWIDE CPP/ECARE SLOTS AND ESTIMATED AT-RISK POPULATION					
FISCAL YEAR	(a) NUMBER OF AUTHORIZED CPP HALF-DAY PRESCHOOL SLOTS	(b) NUMBER OF CHILDREN IN KINDERGARTEN FUNDED THROUGH SCHOOL FINANCE ACT	(c) = a/b RATIO	(d) PERCENT OF CHILDREN CONSIDERED AT-RISK UNDER SCHOOL FINANCE FORMULA	(e) = (b*d)-a NUMBER OF ADDITIONAL SLOTS REQUIRED TO SERVE CHILDREN "AT-RISK" PER FORMULA
2005-06	10,506	59,278	17.7%	31.6%	8,226
2006-07	12,206	60,774	20.1%	31.5%	6,938
2007-08	13,906	61,426	22.6%	31.6%	5,505
2008-09	20,160	63,304	31.8%	32.1%	148
2009-10	20,160	63,457	31.8%	34.8%	1,917
2010-11	20,160	64,483	31.3%	36.6%	3,441
2011-12	20,160	66,263	30.4%	37.1%	4,404
2012-13	20,160	66,844	30.2%	37.5%	4,920
2013-14 a/	23,360	67,137	34.8%	37.6%	1,904
2014-15 b/	28,360	65,296	43.4%	37.1%	(4,135)
2015-16 b/	28,360	64,635	43.9%	37.1%	(4,400)

/a Slots for FY 2013-14 include 3,200 slots approved for the Early Childhood At-risk Enhancement (ECARE) program created in S.B. 13-260. School districts may use ECARE slots for either preschool or full-day kindergarten.

/b Slots for FY 2014-15 and FY 2015-16 include a total of 8,200 slots approved for the Early Childhood At-risk Enhancement (ECARE) program created in S.B. 13-260, an increase of 5,000 above the FY 2013-14 number of slots, as approved in H.B. 14-1298. School districts may use ECARE slots for either preschool or full-day kindergarten.

*Allocation of Slots:* the Department provided information comparing each district’s CPP *headcount* to its funded kindergarten headcount. For small school districts with a small number of kindergarten students, this comparison is not very meaningful. However, for larger districts this comparison can be useful when analyzing the allocation of slots. The ratio

of CPP students to kindergarten students varies significantly among larger districts, but these variations appear to relate to the number of low income students served. However, if one considers the number of pupils considered “at-risk” based on the School Finance Act formula, the CPP headcount does not always directly correlate with the number of at-risk pupils.

The following table compares the number of CPP slots allocated to those districts with more than 1,000 pupils in public kindergarten programs with the percent of each district’s pupils that are considered “at-risk” for purposes of the School Finance Act. Column (e) provides an estimate of the gap between the number of CPP slots and the number of at-risk pupils. For example, Denver’s 4,903 CPP *preschool* slots represent about 68.5 percent of children in kindergarten. However, approximately 62.0 percent of Denver’s students are considered “at-risk.” Thus, based on this analysis, Denver has 461 more slots than would be expected using the at-risk definition *in the school finance formula*. Please note, however, the statutory criteria used to identify students as eligible for CPP are different than the criteria used in the school finance formula, so the ratios are inherently somewhat different. For informational purposes, column (f) shows the number of CPP/ECARE slots that each of these districts is using for full-day kindergarten and column (g) shows the total number of CPP/ECARE slots allocated to each district.

Large District Usage of CPP and ECARE Slots in FY 2015-16

	(a)	(b)	(c) = a/b	(d)	(e) = (b*d)-a	(f)	(g) = (a)+(f)
Larger Districts (with 1,000+ kindergarten pupils)	Total CPP/ECARE Preschool Funded Slots (FY 15-16)	Kindergarten Funded Students (FY 15-16)	Ratio	Percent of Pupils "At-risk" per School Finance Formula (FY 15-16)	Gap Between Number of At-Risk 4-year-olds and CPP Preschool Slots	CPP/ECARE Funded Kindergarten Slots (FY 15-16)	Total CPP/ECARE Slots (FY 15-16)
Denver	4,903	7,161	68.5%	62.0%	(461)	1,400	6,303
Arapahoe - Aurora	1,731	3,349	51.7%	61.9%	341	0	1,731
Jefferson	1,614	5,958	27.1%	26.0%	(63)	0	1,614
Pueblo - Pueblo City	1,197	1,411	84.8%	67.1%	(251)	248	1,445
El Paso - Colorado Springs	854	2,290	37.3%	51.7%	329	0	854
Mesa - Mesa Valley	485	1,609	30.1%	44.3%	228	360	845
Adams - Brighton	420	1,307	32.1%	31.0%	(15)	335	755
Adams - Northglenn	693	2,780	24.9%	35.3%	289	0	693
Weld - Greeley	513	1,722	29.8%	58.7%	499	100	613
El Paso - Harrison	396	1,163	34.0%	63.5%	342	92	488
Boulder - Boulder	399	1,966	20.3%	18.9%	(28)	66	465
Arapahoe - Cherry Creek	461	3,618	12.7%	24.1%	411	0	461
Boulder - St. Vrain	450	2,296	19.6%	26.8%	165	0	450
Larimer - Poudre	370	2,104	17.6%	26.2%	180	0	370
Larimer - Thompson	268	1,140	23.5%	30.1%	75	30	298
Douglas	289	4,518	6.4%	10.3%	177	0	289
Arapahoe - Littleton	206	1,018	20.2%	17.3%	(30)	0	206
El Paso - Falcon	125	1,414	8.8%	32.0%	327	0	125
El Paso - Academy	78	1,577	4.9%	10.7%	90	0	78

Please note that some of the at-risk children who are not served through CPP are receiving quality preschool services through the federal Head Start Program or locally funded programs. In addition, this analysis is based on a head count of the number of children receiving preschool services. As discussed below, many districts choose to use two half-day

preschool slots to provide a child with a full-day preschool program, thereby reducing the numbers of children served through CPP.

*Participation of Children Under Age Four:* Since FYU 2002-03, all districts have been allowed to serve eligible three-year-old children through CPP as long as the child lacks overall learning readiness that is attributable to at least three significant family risk factors. In FY 2015-16, 137 of 174 (78.7 percent) of participating school districts chose to use CPP slots to serve children under age four; the State Charter School Institute also uses slots to serve younger children. This compares to 130 districts in FY 2014-15.

These districts used 5,792 CPP slots (24.9 percent of CPP preschool slots, not including ECARE slots used for kindergarten) to serve a total of 5,429 children under the age of four.<sup>11</sup> This compares to 6,096 slots in FY 2014-15.

*Number of Children Allowed to Use Two Slots:* Districts may apply to the Department to use two CPP slots to provide an eligible child with a full-day, rather than half-day, preschool program. The Department is required to limit the total number of CPP slots that can be used for this purpose to five percent of the total, or 1,418 for FY 2015-16. A total of 52 school districts and the State Charter School Institute used 1,443 CPP slots to serve children through a full-day program.

*State and Local Funding:* The CPP is funded through the School Finance Act by allowing districts to count each participating child as a half-day pupil. Thus, the program has always been financed with both state and local funds. The amount of funding that each district receives per participant is based on the statutory formula that determines per pupil funding. The Department provided details concerning the portion of each participating district's total program funding that was earmarked for CPP in FY 2015-16.

Statewide, \$106.3 million of districts' total program funding was earmarked for CPP/ECARE (1.7 percent of total program funding), including \$65.3 million in state funding (61.5 percent of total CPP funding).

- 2 Department of Education, Assistance to Public Schools, Grant Programs and Other Distributions -- The Department is requested to provide information to the Joint Budget Committee by November 1, 2016, concerning the allocation of funding to eligible boards of cooperative services (BOCES) pursuant to Section 22-2-122 (3), C.R.S. Specifically, the Department is requested to detail the sources of funds and the allocations made to each BOCES in fiscal years 2014-15 and 2015-16.

**COMMENT:** The Department complied with the request and submitted the requested information, which is shown in the tables below.

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<sup>11</sup> This figure includes 363 slots that were used to provide full-day preschool services for three-year-olds, and 363 slots that were used to serve children younger than age three under a pilot waiver.

<b>SUMMARY OF FY 2015-16 BOCES GRANT WRITING ALLOCATIONS PURSUANT TO SEC. 22-2-122 (3), C.R.S.</b>				
<b>BOCES</b>	<b>TOTAL ALLOCATIONS</b>	<b>EXPELLED AND AT-RISK STUDENTS</b>	<b>EARLY LITERACY</b>	<b>STATE SCHOOL COUNSELOR CORPS GRANT</b>
East Central	\$34,019	\$2,038	\$16,218	\$15,763
Northeast	24,299	24,299	0	0
San Luis Valley	22,679	0	22,679	0
Centennial	21,059	21,059	0	0
South Central	19,439	0	0	19,439
Southeastern	19,439	0	0	19,439
Pikes Peak	16,200	16,200	0	0
San Juan	12,960	0	12,960	0
Mountain	11,340	11,340	0	0
Northwest	11,340	0	0	11,340
Santa Fe Trail	9,720	0	0	9,720
Uncompaghre	8,100	0	0	8,100
Ute Pass	4,860	0	0	4,860
Mount Evans	4,860	0	0	4,860
Rio Blanco	3,240	0	0	3,240
Front Range	3,240	0	0	3,240
<b>TOTAL</b>	<b>\$226,793</b>	<b>\$74,936</b>	<b>\$51,857</b>	<b>\$100,000</b>

<b>SUMMARY OF FY 2014-15 BOCES GRANT WRITING ALLOCATIONS PURSUANT TO SEC. 22-2-122 (3), C.R.S.</b>				
<b>BOCES</b>	<b>TOTAL ALLOCATIONS</b>	<b>EXPELLED AND AT-RISK STUDENTS</b>	<b>EARLY LITERACY</b>	<b>STATE SCHOOL COUNSELOR CORPS GRANT</b>
East Central	\$31,212	\$9,539	\$17,448	\$4,226
Northeast	22,295	22,295	0	0
San Luis Valley	22,295	0	22,295	0
Centennial	19,322	19,322	0	0
South Central	17,836	0	0	17,836
Southeastern	17,836	0	0	17,836
Pikes Peak	13,377	13,377	0	0
San Juan	11,890	0	11,890	0
Mountain	10,404	10,404	0	0
Northwest	8,918	0	0	8,918
Santa Fe Trail	8,918	0	0	8,918
Uncompaghre	7,432	0	0	7,432
Ute Pass	4,459	0	0	4,459
Mount Evans	4,459	0	0	4,459
Rio Blanco	2,973	0	0	2,973
Front Range	2,973	0	0	2,973
<b>TOTAL</b>	<b>\$206,596</b>	<b>\$74,936</b>	<b>\$51,633</b>	<b>\$80,027</b>

For FY 2014-15 and FY 2015-16, the General Assembly also appropriated \$3,132,785 for distributions to BOCES to assist member districts in meeting the State's educational

priorities (this amount was increased from the appropriation of \$1,300,000 for FY 2013-14). The Department's response to this request for information also detailed the distribution of those funds. The distributions for each year are shown in the following tables.

<b>DISTRIBUTIONS TO BOCES TO IMPLEMENT STATE EDUCATIONAL PRIORITIES IN FY 2015-16 SEC. 22-5-122, C.R.S.</b>	
<b>BOCES</b>	<b>TOTAL ALLOCATIONS</b>
Centennial	\$278,742
Pikes Peak	250,733
East Central	233,480
Expeditionary	214,415
South Central	204,622
San Luis Valley	193,657
Northeast	168,920
Southeastern	167,772
Mountain	161,170
San Juan	147,400
Adams County	142,864
Grand Valley	132,544
Northwest	129,391
Santa Fe Trail	119,837
Uncompaghre	111,233
Front Range	99,677
Ute Pass	96,193
Mount Evans	95,365
Colorado Digital BOCES	95,083
Rio Blanco	86,901
<b>TOTAL</b>	<b>\$3,130,000</b>

<b>DISTRIBUTIONS TO BOCES TO IMPLEMENT STATE EDUCATIONAL PRIORITIES IN FY 2014-15 SEC. 22-5-122, C.R.S.</b>	
<b>BOCES</b>	<b>TOTAL ALLOCATIONS</b>
Centennial	\$277,639
Pikes Peak	249,307
East Central	241,243
Expeditionary	213,850
South Central	204,275
San Luis Valley	193,172
Northeast	168,641
Southeastern	167,425
Mountain	160,829
San Juan	147,194
Adams County	144,103
Grand Valley	132,589
Northwest	129,224

**DISTRIBUTIONS TO BOCES TO IMPLEMENT STATE EDUCATIONAL PRIORITIES IN  
FY 2014-15  
SEC. 22-5-122, C.R.S.**

<b>BOCES</b>	<b>TOTAL ALLOCATIONS</b>
Santa Fe Trail	119,701
Uncompaghre	111,090
Front Range	99,688
Ute Pass	96,194
Mount Evans	95,338
Colorado Digital BOCES	94,391
Rio Blanco	86,892
<b>TOTAL</b>	<b>\$3,132,785</b>

## APPENDIX D

### DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1) (a) (I), C.R.S., the Office of State Planning and Budgeting is required to publish an Annual Performance Report for the Department of Education by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2015-16 report dated October 2016 can be found at the following link:

<https://drive.google.com/file/d/0B8ztLiGduUWbV1NIU2UxdEJyVWs/view>

Pursuant to Section 2-7-204 (3) (a) (I), C.R.S., the Department of Education is required to develop a performance plan and submit that plan to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2016-17 plan dated June 24, 2016 can be found at the following link:

<https://drive.google.com/file/d/0B8ztLiGduUWbcGhEWUVsQzk0STQ/view>





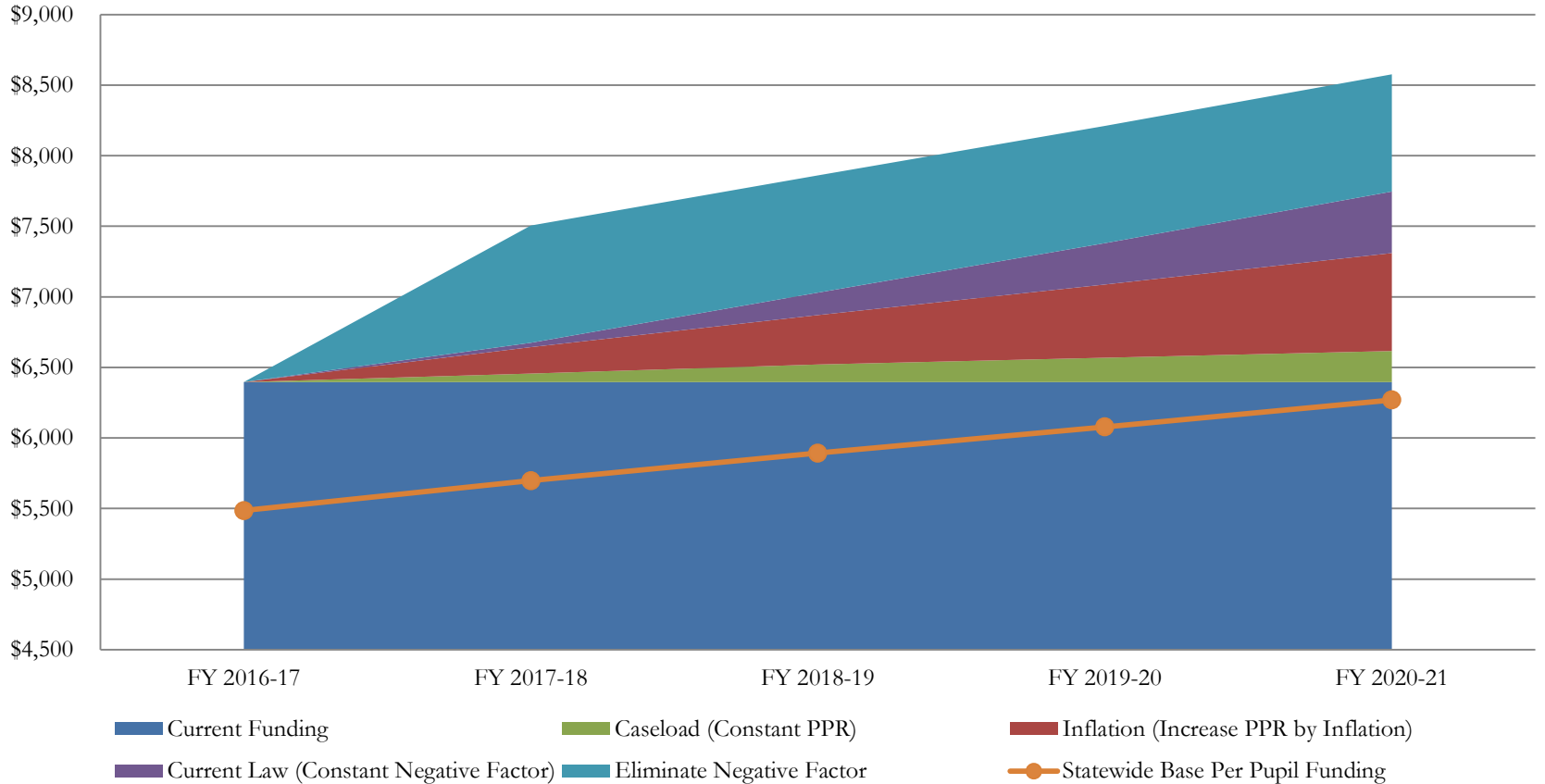
# **JBC Staff FY 2017-18 Budget Briefing Department of Education**

**Presented by:**

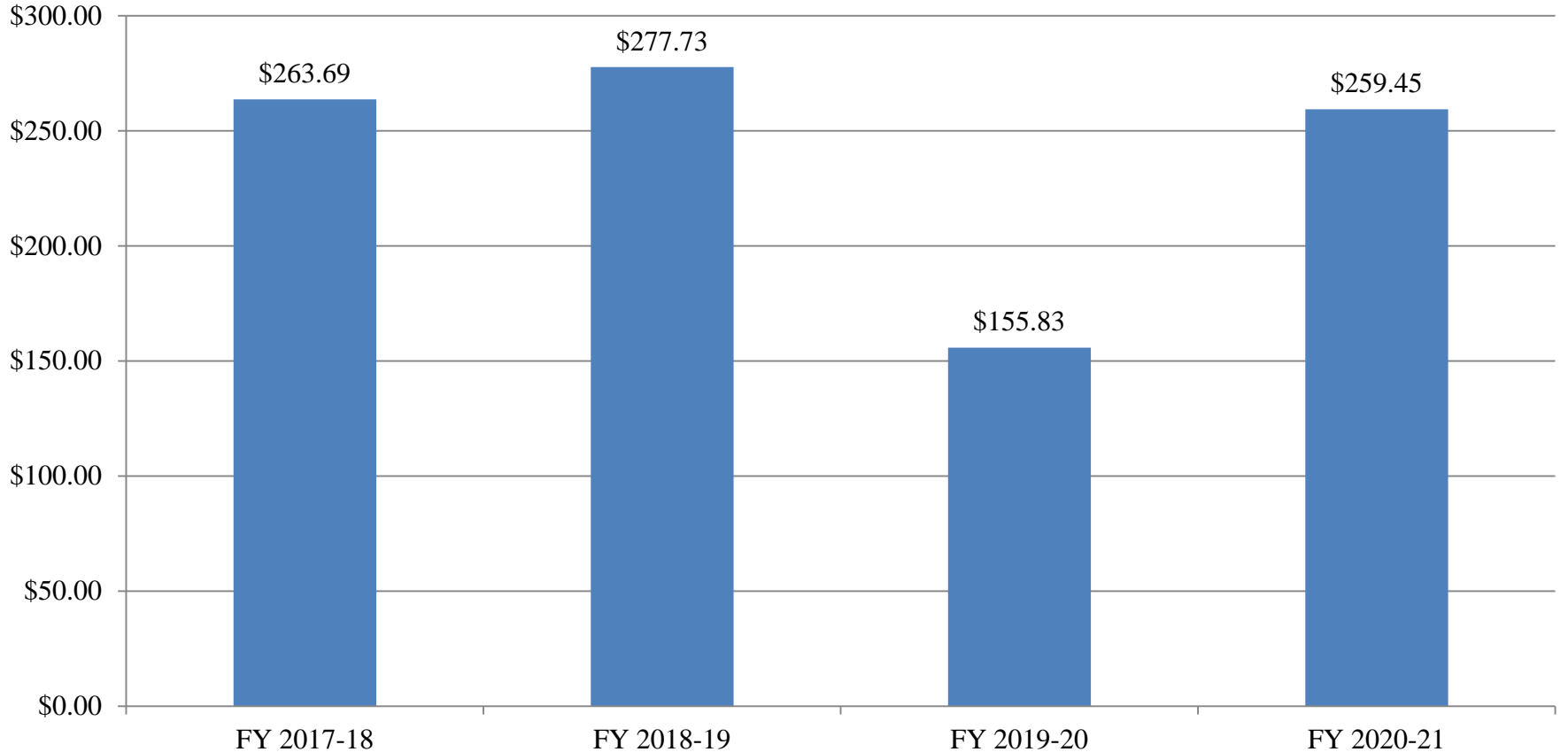
**Craig Harper, JBC Staff**

**December 7, 2016**

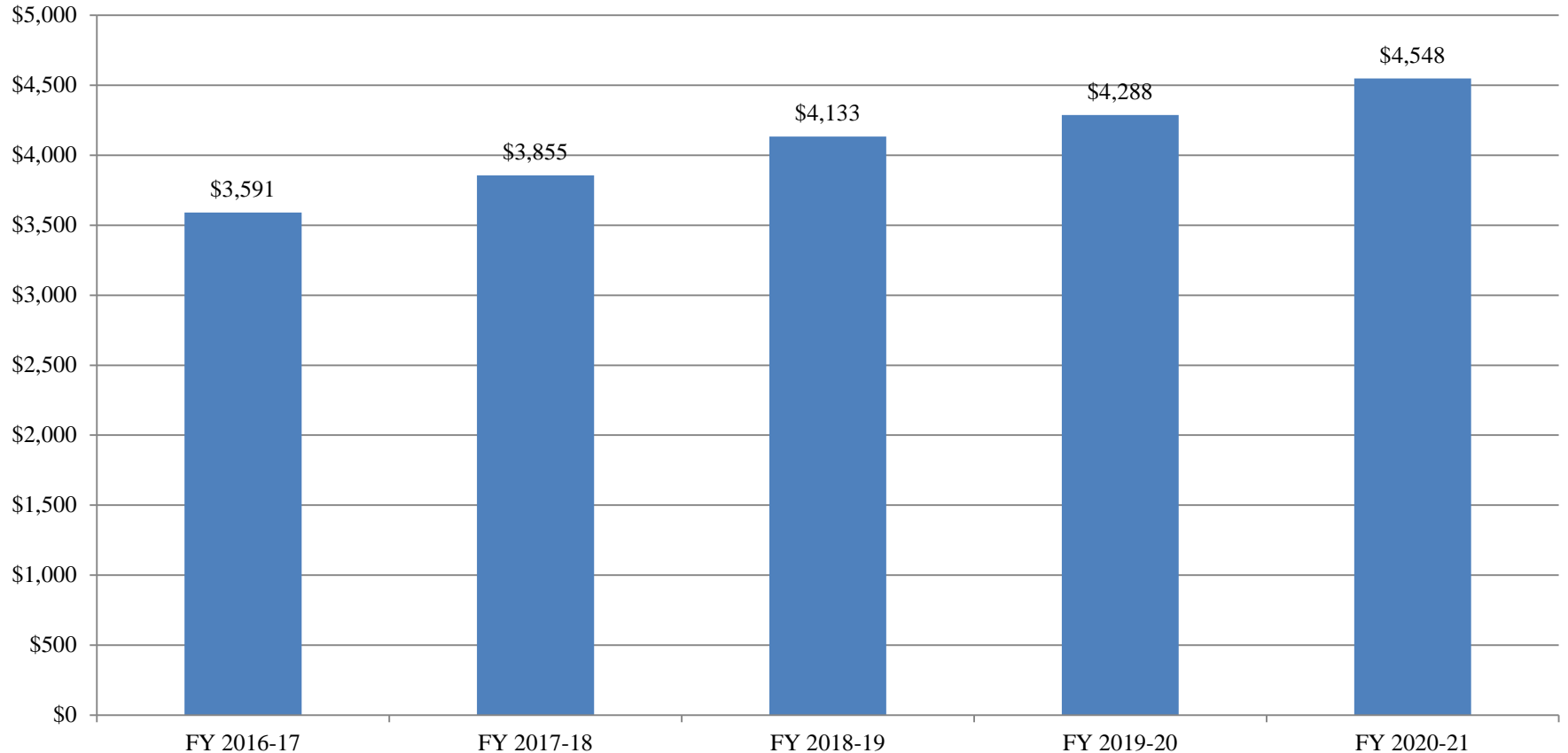
## School Districts' Total Program Funding Projections - LCS September 2016 Revenue Forecast (\$ millions)



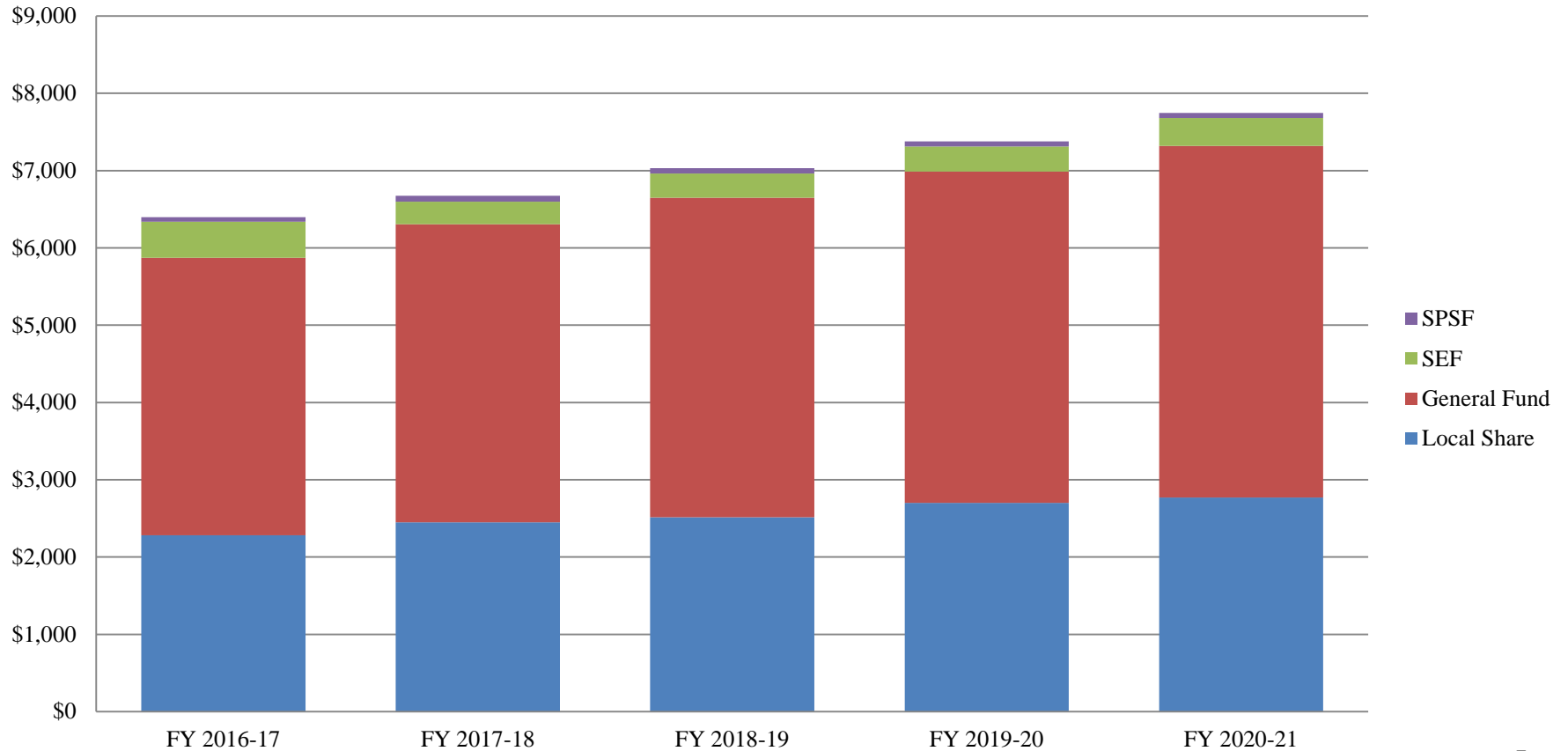
Annual *Change in* General Fund to Maintain Constant Negative Factor at \$830.7 million (LCS  
September 2016 Revenue Forecast, \$ in millions)



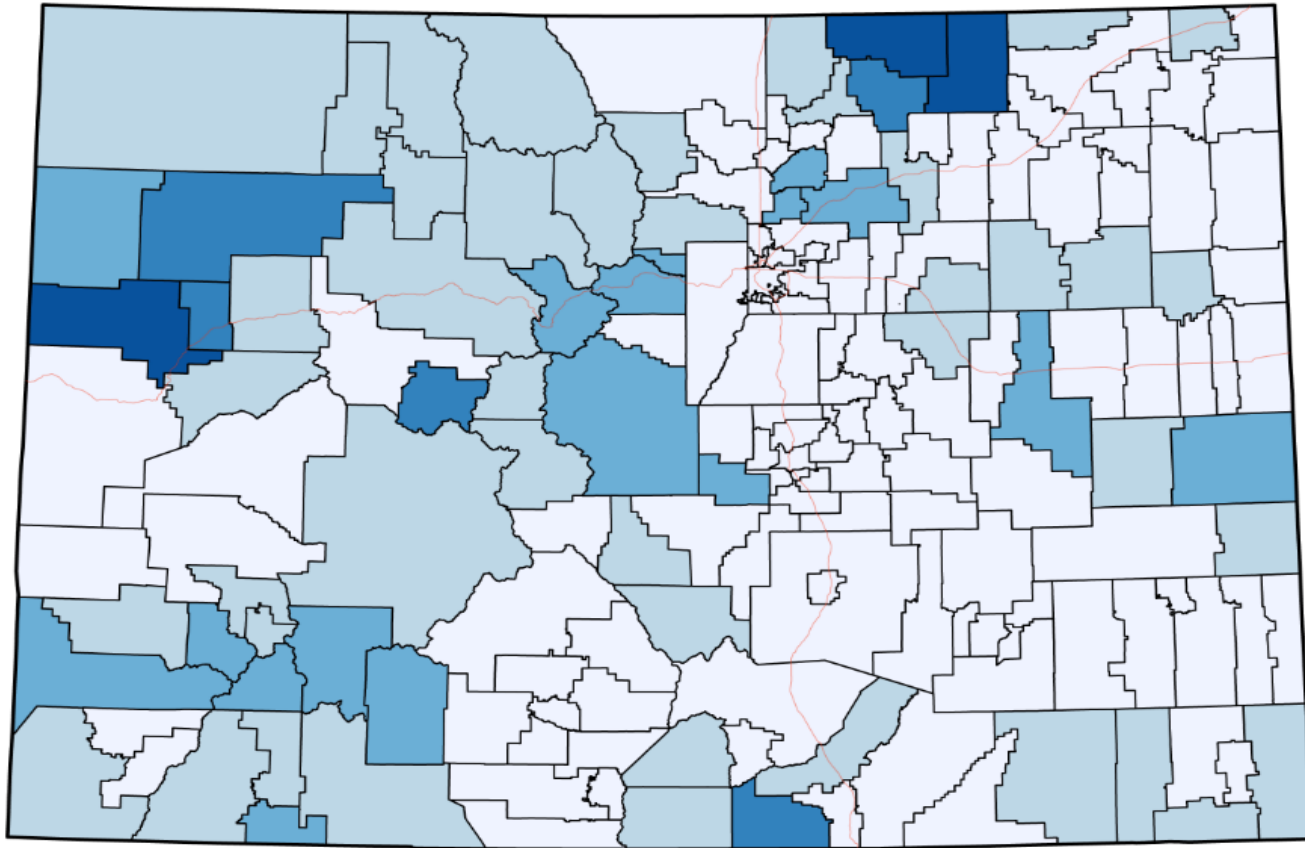
Total General Fund Required to Maintain Constant Negative Factor at \$830.7 million  
(\$ in millions)



Total Program Funding to Maintain Constant Negative Factor at \$830.7 million  
(LCS September 2016 Forecast, \$ in millions)



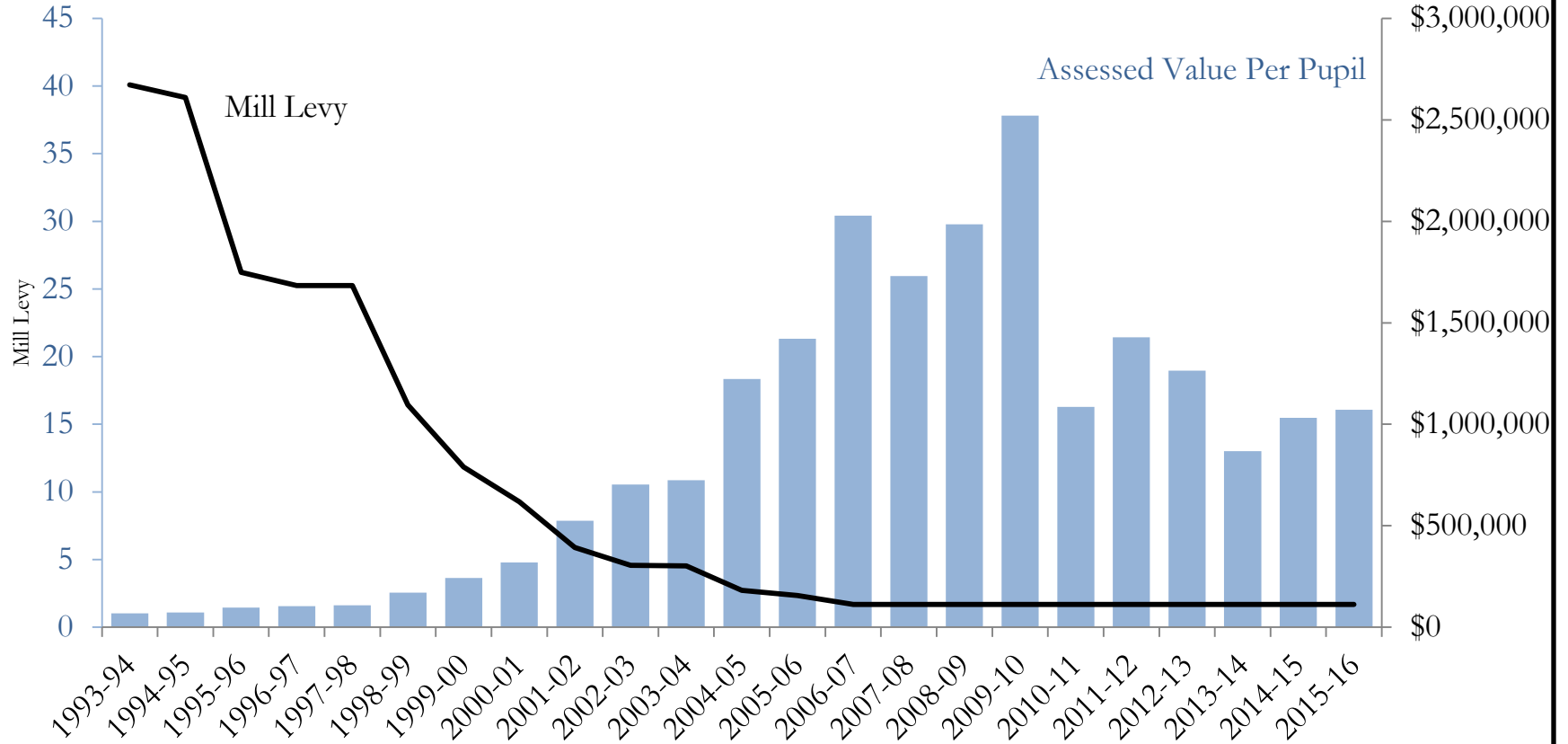
### Assessed Value Per Pupil, FY 2015-16



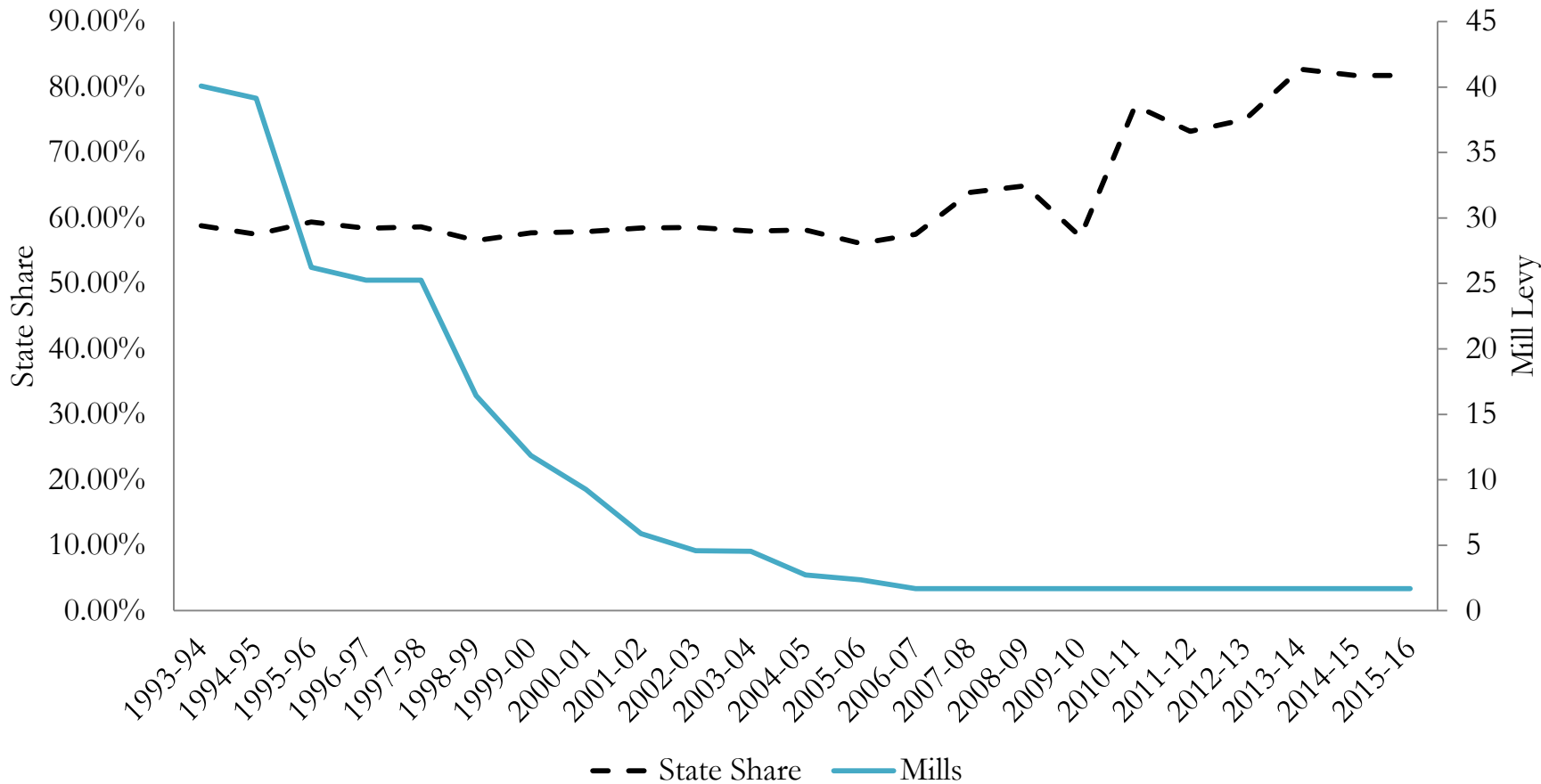
Legend:   
Lightest Blue: \$18,575 - \$184,622   
Light Blue: \$184,623 - \$451,179   
Medium Blue: \$451,180 - \$863,859   
Dark Blue: \$863,860 - \$1,640,811   
Darkest Blue: \$1,640,812 - \$3,238,705

Source: Colorado Legislative Council and Joint Budget Committee

# Primero School District Mill Levy and Assessed Value Per Pupil

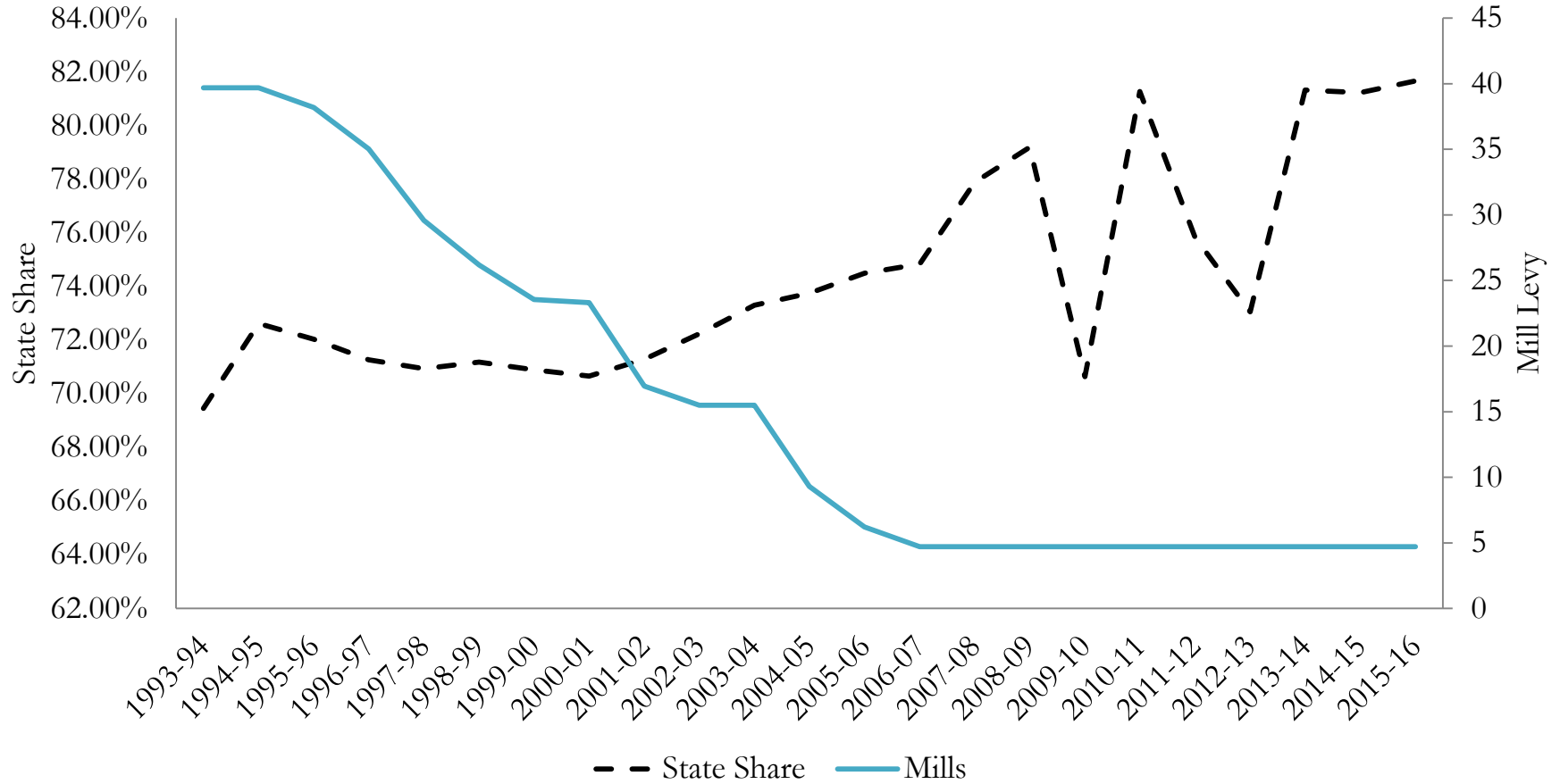


# Primero State Share of Total Program and Mill Levy

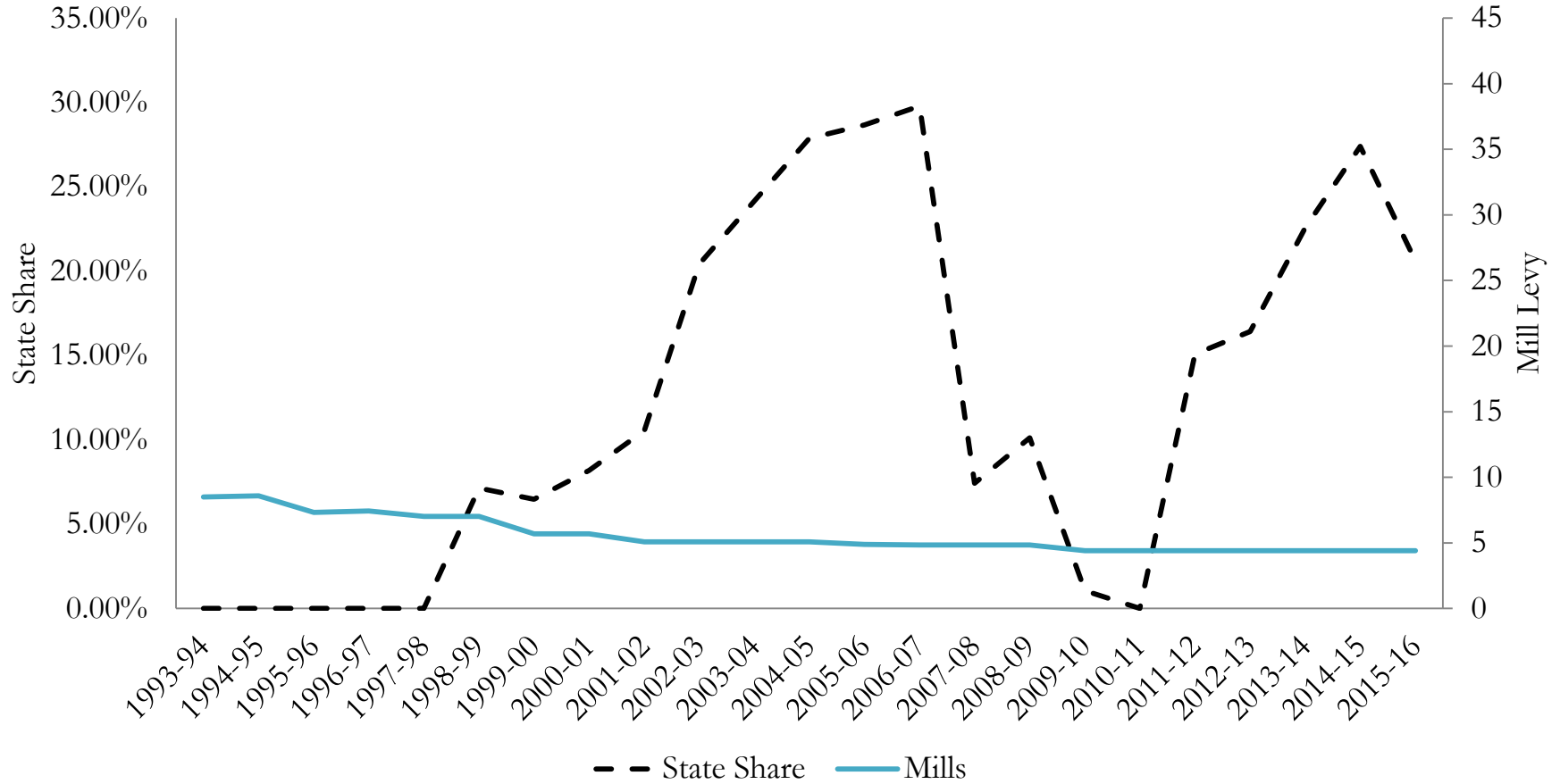




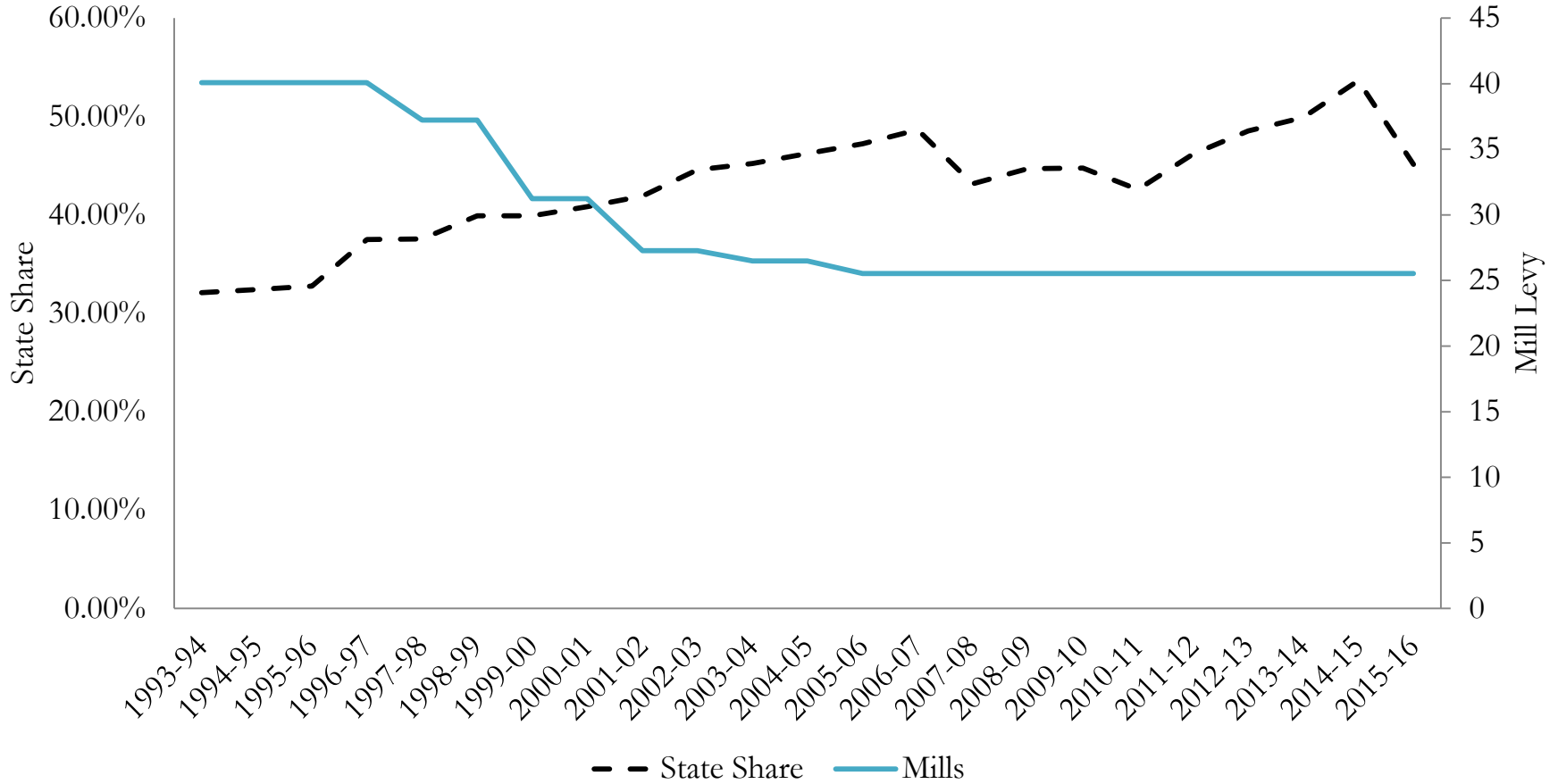
# Rifle State Share of Total Program and Mill Levy



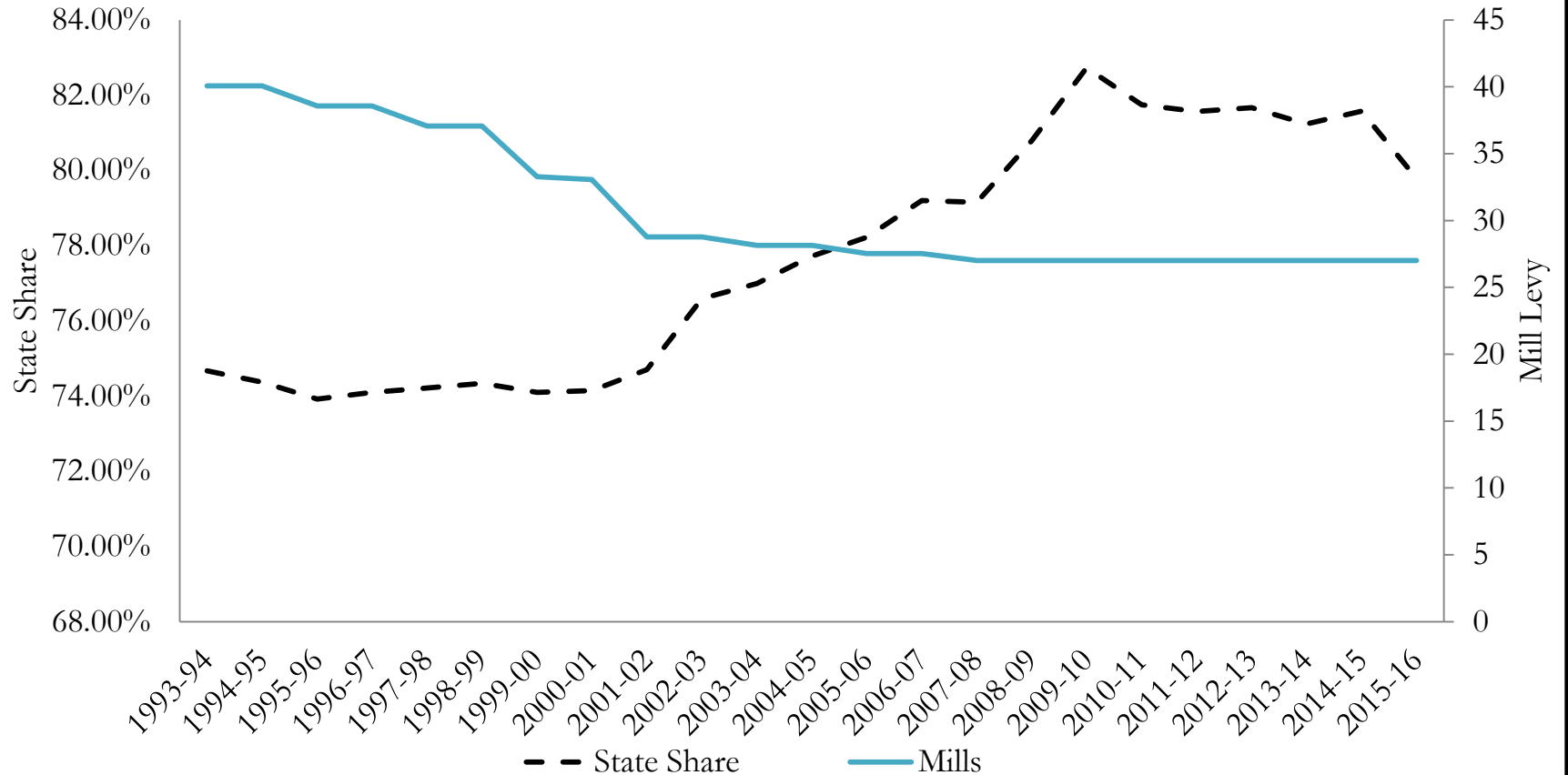
# Aspen State Share of Total Program and Mill Levy



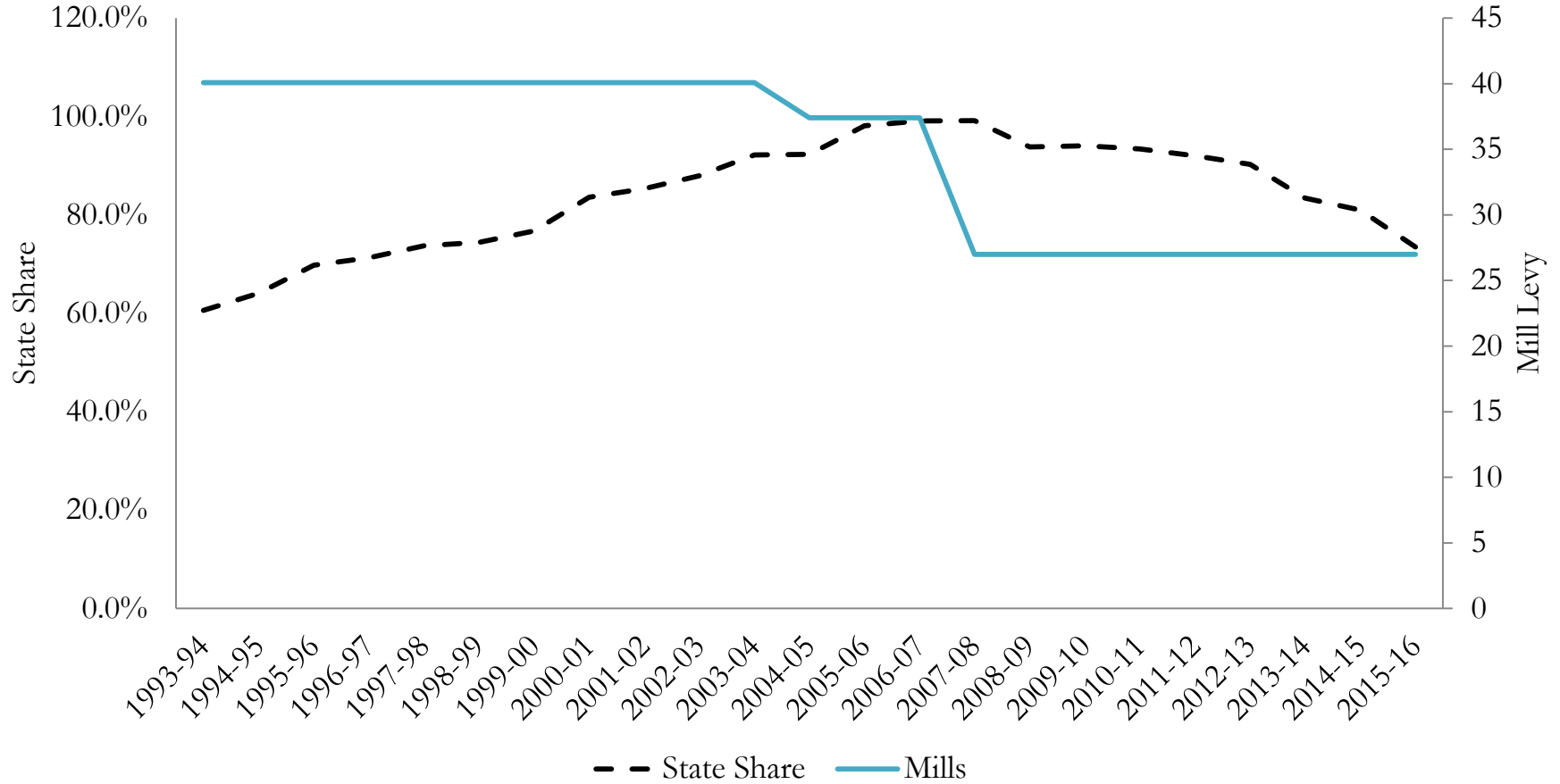
# Denver State Share of Total Program and Mill Levy



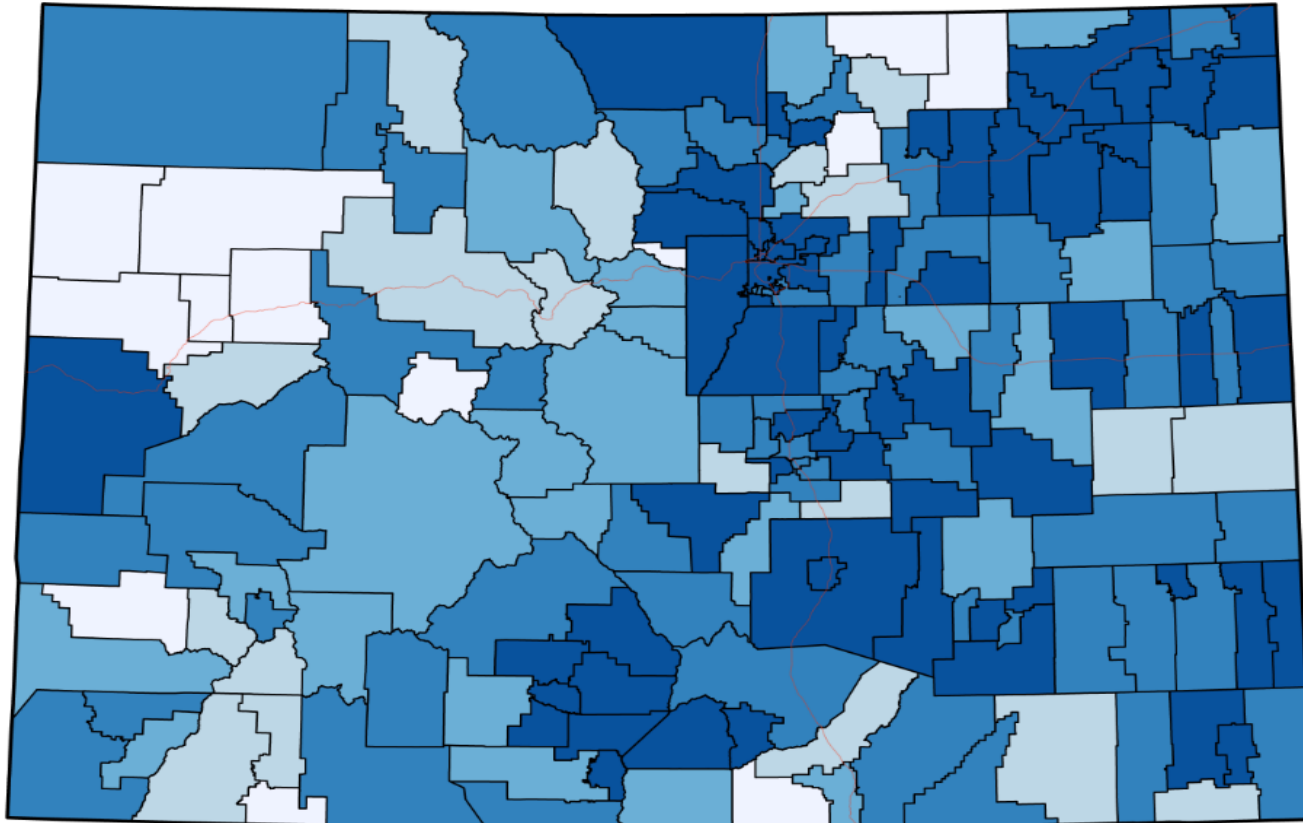
# Adams 12 State Share of Total Program and Mill Levy



# Vilas State Share of Total Program and Mill Levy



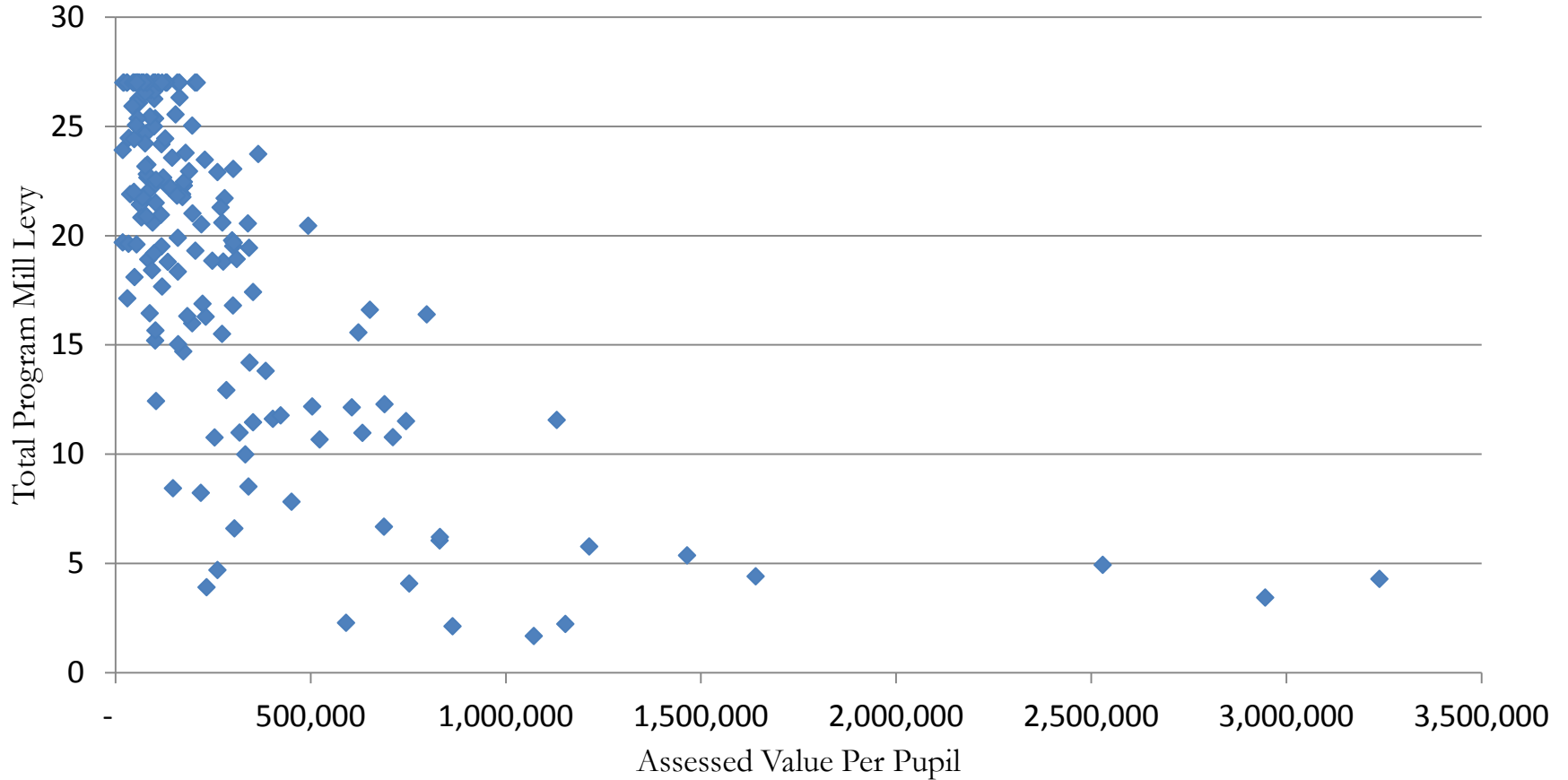
### Current Mill Levy, FY 2015-16



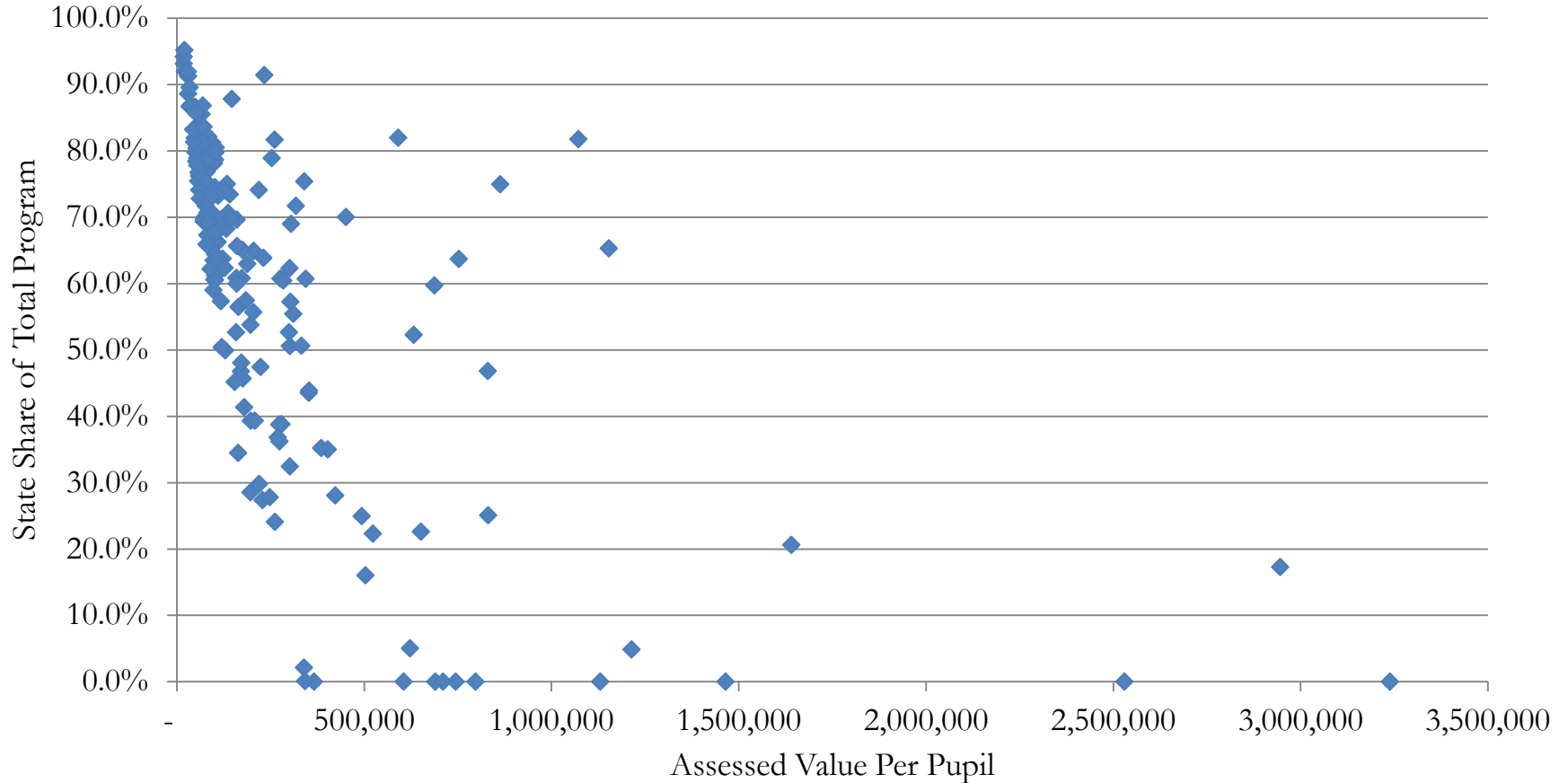
2 - 6 mills    7 - 12 mills    13 - 18 mills    19 - 24 mills    25 - 27 mills

Source: Colorado Legislative Council and Joint Budget Committee

Total Program Mill Levy and Assessed Value Per Pupil FY 2015-16

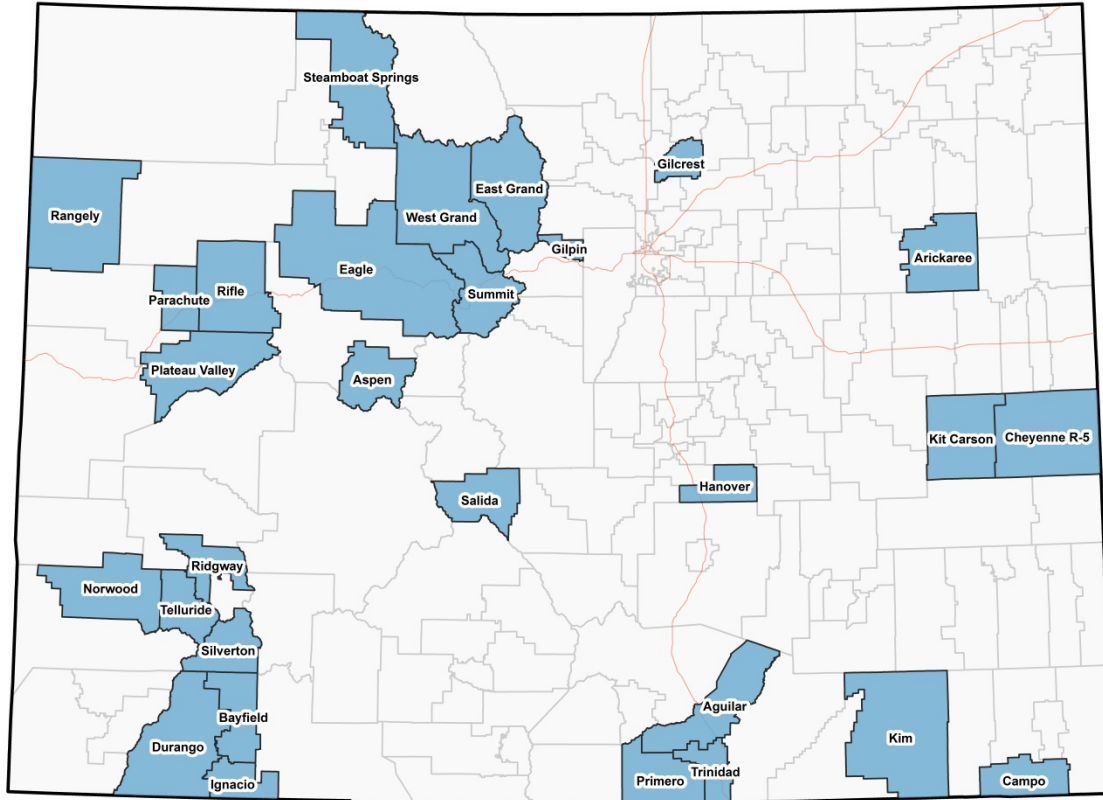


State Share and Assessed Value Per Pupil FY 2015-16



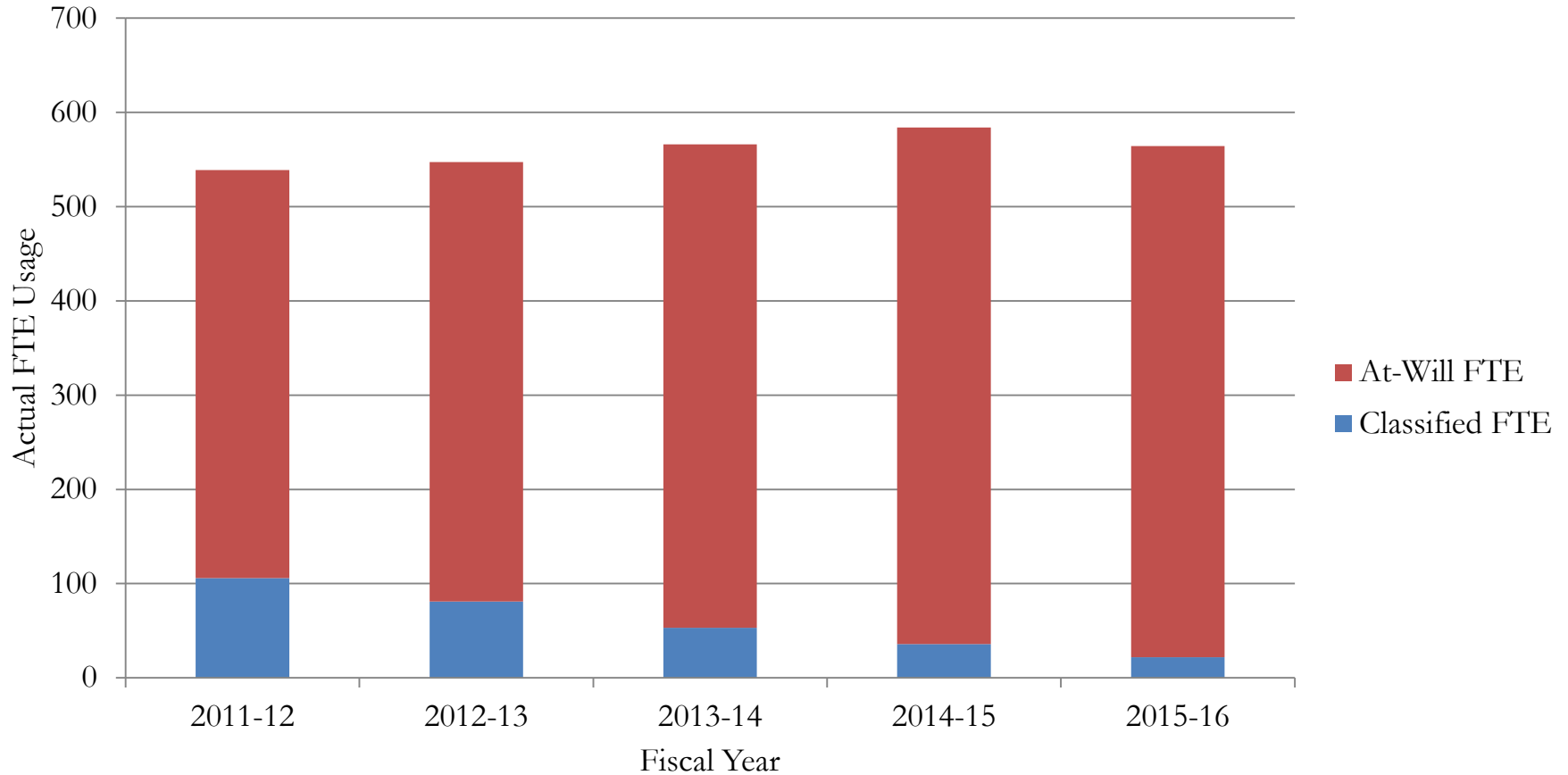


Mill Levy Less than 15 Mills and State Share of Funding Greater than 20 Percent



Source: Colorado Legislative Council and Joint Budget Committee

## At-will and Classified FTE Usage at CDE



## At-will and Classified FTE Percentages

