

JOINT BUDGET COMMITTEE



STAFF FIGURE SETTING FY 2022-23

DEPARTMENT OF EDUCATION

(School Finance and Categorical Programs Only)

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

PREPARED BY:
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HOW TO USE THIS DOCUMENT

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is provided for each division, but the description of incremental changes is not repeated, since it is available under the Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables. Decision items, both department-requested items and staff-initiated items, are discussed at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

DEPARTMENT OVERVIEW

The elected members of the State Board of Education are responsible for the general supervision of public schools throughout Colorado. The Commissioner of Education, appointed by the State Board, advises the State Board concerning the operation and status of public schools and serves as the executive officer of the Department of Education. Among other tasks and responsibilities, the Department supports the Board in its duties by:

- Accrediting public schools and school districts.
- Developing and maintaining state model academic content standards and administering associated student assessments for certain subject areas and grade levels.
- Issuing school and district performance reports for every public school and school district in the state.

The Department also administers a number of education-related programs, including: educator licensure and professional development; the School Finance Act and the distribution of state and federal funds to school districts; special education for children with disabilities; English language proficiency programs; the Colorado Preschool Program; educator effectiveness and evaluation programs; and adult basic education programs.

The Department includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind; (2) the State Charter School Institute Board, which is responsible for authorizing and monitoring the operations of institute charter schools located within certain school districts; and (3) the Public School Capital Construction Assistance Board, which is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization and allocation of state financial assistance for school construction projects.

In addition to its duties related to public schools, the Department is charged with 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 or physically disabled.

SUMMARY OF STAFF RECOMMENDATIONS

DEPARTMENT OF EDUCATION - SCHOOL FINANCE AND CATEGORICAL PROGRAMS ONLY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2021-22 APPROPRIATION						
FY 2021-22 Appropriation	\$5,420,894,013	\$4,206,406,334	\$1,046,765,764	\$191,090	\$167,530,825	91.5
HB22-1186 (Mid-year school finance)	(48,131,989)	0	(48,131,989)	0	0	0.0
TOTAL	\$5,372,762,024	\$4,206,406,334	\$998,633,775	\$191,090	\$167,530,825	91.5
FY 2022-23 RECOMMENDED APPROPRIATION						
FY 2021-22 Appropriation	\$5,372,762,024	\$4,206,406,334	\$998,633,775	\$191,090	\$167,530,825	91.5
R1/BA1 Total program increase	169,388,963	169,388,963	0	0	0	0.0
R2 Categorical programs increase	12,647,700	0	12,647,700	0	0	0.0
Annualize prior year budget actions	316,957	41,488	2,549	0	272,920	0.0

DEPARTMENT OF EDUCATION - SCHOOL FINANCE AND CATEGORICAL PROGRAMS ONLY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize prior year legislation	(86,386,645)	5,657	(86,433,464)	0	41,162	0.0
TOTAL	\$5,468,728,999	\$4,375,842,442	\$924,850,560	\$191,090	\$167,844,907	91.5
INCREASE/(DECREASE)	\$95,966,975	\$169,436,108	(\$73,783,215)	\$0	\$314,082	0.0
Percentage Change	1.8%	4.0%	(7.4%)	0.0%	0.2%	0.0%
FY 2022-23 EXECUTIVE REQUEST	\$5,606,517,524	\$4,206,453,479	\$1,232,028,048	\$191,090	\$167,844,907	91.5
Request Above/(Below) Recommendation	\$137,788,525	(\$169,388,963)	\$307,177,488	\$0	\$0	0.0

DESCRIPTION OF INCREMENTAL CHANGES

R1/BA1 TOTAL PROGRAM INCREASE [REQUIRES LEGISLATION]: The preliminary staff recommendation for the State Share of Districts’ Total Program Funding, which is based on current projections of state and local revenues as well as pupil counts, includes two components:

- *Long Bill:* The recommendation for the *Long Bill* appropriation includes an increase of \$169.4 million total funds, including: (1) an increase of \$169.4 million General Fund; and (2) an increase of \$99.9 million cash funds from the State Education Fund that offsets a decrease of the same amount from the State Public School Fund based on estimates of available revenues. Pursuant to current law, the recommendation includes the state funding necessary to maintain the budget stabilization factor (BSF) in FY 2022-23 at the adjusted level approved for FY 2021-22. The recommendation assumes passage of H.B. 22-1186 (FY 2021-22 Mid-year School Funding Adjustments), which reduces the BSF to \$503,267,250 for FY 2021-22. After accounting for a shift in appropriations from the State Public School Fund to the State Education Fund, the recommendation would fund the entire net increase in the state share for the Long Bill from the General Fund.
- *School Finance Bill:* Looking toward the annual School Finance Bill, staff recommends that the Committee plan to appropriate sufficient funds to reduce the BSF by 50.0 percent (from \$503.3 million in FY 2021-22 to \$251.6 million in FY 2022-23), requiring an appropriation of \$251.6 million in the School Finance Bill (or other legislation). Given current projections of available revenues, the General Assembly could support that increase from the General Fund, the State Education Fund, or a mix of both sources. If the Committee intends to pursue the staff recommendation (or any other significant reduction in the BSF) then staff would recommend setting aside the associated funds in a placeholder as part of the Long Bill process.

The Department has indicated that funding for total program is an evidence-informed program as defined in S.B. 21-284 (Evidence-based evaluation for budget). Staff agrees that the Department has provided evidence that increasing funding for public education has been associated with improved student outcomes. However, based on JBC staff analysis and pursuant to S.B. 21-284, assignment of a level of evidence is not applicable to this budget request.

R2 CATEGORICAL PROGRAMS INCREASE: The recommendation includes an increase of \$12,647,702 cash funds from the State Education Fund in order to increase total *state* spending on categorical programs by 3.5 percent, based on the rate of inflation from CY 2021. The State Constitution requires the General Assembly to increase *total state funding* for all categorical programs (in aggregate) by at least the rate of inflation in FY 2022-23. The following table shows the allocation of the recommended

changes to seven categorical programs. Please note that the request proposes to set aside \$375,000 of the total increase for distribution to the State Charter School Institute (CSI) for a new school designed to primarily serve students with disabilities. It is staff’s assumption that specifically providing funding to the CSI as requested would require separate legislation. Staff is not making a recommendation on that component of the request and recommends that the General Assembly consider that component as part of either the annual school finance bill or other legislation addressing special education funding. Staff is recommending a reduction to the Small Attendance Center Aid line item based on updated information from the Department to align with the maximum amount that the Department is able to distribute under that line item in the current year.

R2 STAFF RECOMMENDED INFLATIONARY INCREASES FOR CATEGORICAL PROGRAMS				
LONG BILL LINE ITEM	FY 2021-22 APPROPRIATION	STAFF RECOMMENDED CHANGE	FY 2022-23 STAFF REC. (STATE FUNDS)	PERCENT CHANGE
Special Education - Children with Disabilities	\$220,154,633	\$7,229,726	\$227,384,359	3.3%
English Language Proficiency Program	25,257,742	2,265,862	27,523,604	9.0%
Public School Transportation	62,771,962	2,068,554	64,840,516	3.3%
Career and Technical Education Programs	28,244,361	1,000,582	29,244,943	3.5%
Special Education - Gifted and Talented Children	12,994,942	257,640	13,252,582	2.0%
Expelled and At-risk Student Services Grant Program	9,493,560	8,436	9,501,996	0.1%
Small Attendance Center Aid	1,314,250	(183,100)	1,131,150	-13.9%
Comprehensive Health Education	1,131,396	0	1,131,396	0.0%
Total	\$361,362,846	\$12,647,700	\$374,010,546	3.5%

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The recommendation includes an increase of \$316,957 total funds (\$41,488 General Fund) to annualize FY 2021-22 salary survey appropriations for these two subdivisions.

ANNUALIZE PRIOR YEAR LEGISLATION: The recommendation includes a net decrease of \$86.4 million total funds to reflect the FY 2022-23 impact of prior year legislation. The two major changes include: (1) a reduction of \$91.4 million cash funds from the State Education Fund to eliminate one-time funding provided in H.B. 22-1186 (FY 2021-22 Mid-year School Funding); and (2) an increase of \$5.0 million cash funds from the Rural Schools Cash Fund to reflect the FY 2022-23 impact of H.B. 20-1427 (Cigarette Tobacco and Nicotine Tax).

(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. The following table summarizes staff's recommendation for the Public School Finance and Categorical Programs subdivisions within the Assistance to Public Schools division. All of the other subdivisions and line items will be presented at a later date.

DEPARTMENT OF EDUCATION - SCHOOL FINANCE AND CATEGORICAL PROGRAMS ONLY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2021-22 APPROPRIATION						
FY 2021-22 Appropriation	\$5,420,894,013	\$4,206,406,334	\$1,046,765,764	\$191,090	\$167,530,825	91.5
HB22-1186 (Mid-year school finance)	(48,131,989)	0	(48,131,989)	0	0	0.0
TOTAL	\$5,372,762,024	\$4,206,406,334	\$998,633,775	\$191,090	\$167,530,825	91.5
FY 2022-23 RECOMMENDED APPROPRIATION						
FY 2021-22 Appropriation	\$5,372,762,024	\$4,206,406,334	\$998,633,775	\$191,090	\$167,530,825	91.5
R1/BA1 Total program increase	169,388,963	169,388,963	0	0	0	0.0
R2 Categorical programs increase	12,647,700	0	12,647,700	0	0	0.0
Annualize prior year budget actions	316,957	41,488	2,549	0	272,920	0.0
Annualize prior year legislation	(86,386,645)	5,657	(86,433,464)	0	41,162	0.0
TOTAL	\$5,468,728,999	\$4,375,842,442	\$924,850,560	\$191,090	\$167,844,907	91.5
INCREASE/(DECREASE)	\$95,966,975	\$169,436,108	(\$73,783,215)	\$0	\$314,082	0.0
Percentage Change	1.8%	4.0%	(7.4%)	0.0%	0.2%	0.0%
FY 2022-23 EXECUTIVE REQUEST	\$5,606,517,524	\$4,206,453,479	\$1,232,028,048	\$191,090	\$167,844,907	91.5
Request Above/(Below) Recommendation	\$137,788,525	(\$169,388,963)	\$307,177,488	\$0	\$0	0.0

DECISION ITEMS - ASSISTANCE TO PUBLIC SCHOOLS

→ R1/BA1 TOTAL PROGRAM INCREASE [REQUIRES LEGISLATION]

REQUEST: As modified by BA1, the Department's request for school finance for FY 2022-23 targets a \$136.8 million reduction to the budget stabilization factor (from \$503.1 million in the adjusted FY 2021-22 appropriation to a proposed \$366.2 million in FY 2022-23). The proposal represents a reduction of \$205.0 million below the level of the budget stabilization factor in the original FY 2021-22 appropriation (prior to the midyear adjustments in H.B. 22-1186).

The following table shows the FY 2021-22 appropriation (as adjusted by H.B. 22-1186), the Governor's proposed fund sources for FY 2022-23, and the requested change from the FY 2021-22 appropriation.

REQUESTED FUND SOURCES FOR THE STATE SHARE OF DISTRICTS' TOTAL PROGRAM			
FUND SOURCE	FY 2021-22 APPROPRIATION (ADJUSTED)	FY 2022-23 REQUEST	ANNUAL CHANGE
General Fund	\$4,040,848,829	\$4,040,848,829	\$0
<i>Annual Percent Change</i>	<i>7.67%</i>	<i>0.00%</i>	
Cash Funds (State Education Fund)	474,824,576	858,891,998	384,067,422
<i>Annual Percent Change</i>	<i>59.37%</i>	<i>80.89%</i>	
Cash Funds (State Public School Fund)	193,298,094	115,657,468	(77,640,626)
<i>Annual Percent Change</i>	<i>11.21%</i>	<i>-40.17%</i>	
Total State Funds	\$4,708,971,499	\$5,015,398,295	\$306,426,796

In addition, the Governor's request includes a proposal to transfer \$450.0 million from the General Fund to the State Education Fund in FY 2022-23 to continue to support the reduction to the BSF over the next three fiscal years (based on the November 2 request to reduce the BSF by \$150.0 million). As proposed, the transfer would require separate legislation.

RECOMMENDATION: The preliminary staff recommendation for the State Share of Districts' Total Program Funding, which is based on current projections of state and local revenues as well as pupil counts, includes three components:

- *Long Bill:* Pursuant to current law, the recommendation for the *Long Bill* appropriation would hold the BSF constant at \$503.3 million, with no change from the FY 2021-22 appropriation assuming passage of H.B. 22-1186. Based on current revenue estimates for FY 2022-23, staff recommends approving an appropriation of \$4,878,360,462 total funds, including \$4,210,237,792 General Fund (an increase of \$169,388,963 above the FY 2021-22 appropriation), \$574,695,001 cash funds from the State Education Fund (an increase of \$99,870,425 above the FY 2021-22 appropriation), and \$93,427,669 cash funds from the State Public School Fund (a decrease of \$99,870,425 below the FY 2021-22 appropriation). After accounting for a shift in appropriations from the State Public School Fund to the State Education Fund based on available revenues, the recommendation would fund the entire net increase in the state share for the Long Bill from the General Fund.
- *School Finance Bill:* Looking toward the annual School Finance Bill, staff recommends that the Committee plan to appropriate sufficient funds to reduce the BSF by 50.0 percent (from \$503.3 million in FY 2021-22 to \$251.6 million in FY 2022-23), requiring an appropriation of \$251.6 million in the School Finance Bill (or other legislation). Given current projections of available revenues, the General Assembly could support that increase from the General Fund, the State Education Fund, or a mix of both sources. If the Committee intends to pursue the staff recommendation (or any other significant reduction in the BSF) then staff would recommend setting aside the associated funds in a placeholder as part of the Long Bill process.
- *State Education Fund Reserve:* While not immediately relevant based on the significant balances in the State Education Fund, staff recommends that the Committee plan to increase the targeted ending balance of the State Education Fund. In recent years, the General Assembly has targeted an ending balance of at least \$100.0 million in the fund to accommodate potential forecast error and mitigate against the risk of revenue shortfalls. Depending on the level of annual revenues and appropriations, that minimum has fluctuated significantly as a percentage of appropriations. In line with previous discussions between staff and the Committee, staff recommends that the Committee plan to maintain an ending balance equal to at least 15.0 percent of annual appropriations from the fund. With annual revenues to the fund approaching \$1.0 billion during the current forecast period, staff anticipates that a balance of at least \$150.0 million would be

necessary on an ongoing basis (with that amount increasing along with revenues to and appropriations from the fund).

As discussed below, staff has constructed this two-stage recommendation based on projections of school finance costs (pupil counts, at-risk pupil counts, inflation, etc.) and available state and local revenues through FY 2024-25. As discussed during the briefing and supplemental processes, staff strongly recommends that the Committee and the General Assembly plan for school finance appropriations over the next several years, while retaining sufficient revenues to accommodate some of the uncertainty in those projections. Staff's intent with the recommendation to reduce the BSF by 50.0 percent in FY 2022-23 is to: (1) provide a concrete recommendation for the Committee's discussion; (2) mitigate against the potential risk of a large increase in the BSF based on forecast error; and (3) allow the General Assembly to reassess the relevant variables during the 2023 Session as it considers whether to make significant changes to the formula and/or further reduce or eliminate the BSF in FY 2023-24, incorporating data from subsequent revenue forecasts and legislative actions (during the 2022 and 2023 sessions).

Staff is not currently recommending the proposed transfer from the General Fund to the State Education Fund. Staff agrees that the Committee may wish to consider setting aside funds to ensure that any path forward with respect to the BSF is sustainable. However, staff's current recommendation would be to build appropriations into the General Fund "base" rather than using transfers to the State Education Fund. Staff also notes that if the Committee wished to retain an additional \$450.0 million in the State Education Fund it could simply appropriate the desired amount of General Fund for school finance and reduce the appropriation from the State Education Fund by that amount. That path would not require separate legislation.

Finally, the Committee should note that the fund sources for the Long Bill recommendation may change based on the March 2022 revenue forecasts as well the Committee's decisions affecting available fund balances in the State Education Fund and State Public School Fund. In addition, if Legislative Council Staff finalizes new cost of living factors for FY 2022-23 prior to the introduction of the Long Bill then adjustments would be necessary to align with those changes. Staff will address those changes and update the multi-year projections as necessary through a staff "comeback" following the March forecast.

ANALYSIS:

In developing the recommendations in this document, staff has worked with Legislative Council Staff to evaluate a variety of school finance scenarios over a multi-year period in effort to allow the Committee to evaluate the sustainability of school finance alternatives. For purposes of this document, staff is presenting projections through FY 2024-25.

Current estimates indicate that the General Assembly has an opportunity to significantly reduce the BSF in FY 2022-23 and/or consider changes to the school finance formula (during either the 2022 or 2023 session), and to sustain those changes. Recent circumstances associated with COVID-19 have highlighted the level of uncertainty in all of the variables relevant to school finance (especially student enrollment, at-risk enrollment, inflation, and state and local revenues), and staff emphasizes that nearly *all* of the relevant variables are subject to change, particularly looking out several years. There is inherent risk to all of these projections. However, based on current estimates, a confluence of events appears to have created an opportunity for the General Assembly:

- *One-time State Revenues:* First, as the Committee is aware, there are significant one-time revenues available in both the General Fund and the State Education Fund, largely as a result of higher-than-anticipated revenue collections during the COVID-19 pandemic. Based on the December 2021 Legislative Council Staff Revenue Forecast, and assuming passage of H.B. 22-1186, staff currently estimates that the State Education Fund will end FY 2021-22 with a balance of more than \$760.0 million. The revenue forecast also anticipates increasing deposits to the fund over the forecast period (with income tax deposits to the fund approaching \$1.0 billion per year by the end of the forecast period). The availability of those funds creates near term opportunities and, combined with the other factors below, may allow for sustainable changes.
- *Increasing Local Revenues:* As the projections below illustrate, anticipated increases in local revenues are a key component of the sustainability of major increases in funding going forward. In effect, the staff recommendation to consider eliminating the BSF (and/or making significant changes to the formula) would use the one-time state funding as a bridge to those increased local revenues. In previous years with one-time funding available (e.g., large balances in the State Education Fund), the inability to sustain major reductions to the BSF has been a barrier to making those reductions. However, if the current projections of local revenues materialize then the additional local resources could sustain the changes proposed in the staff recommendation. As discussed below, staff has attempted to mitigate against major downside risk by reducing the anticipated increase in local share (in case of either lower-than-anticipated revenues or legislative action to reduce those revenues).
- *Decreasing Enrollment:* As the Committee is also aware, the State is seeing declining enrollment at a statewide level (while the story varies significantly among school districts). It is clear that COVID-19 accelerated the decline in enrollment and that impact elevates the level of uncertainty in near term enrollment forecasts (a large rebound in enrollment would increase the cost of the formula). However, Legislative Council Staff had anticipated flat enrollment (and then gradual decreases) over this period prior to the impacts of COVID-19 based on demographic factors. As the school finance system is funded on a per pupil basis, decreasing enrollment reduces the cost of the system (holding all other variables constant).
- *Inflation:* Given the impact of inflation pursuant to Amendment 23 (requiring inflationary increases in statewide base per pupil funding), inflation is another key variable. The actual Denver-Aurora-Lakewood consumer price index for CY 2021 (3.5 percent) will determine the inflationary requirement for FY 2022-23. The December 2021 Legislative Council Staff revenue forecast assumes the following inflationary rates: 3.4 percent for CY 2022 (for FY 2023-24) and 1.8 percent for CY 2023 (for FY 2024-25). Any changes to those assumptions would affect the cost of school finance in FY 2023-24 and FY 2024-25 – but not for FY 2022-23.

Looking at the near-term, the progression of the Governor’s Office request for FY 2022-23 illustrates both the variables in play and the potential opportunities for the General Assembly as it considers appropriations for FY 2022-23. Based on changes in projected pupil counts, at-risk pupil counts, inflation, and local revenues, the Governor’s January 2022 budget request was able to propose a further reduction to the BSF (from a \$150 million reduction in the November request to \$205 million in January) *while reducing the proposed state share by \$214.4 million below the November 2 request* (see table below). That was because estimated total program before the application of the budget stabilization factor decreased by \$147.7 million and projected local revenues increased by \$121.7 million.

FY 2022-23 TOTAL PROGRAM FUNDING - GOVERNOR'S REVISED REQUEST				
	FY 2021-22 APPROPRIATION (WITH H.B. 22- 1186)	GOVERNOR'S NOVEMBER 2021 REQUEST	GOVERNOR'S REVISED (JANUARY 18) REQUEST	CHANGE FROM NOVEMBER REQUEST
Funded Pupil Count	886,222	889,445	880,808	(8,637)
Inflation Rate	2.0%	3.7%	3.5%	-0.2%
Statewide Base Per Pupil Funding	\$7,225	\$7,493	\$7,478	-\$14
Total Program Funding				
Total Program before Budget Stab. Factor	\$8,492,431,600	\$8,886,020,067	\$8,738,301,732	(\$147,718,335)
Budget Stabilization Factor	(503,267,250)	(421,243,484)	(366,243,484)	55,000,000
<i>Budget Stabilization Factor as Percentage</i>	<i>-5.93%</i>	<i>-4.74%</i>	<i>-4.19%</i>	<i>0.55%</i>
Adjusted Total Program	\$7,989,164,350	\$8,464,776,583	\$8,372,058,248	(\$92,718,335)
Statewide Average Per Pupil	\$9,014.86	\$9,517	\$9,505	(\$12)
Local And State Shares				
Local Share	<u>\$3,280,192,851</u>	<u>\$3,234,994,916</u>	<u>\$3,356,659,952</u>	<u>\$121,665,036</u>
Property Tax	3,062,155,118	3,034,116,959	3,132,081,087	97,964,128
Specific Ownership Tax	218,037,733	200,877,957	224,578,865	23,700,908
State Share	<u>\$4,708,971,499</u>	<u>\$5,229,781,667</u>	<u>\$5,015,398,296</u>	<u>(\$214,383,371)</u>
General Fund	4,040,848,829	4,040,848,829	4,040,848,829	0
Cash Funds (SEF)	474,824,576	1,073,275,370	858,891,998	(214,383,372)
Cash Funds (SPSF)	193,298,094	115,657,468	115,657,468	0

MULTI-YEAR PROJECTION ASSUMPTIONS

As noted above, staff has built the projections for this document on the December 2021 Legislative Council Staff Revenue Forecast for pupil counts, inflation, local revenues, and revenues available from the State Education Fund and the State Public School Fund. The following table outlines the assumptions underlying staff's projections. Staff has highlighted the local share for FY 2023-24 because it is a critical variable in these multi-year scenarios. The unadjusted local share estimate anticipates that local revenues would increase by \$473.3 million (14.1 percent) in FY 2023-24. The "conservative" scenario reduces that increase by 50.0 percent. With the exception of the two local share options (December 2021 LCS Forecast Assessed Value and Conservative - 50.0 Percent of LCS Increase in FY 2023-24), all of the other data points in this table are fixed in *all* of the scenarios that staff is presenting.

CORE ASSUMPTIONS FOR FY 2022-23 SCHOOL FINANCE SCENARIOS				
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Funded Pupil Count	886,249	880,808	877,292	873,610
Inflation Rate	2.0%	3.5%	3.4%	1.8%
Total Program Before the BSF	\$8,492,431,600	\$8,738,287,664	\$8,996,660,799	\$9,120,162,412
Local Share				
December 2021 LCS Forecast Assessed Value	\$3,280,192,851	\$3,356,659,952	\$3,829,949,006	\$3,941,017,527
<i>Annual Change</i>	266,564,104	76,467,101	473,289,054	111,068,521
Conservative - 50.0 Percent of LCS Increase in FY 2023-24	3,280,192,851	3,356,659,952	3,593,304,479	3,697,510,309
<i>Annual Change</i>	266,564,104	76,467,101	236,644,527	104,205,830
State Education Fund				
<i>Annual Income Tax Deposits</i> to State Education Fund	\$823,800,000	\$941,400,000	\$983,900,000	\$1,023,139,048
State Education Fund Dedicated to Categoricals	197,597,372	210,245,072	222,961,431	229,922,515
Other Spending from State Education Fund	<u>124,127,824</u>	<u>124,213,124</u>	<u>123,517,555</u>	<u>123,871,804</u>
<i>Maximum Annual Revenue Available</i> for School Finance ¹	\$502,074,804	\$606,941,804	\$637,421,014	\$669,344,729
State Public School Fund Available for total Program	\$193,298,094	\$93,427,669	\$78,597,042	\$78,597,042

¹ This is the maximum amount of *annual* revenue available for school finance under these projections and does not include one-time funding in the existing fund balance.

In addition to those basic assumptions, staff would like to highlight the following points for the Committee’s consideration.

- *General Fund Base:* Staff has sought to build ongoing increases in appropriations into the General Fund base appropriations and planning around sustainable (ongoing) funds from other sources such as the State Education Fund. Under each scenario, staff’s goal was to “smooth out” the General Fund increases over the two- or three year period, while spending down the one-time funds in the State Education Fund over multiple years, maintaining revenues for unforeseen contingencies, and bridging to the anticipated increases in local revenues.
- *State Education Fund Ending Balances:* In previous years, staff has targeted consistent ending balances for the State Education Fund across all scenarios. Given the magnitude of one-time funds available in both the State Education Fund and the General Fund, the scenarios presented in this document do not all assume the same ending balances. Instead, staff prioritized the sustainability of each scenario independently.
- *At-risk Pupil Count:* Staff notes that the revenue forecast does not specifically project at-risk pupil counts. The projections presented here are built on the *actual* count of at-risk students for FY 2021-22. The Committee is aware of staff’s concerns about the at-risk count in the current year – and has appropriated additional funding for FY 2021-22 to address an estimate of the undercount. If the at-risk count rebounds upward in FY 2022-23 then that would increase the cost of total program under all scenarios (and presumably carry into subsequent years). Staff has not attempted to build a new estimate into these projections and has instead sought to retain sufficient flexibility in funding to absorb those increases in FY 2022-23 and beyond.
- *Other Priorities:* These projections do not assume any further changes to the school finance formula (such as those under discussion by the interim committee) or the diversion of available revenues to any other uses (such as through other legislation).

PROJECTION SCENARIOS

Staff notes that the Committee could choose to set the appropriation and the BSF at virtually any level, within constitutional limits. The General Assembly could choose to increase the BSF, eliminate it, or choose any level in between. However, for the purposes of this document and based on previous discussions with the Committee, staff has included two illustrative scenarios: (1) a 50.0 percent reduction in the BSF in FY 2022-23 with elimination in FY 2023-24; and (2) elimination of the BSF in FY 2022-23.¹ For each scenario, staff has two options: one based on the local share as anticipated in the December 2021 Legislative Council Staff Revenue Forecast and a second based on a more conservative assumption reducing the growth in the local share in FY 2023-24 and FY 2024-25.]

Staff Recommendation – 50.0 Percent BSF Reduction: Under this scenario, the General Assembly would reduce the BSF by 50.0 percent (to \$251.6 million) in FY 2022-23. The projections shown here assume that the General Assembly would then eliminate the BSF in FY 2023-24. However, taking the incremental step in FY 2022-23 would allow the General Assembly to evaluate the sustainability of eliminating the BSF and/or making significant changes to the formula with updated data during the 2023 Session. As shown in the table, even with the more conservative assumptions about the local share in FY 2023-24 and FY 2024-25, the annual General Fund increases would stay below \$190.0 million per year and the State Education Fund could still end FY 2024-25 with a balance of between

¹ Staff also analyzed options to hold the BSF constant at \$503.3 million through FY 2024-25 or to phase it out over a three-year period. Staff can make those scenarios available upon request – or analyze additional scenarios if the Committee would prefer to see other options.

\$300.0 million and \$400.0 million. Given ongoing uncertainty in the at-risk count (which could drive additional cost to the formula each year) and local revenues, staff suggests that the 50.0 percent reduction for FY 2022-23 would maintain flexibility to address unforeseen contingencies during the 2023 Session.

SCENARIO 1: TWO-YEAR ELIMINATION OF BSF				
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<i>Projected Pupil Count</i>	886,249	880,808	877,292	873,610
Total Program Before the BSF	\$8,492,431,600	\$8,738,287,664	\$8,996,660,799	\$9,120,162,412
Budget Stabilization Factor	(\$503,267,250)	(\$251,633,625)	\$0	\$0
Total Program After BSF	\$7,989,164,350	\$8,486,654,039	\$8,996,660,799	\$9,120,162,412
Local Share - December 2021 LCS	\$3,280,192,851	\$3,356,659,952	\$3,829,949,006	\$3,941,017,527
State Share of Total Program Funding	\$4,708,971,499	\$5,129,994,087	\$5,166,711,793	\$5,179,144,885
General Fund	4,040,848,829	4,163,494,070	4,294,340,238	4,324,769,915
Annual Increase in General Fund	287,912,910	122,645,241	130,846,168	30,429,677
Statewide Average Per Pupil	9,015	9,635	10,255	10,440
SEF Ending Balance	766,546,009	650,000,000	500,000,000	400,000,000
Staff Rec. - Conservative Local Share	\$3,280,192,851	\$3,356,659,952	\$3,593,304,479	\$3,697,510,309
State Share of Total Program Funding	\$4,708,971,499	\$5,129,994,087	\$5,403,356,320	\$5,422,652,103
General Fund	4,040,848,829	4,213,494,070	4,380,984,764	4,568,277,132
Annual Increase in General Fund	287,912,910	172,645,241	167,490,694	187,292,368
Statewide Average Per Pupil	9,015	9,635	10,255	10,440
SEF Ending Balance	766,546,009	700,000,000	400,000,000	300,000,000

Scenario 2 - Eliminate BSF in FY 2022-23: The second scenario would eliminate the BSF in FY 2022-23 and then sustain that throughout the forecast period. As shown in the following table, based on current estimates, this option would allow the General Assembly to provide similar General Fund increases to the first scenario by spending down the State Education Fund balance at a greater rate. Holding all other variables constant between scenarios, these projections indicate that the State Education Fund would end FY 2024-25 with between \$150.0 million (under the conservative local share assumptions) and \$300.0 million (under the unadjusted local share assumptions). Thus, based on these estimates, eliminating the BSF in FY 2022-23 could be feasible. However, given the elevated levels of uncertainty discussed above, staff is concerned that changes in pupil counts, at-risk pupil counts, or local revenues could make this scenario unsustainable beyond FY 2022-23 and force a subsequent increase in the budget stabilization factor.

SCENARIO 2: ELIMINATE BSF IN FY 2022-23				
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<i>Projected Pupil Count</i>	886,249	880,808	877,292	873,610
Total Program Before the BSF	\$8,492,431,600	\$8,738,287,664	\$8,996,660,799	\$9,120,162,412
Budget Stabilization Factor	(\$503,267,250)	\$0	\$0	\$0
Total Program After BSF	\$7,989,164,350	\$8,738,287,664	\$8,996,660,799	\$9,120,162,412
Local Share - December 2021 LCS	\$3,280,192,851	\$3,356,659,952	\$3,829,949,006	\$3,941,017,527
State Share of Total Program Funding	<u>\$4,708,971,499</u>	<u>\$5,381,627,712</u>	<u>\$5,166,711,793</u>	<u>\$5,179,144,885</u>
General Fund	4,040,848,829	4,215,127,695	4,394,340,135	4,424,769,789
Annual Increase in General Fund	287,912,910	174,278,866	179,212,440	30,429,654
Statewide Average Per Pupil	9,015	9,921	10,255	10,440
SEF Ending Balance	766,546,009	450,000,000	350,000,000	300,000,000
Local Share - Conservative Growth	\$3,280,192,851	\$3,356,659,952	\$3,593,304,479	\$3,697,510,309
State Share of Total Program Funding	<u>\$4,708,971,499</u>	<u>\$5,381,627,712</u>	<u>\$5,403,356,320</u>	<u>\$5,422,652,103</u>
General Fund	4,040,848,829	4,240,127,695	4,430,984,661	4,518,277,007

SCENARIO 2: ELIMINATE BSF IN FY 2022-23				
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Annual Increase in General Fund	287,912,910	199,278,866	190,856,966	87,292,346
Statewide Average Per Pupil	9,015	9,921	10,255	10,440
SEF Ending Balance	766,546,009	475,000,000	150,000,000	150,000,000

The following table summarizes both stages of the preliminary staff recommendation along with the current FY 2021-22 appropriation and the Governor’s revised FY 2022-23 request.

PRELIMINARY FY 2022-23 STAFF RECOMMENDATION FOR SCHOOL FINANCE					
	FY 2021-22 APPROPRIATION	GOVERNOR'S REVISED (JANUARY 18) REQUEST	PRELIMINARY LONG BILL RECOMMENDATION (CONSTANT BSF)	PRELIMINARY SCHOOL FINANCE BILL RECOMMENDATION	CHANGE FROM GOVERNOR'S REVISED REQUEST
Funded Pupil Count	886,222	880,808	880,808	880,808	0
Inflation Rate	2.0%	3.5%	3.5%	3.5%	0.0%
Statewide Base Per Pupil Funding	\$7,225	\$7,478	\$7,478	\$7,478	\$0
Total Program Funding					
Total Program before BSF	\$8,492,431,600	\$8,738,301,732	\$8,738,287,664	\$8,738,287,664	(\$14,068)
Budget Stabilization Factor	(503,267,250)	(366,243,484)	(503,267,250)	(251,633,625)	(137,023,766)
<i>BSF as Percentage</i>	<i>-5.93%</i>	<i>-4.19%</i>	<i>-5.76%</i>	<i>-2.88%</i>	<i>-1.57%</i>
Adjusted Total Program	\$7,989,164,350	\$8,372,058,248	\$8,235,020,414	\$8,486,654,039	(\$137,037,834)
Statewide Average Per Pupil	\$9,014.86	\$9,505	\$9,349	\$9,635	(\$156)
Local And State Shares					
Local Share	<u>\$3,280,192,851</u>	<u>\$3,356,659,952</u>	<u>\$3,356,659,952</u>	<u>\$3,356,659,952</u>	<u>\$0</u>
Property Tax	3,062,155,118	3,132,081,087	3,132,081,087	3,132,081,087	0
Specific Ownership Tax	218,037,733	224,578,865	224,578,865	224,578,865	0
State Share	<u>\$4,708,971,499</u>	<u>\$5,015,398,296</u>	<u>\$4,878,360,462</u>	<u>\$5,129,994,087</u>	<u>(\$137,037,834)</u>
General Fund	4,040,848,829	4,040,848,829	4,210,237,792	4,210,237,792	169,388,963
Cash Funds (SEF)	474,824,576	858,891,998	574,695,001	826,328,626	(284,196,997)
Cash Funds (SPSF)	193,298,094	115,657,468	93,427,669	93,427,669	(22,229,799)
Annual General Fund Increase		0	\$169,388,963	169,388,963	\$169,388,963
Statutory Change Required		Yes	Yes	Yes	

LEVEL OF EVIDENCE PURSUANT TO S.B. 21-284

Senate Bill 21-284 states that a program or practice is “evidence-informed” if it reflects a moderate, supported, or promising level of confidence of effectiveness, ineffectiveness, or harmfulness as determined by an evaluation with a comparison group, multiple pre- and post-evaluations, or an equivalent measure. The Department provided multiple research citations indicating a link between increased funding and improved education outcomes (and stated that the theory of change is that “higher per pupil funding leads to improved student outcomes). The Department’s objective is “to provide a better quality education for all Colorado students” and the Department intends to use standardized assessment and academic achievement and growth as the measures.

A theory of change is a method that explains how a given intervention, or set of interventions, is expected to lead to specific outcomes, drawing on a causal analysis based on available evidence. While there are identifiable outputs related to school finance, JBC staff disagrees that it qualifies as an intervention that is intended to lead to a specific change with measurable outcomes. The local education providers will use this funding to support specific programs and interventions – but the Department does not control the use of those funds. Thus, JBC staff has determined that, pursuant to S.B. 21-284 (Evidence-based Evaluations for Budget), assignment of a level of evidence is not applicable to this request.

→ R2 CATEGORICAL PROGRAMS INCREASE

REQUEST: 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 2022-23. The request, based on the OSPB-projected inflation rate for CY 2021 (3.7 percent), seeks an increase of \$13.4 million cash funds from the State Education Fund to support the required increase. The request proposes to allocate the increase among six programs. The following table shows the requested allocation of additional funds by program. The Committee should note that the request includes \$375,000 that the Governor’s Office is proposing to provide to the State Charter School Institute (CSI) for a new school designed to primarily serve students with disabilities. As noted above, it is staff’s assumption that specifically providing funding to the CSI as requested would require separate legislation.

R2 REQUESTED INCREASES IN STATE FUNDING FOR CATEGORICAL PROGRAMS				
LONG BILL LINE ITEM	FY 2021-22 APPROPRIATION	REQUESTED INCREASE IN STATE FUNDS	FY 2022-23 REQUEST	PERCENT CHANGE
Special Education - Children with Disabilities	\$220,154,633	\$7,704,609	\$227,859,242	3.5%
English Language Proficiency Program	25,257,742	2,290,619	27,548,361	9.1%
Public School Transportation	62,771,962	2,095,637	64,867,599	3.3%
Career and Technical Education Programs	28,244,361	1,013,683	29,258,044	3.6%
Special Education - Gifted and Talented Children	12,994,942	261,014	13,255,956	2.0%
Expelled and At-risk Student Services Grant Program	9,493,560	4,411	9,497,971	0.0%
Small Attendance Center Aid	1,314,250	1,529	1,315,779	0.1%
Comprehensive Health Education	1,131,396	(1,077)	1,130,319	-0.1%
Total	\$361,362,846	\$13,370,425	\$374,733,271	3.7%

RECOMMENDATION: Based on the actual Denver-Aurora-Lakewood change in the consumer price index for CY 2020 (3.5 percent as compared to the 3.7 percent assumed in the request), staff recommends approving the an increase of \$12,647,702 cash funds from the State Education Fund. Using a similar allocation methodology to the request, staff recommends allocating the increase among six categorical programs, as shown in the following table. The recommendation includes a reduction to the Small Attendance Center Aid line item based on updated information (discussed below) but holds Comprehensive Health Education flat with no change from the FY 2021-22 appropriation. Please note that the request proposes to set aside \$375,000 of the total increase for distribution to the State Charter School Institute (CSI) for a new school designed to primarily serve students with disabilities. It is staff’s assumption that specifically providing funding to the CSI as requested would require separate legislation. Staff is not making a recommendation on that component of the request and recommends that the General Assembly consider that component as part of either the annual school finance bill or other legislation addressing special education funding.

R2 STAFF RECOMMENDED INFLATIONARY INCREASES FOR CATEGORICAL PROGRAMS				
LONG BILL LINE ITEM	FY 2021-22 APPROPRIATION	STAFF RECOMMENDED CHANGE	FY 2022-23 STAFF REC. (STATE FUNDS)	PERCENT CHANGE
Special Education - Children with Disabilities	\$220,154,633	\$7,229,726	\$227,384,359	3.3%
English Language Proficiency Program	25,257,742	2,265,862	27,523,604	9.0%
Public School Transportation	62,771,962	2,068,554	64,840,516	3.3%
Career and Technical Education Programs	28,244,361	1,000,582	29,244,943	3.5%
Special Education - Gifted and Talented Children	12,994,942	257,640	13,252,582	2.0%
Expelled and At-risk Student Services Grant Program	9,493,560	8,436	9,501,996	0.1%
Small Attendance Center Aid	1,314,250	(183,100)	1,131,150	-13.9%

R2 STAFF RECOMMENDED INFLATIONARY INCREASES FOR CATEGORICAL PROGRAMS				
LONG BILL LINE ITEM	FY 2021-22 APPROPRIATION	STAFF RECOMMENDED CHANGE	FY 2022-23 STAFF REC. (STATE FUNDS)	PERCENT CHANGE
Comprehensive Health Education	1,131,396	0	1,131,396	0.0%
Total	\$361,362,846	\$12,647,700	\$374,010,546	3.5%

The major difference between the recommendation and request is the updated inflation rate (3.5 percent vs. 3.7 percent in the request), which decreases the total inflationary increase by \$722,723 below the request. Staff has used a similar methodology to allocate the increases among programs – but each increase is smaller because of the change in the inflation rate. Staff also notes the following differences from the request:

- *Small Attendance Center Aid.* The staff recommendation reduces funding for Small Attendance Center Aid by \$183,100 below the current FY 2021-22 appropriation. While the FY 2021-22 distributions under this line item were not available at the time of the request, updated information from the Department indicates that the line item can only distribute \$1,131,150 to eligible schools in the current year (and that \$183,100 will revert from the current appropriation). The staff recommendation aligns the FY 2022-23 appropriation with the actual calculations for FY 2021-22 – and distributes the funds among the other line items for which the request proposed increases.
- *Comprehensive Health Education:* The staff recommendation holds funding for Comprehensive Health Education constant, with no change from the FY 2021-22 appropriation. The Department’s proposed reduction was based on reports of expenditures by school districts from FY 2019-20 (where school districts reported expenditures that were approximately \$110,000 below the funds distributed through the program). However, while the request proposed a reduction of \$1,077 within request R2, the base request for Comprehensive Health Education included an increase of \$6,755 for the annualization of salary survey and PERA funding. That increase was requested in addition to the inflationary increases in R2. Staff recommends simply holding the funding for the line item constant for FY 2022-23. Consistent with prior years, staff recommends accounting for all increases for categorical programs within the inflationary increase (unless the General Assembly elects to specifically add funding for specific uses as it has for special education in recent years).

ANALYSIS:

Background - Constitutional Funding Requirement: 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 2020 the percentage change in the Denver-Aurora-Lakewood consumer price index was 2.0 percent, so the General Assembly was required to increase state funding for categorical programs by at least that amount (\$6,889,468) for FY 2021-22.

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 \$202.3 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 \$104.7 million higher than the minimum amount that would have otherwise been required. The following table details the allocation of the \$219.2 million among categorical programs.

INCREASES IN STATE FUNDING FOR CATEGORICAL PROGRAMS SINCE FY 2000-01				
LONG BILL LINE ITEM	FY 2000-01 APPROPRIATION	FY 2021-22 APPROPRIATION	TOTAL INCREASE IN ANNUAL APPROPRIATION OF STATE FUNDS SINCE FY 2000-01	
Special Education - Children with Disabilities	\$71,510,773	\$220,154,633	\$148,643,860	207.9%
English Language Proficiency Program	3,101,598	25,257,742	22,156,144	714.3%
Public School Transportation	36,922,227	62,771,962	25,849,735	70.0%
Career and Technical Education Programs	17,792,850	28,244,361	10,451,511	58.7%
Special Education - Gifted and Talented Children	5,500,000	12,994,942	7,494,942	136.3%
Expelled and At-risk Student Services Grant Program	5,788,807	9,493,560	3,704,753	64.0%
Small Attendance Center Aid	948,140	1,314,250	366,110	38.6%
Comprehensive Health Education	600,000	1,131,396	531,396	88.6%
Total	\$142,164,395	\$361,362,846	\$219,198,451	154.2%

The constitution also requires that money from the State Education Fund not supplant the level of General Fund appropriations existing on December 28, 2000, for categorical programs [see Section 17 (5) of Article IX of the Colorado Constitution]. Staff's recommendations for this section maintain \$163,765,474 in General Fund appropriations to comply with this requirement. This provision actually requires the General Assembly to maintain an appropriation of at least \$141,765,474 General Fund (the amount appropriated as of December 28, 2000); however, the General Assembly added \$22.0 million General Fund to the Special Education Programs for Children with Disabilities line item in FY 2019-20 (appropriated in S.B. 19-246 (School Finance)).

Finally, please note that pursuant to Section 22-55-107 (3), C.R.S., for the 2008-09 budget year and each budget year thereafter, on or before February 15, "the education committees of the house of representatives and senate, or any successor committees, may submit to the joint budget committee of the general assembly a joint recommendation regarding the allocation of the increase in total state funding for all categorical programs as required by subsection (1) of this section for the next budget year. The joint budget committee shall consider but shall not be bound by any joint recommendations made pursuant to this subsection (3) when developing the annual general appropriation bill for the budget year for which the joint recommendation is made". To date, these Committees have not made any such recommendation.

An overview of staff's recommendations related to the constitutionally required funding increase for this group of programs is below. A more detailed description of each categorical program line item, including a description of the funds available -- other than state funds -- for each program may be found in the Line Item Detail section for categorical programs.

Allocation of Required Funding Increase for FY 2022-23: As noted above, the Constitution requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation (based on the change in the Denver-Aurora-Lakewood Consumer Price Index for calendar year 2021) for FY 2022-23.

Based on the actual change in the CPI for CY 2021 (3.5 percent), the Constitution requires and staff recommends adding a total of \$12,647,700 state funds for categorical programs for FY 2022-23. Consistent with prior years, staff's recommendation would appropriate all of the recommended increases as cash funds from the State Education Fund.

The Constitution requires the General Assembly to provide at least the recommended increase in FY 2022-23. Given the “base building” nature of categorical program increases (any increase becomes part of the base and requires additional inflationary increase), staff's recommendation includes the minimum level of funding required by the Constitution. Based on the Constitutional requirement for the increase, the General Assembly's key decision each year is how to allocate the required increase among categorical programs. Since December 2006, staff has recommended that the Committee consider four factors when allocating state funds among categorical programs:

1. Are districts statutorily required to provide the services?
2. If the program has a statutory reimbursement formula, how close does state funding come to the maximum statutory reimbursement?
3. What percent of districts' actual expenditures are covered by state and federal funds?
4. Are districts' expenditures for providing the service proportionate, or are certain districts impacted significantly more than others?

For years, the Department and staff have used similar mechanisms to allocate the Constitutionally-required increases among categorical line items, based on the difference between state and federal funding provided for a program and school districts' actual expenditures. Thus, programs with a larger gap between state and federal funds and total district expenditures (those for which school districts are absorbing the greatest cost within their budgets) receive the largest increase. The FY 2022-23 request and recommendation continue that methodology.

The following pages include three tables associated with categorical funding.

- Table A shows the gap between state and federal funding and actual local expenditures in FY 2019-20 (the most recent year for which the necessary data are available).
- Table B shows the gap between FY 2020-21 funding levels and "full funding" for the programs with statutory formulas for that year.
- Table C summarizes the allocation recommended by staff, the allocation requested by the Department, and two other potential options for illustrative purposes.

TABLE A: Categorical Program Revenues and Expenditures: FY 2019-20

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
District Programs Required by Statute						
Special Education - Children with Disabilities ^a	\$245,101,951	\$157,249,720	\$402,351,671	\$1,148,781,907	35.0%	\$746,430,236
English Language Proficiency Program ^b	49,993,765	8,659,502	58,653,267	292,424,544	20.1%	233,771,277
Other Categorical Programs						
Public School Transportation	62,556,983	0	62,556,983	275,971,759	22.7%	213,414,776
Career and Technical Education	26,991,809	5,815,068	32,806,877	136,037,967	24.1%	103,231,090
Special Education - Gifted and Talented Children	11,875,758	0	11,875,758	38,456,780	30.9%	26,581,022
Expelled and At-risk Student Services	7,056,688	0	7,056,688	7,505,928	94.0%	449,240
TOTAL						\$1,323,877,641

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

^b State funding includes money provided through the English Language Learners Professional Development and Student Support Program.

TABLE B: MAXIMUM AMOUNT OF STATE FUNDS DISTRICTS WERE STATUTORILY ELIGIBLE TO RECEIVE FOR FY 2020-21

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
District Programs Required by Statute					
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	\$203,571,977	\$281,993,000	72.2%	\$78,421,023
English Language Proficiency Program ^b	Driven by the number of eligible students and statewide average per pupil operating revenue	51,105,538	119,947,606	42.6%	68,842,068
Other Categorical Programs (with specified statutory reimbursement levels)					
Public School Transportation	Driven by total miles traveled and total transportation-related costs (excluding capital outlay expenses)	62,556,983	106,367,732	58.8%	43,810,749
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	27,978,242	34,918,861	80.1%	6,940,619
Small Attendance Center Aid	Driven by the number of eligible schools, such schools' enrollment, and eligible districts' per pupil funding	1,314,250	1,469,977	89.4%	155,727
TOTAL					\$198,170,186

^a The estimated increase to fund the statutory maximum for special education for children with disabilities is based on the following: \$135,601,250 (\$1,250 for each student with disabilities); \$144,396,000 (assuming districts received \$6,000 per student for 100 percent of the 24,066 students with specified disabilities, rather than for 43.8 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 2020-21 include \$24,105,538 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. Beginning in FY 2021-22, the \$27.0 million is included in the school finance distributions under the state share of districts' total program funding – to support the English Language Learner factor added to the formula in S.B. 21-268.

TABLE C: Required Increase in *State* Funding for Categorical Programs in FY 2022-23

Long Bill Line Item	FY 21-22 Approp.	Examples of Options for Allocating Required Increase							
		A: Staff Recomm.		B: Dept. Request		C		D	
			%		%		%		%
Special education programs for children with disabilities	\$220,154,633	\$7,229,726	3.3%	\$7,704,609	3.5%	\$11,346,004	5.2%	\$7,705,412	3.5%
English language proficiency programs	25,257,742	2,265,862	9.0%	2,290,619	9.1%	\$1,301,696	5.2%	884,021	3.5%
Public school transportation	62,771,962	2,068,554	3.3%	2,095,637	3.3%	0	0.0%	2,197,019	3.5%
Career and technical education	28,244,361	1,000,582	3.5%	1,013,683	3.6%	0	0.0%	988,553	3.5%
Special education programs for gifted and talented children	12,994,942	257,640	2.0%	261,014	2.0%	0	0.0%	454,823	3.5%
Expelled and at-risk student services grant program	9,493,560	9,513	0.1%	4,411	0.0%	0	0.0%	332,275	3.5%
Small attendance center aid	1,314,250	(183,100)	-13.9%	1,529	0.1%	0	0.0%	45,999	3.5%
Comprehensive health education	1,131,396	(1,077)	-0.1%	(1,077)	-0.1%	0	0.0%	39,599	3.5%
Totals (may not sum due to rounding)	\$361,362,846	\$12,647,700	3.5%	\$13,370,425	3.7%	\$12,647,700	3.5%	\$12,647,700	3.5%

Description of Potential Allocation Options

A: Staff recommendation, based on actual 3.5 percent inflation rate.

B: Department's request, based on OSPB December Revenue Forecast inflation rate (3.7 percent).

C: Provide a 5.2% increase for children with disabilities and English language proficiency programs (programs required by statute).

D: Provide the same percentage increase for all programs.

LINE ITEM DETAIL - ASSISTANCE TO PUBLIC SCHOOLS

(A) PUBLIC SCHOOL FINANCE

ADMINISTRATION

This line item includes funding to support Department staff who administer the School Finance Act, the Colorado Preschool Program, and full-day kindergarten programs. This unit oversees the Financial Policy and Procedures Advisory Committee, and provides technical assistance to school districts related to preschool and full-day kindergarten programs, as well as statutory and regulatory budgetary, accounting, and reporting requirements. This unit works with the State Treasurer's Office to intercept charter school debt payments, and with the Department of Human Services to withhold School to Work Alliance Program matching funds for vocational rehabilitation. This unit also distributes funding for other programs, including facility school funding, transportation reimbursements, small attendance center aid, grant writing funds for boards of cooperative services, and concurrent enrollment funding.

This line item also supports an audit team to ensure compliance related to funds that districts receive for school finance, public school transportation, and English language proficiency programs, as well as funds that facility schools and state agencies receive for education programs.

As authorized by S.B. 09-215, the Long Bill supported line item with "off-the-top" funding from the State Share of Districts' Total Program Funding line item from FY 2009-10 through FY 2020-21. This funding mechanism was reinstated in 2009 to reduce General Fund expenditures and maintain critical Department functions. However, for FY 2021-22, the General Assembly transitioned back to supporting the line item with direct appropriations from the General Fund, in addition to a smaller appropriation from the State Education Fund. As a result, school finance administration is no longer holding funds back from distribution to school districts through the school finance formula.

STATUTORY AUTHORITY: Sections 22-2-112, 22-2-113, and 22-54-114 (2.3), C.R.S.

REQUEST: The Department requests a continuation appropriation of \$1,929,516 total funds and 17.4 FTE for FY 2022-23. The request includes \$1,839,176 General Fund and \$90,340 cash funds from the State Education Fund. The request includes the following changes from the FY 2021-22 appropriation:

- An increase of \$44,037 total funds (\$41,488 General Fund) to annualize FY 2021-22 salary survey appropriations.
- An increase of \$5,953 total funds (\$5,657 General Fund) to reflect the FY 2022-23 impact of S.B. 18-200 (Modifications to PERA to Eliminate Unfunded Liability).

RECOMMENDATION: Staff recommends approving the request. Staff intends to continue to work with the Department to evaluate the allocation of staff and funding to the school finance administration line item. However, staff recommends approving the continuation appropriation request for FY 2022-23.

FINANCIAL TRANSPARENCY SYSTEM MAINTENANCE

The General Assembly added this line item to the FY 2018-19 Long Bill to support the ongoing maintenance of the financial transparency system authorized in H.B. 14-1292 (Student Success Act). The original legislation transferred \$3.0 million cash funds from the State Education Fund to the newly created Financial Reporting Fund and continuously appropriated those funds to the Department for FY 2014-15 through FY 2017-18 to create a financial transparency system allowing for the comparison of expenditures across schools, districts, and other local education providers.² Money remaining in the Financial Reporting Fund (\$1.1 million at the end of FY 2017-18 and an estimated \$492,507 at the end of FY 2018-19) is subject to legislative appropriation in FY 2018-19 and subsequent years. The Final Fiscal Note for H.B. 14-1292 assumes ongoing expenses of \$600,000 per year to maintain the system. For FY 2020-21, the General Assembly reduced the appropriation to \$462,000 total funds based on revised contract information.

For FY 2021-22, the General Assembly approved the Department’s request to reduce funding for this line item and operate and maintain the system “in house” rather than contracting for the operation and maintenance of the system. As a result, the FY 2021-22 appropriation includes \$88,120 cash funds from the State Education Fund and 1.0 FTE, \$373,880 below the FY 2020-21 appropriation.

STATUTORY AUTHORITY: Sections 22-44-105, C.R.S.

REQUEST: The Department is requesting a continuation appropriation of \$88,120 cash funds from the State Education Fund for FY 2022-23, with no change from the FY 2021-22 appropriation. ,

RECOMMENDATION: Staff recommends approving the request. The Department reports that the additional state FTE approved through the FY 2021-22 Long Bill is on staff and that the Department expects the state-operated and maintained system to be operating on schedule.

STATE SHARE OF DISTRICTS’ TOTAL PROGRAM FUNDING

The State Share of Districts’ Total Program Funding line item provides for the State’s share of funding under the statutory school finance formula; the appropriation does not reflect the local share of funding. A brief discussion of this line item is above, with the discussion of R1/BA1 (Total Program Increase).

STATUTORY AUTHORITY: Section 22-54-101, et seq., C.R.S.

REQUEST: The Department’s request for the state share of districts’ total program funding for FY 2022-23 would provide \$5,015,398,295 total funds (including \$4,040,848,829 General Fund). The request represents an increase of \$306.4 million cash funds above the FY 2021-22 appropriation as adjusted by H.B. 22-1186. With R1/BA (Total Program Increase), the request proposes to reduce the budget stabilization factor by \$137.0 million below the adjusted FY 2021-22 appropriation.

RECOMMENDATION: Pursuant to current law, staff’s preliminary recommendation *for the Long Bill appropriation for total program* would hold the budget stabilization factor constant at \$503.3 million. As the Long Bill is written to current law, the staff recommendation does not include any change in the budget stabilization factor and assumes that the General Assembly would accomplish any such change through the School Finance Bill.

² The system website is available at: <https://coloradok12financialtransparency.com/#/>

Based on estimates of local revenues for FY 2021-22, staff recommends approving an appropriation of \$4,878,360,462 total funds. The preliminary staff recommendation for the Long Bill includes \$4,210,237,792 General Fund, \$574,695,001 cash funds from the State Education Fund, and \$93,427,669 cash funds from the State Public School Fund. Relative to the FY 2021-22 appropriation, the recommendation includes: (1) an increase of \$168.4 million General Fund and (2) a fund source change to appropriate \$99.9 million from the State Education Fund rather than the State Public School Fund. Please note that the fund sources are may change based on the March 2022 revenue forecasts as well the Committee’s decisions affecting available fund balances in the State Education Fund and State Public School Fund. Staff will address those changes through a staff “comeback.” The following table shows the (preliminary) recommended changes from the FY 2021-22 appropriation for the Long Bill.

ASSISTANCE TO PUBLIC SCHOOLS, PUBLIC SCHOOL FINANCE, STATE SHARE OF DISTRICTS' TOTAL PROGRAM FUNDING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2021-22 APPROPRIATION						
FY 2021-22 Appropriation	\$4,848,537,248	\$4,040,848,829	\$807,688,419	\$0	\$0	0.0
HB22-1186 (Mid-year school finance)	(139,565,749)	0	(139,565,749)	0	0	0.0
TOTAL	\$4,708,971,499	\$4,040,848,829	\$668,122,670	\$0	\$0	0.0
FY 2022-23 RECOMMENDED APPROPRIATION						
FY 2021-22 Appropriation	\$4,708,971,499	\$4,040,848,829	\$668,122,670	\$0	\$0	0.0
R1/BA1 Total program increase	169,388,963	169,388,963	0	0	0	0.0
TOTAL	\$4,878,360,462	\$4,210,237,792	\$668,122,670	\$0	\$0	0.0
INCREASE/(DECREASE)	\$169,388,963	\$169,388,963	\$0	\$0	\$0	0.0
Percentage Change	3.6%	4.2%	0.0%	0.0%	0.0%	0.0%
FY 2022-23 EXECUTIVE REQUEST	\$5,015,398,295	\$4,040,848,829	\$974,549,466	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$137,037,833	(\$169,388,963)	\$306,426,796	\$0	\$0	0.0

As discussed above with request R1/BA, staff has also provided a preliminary recommendation for the School Finance Bill that would include a 50.0 percent reduction to the budget stabilization factor.

SCHOOL FINANCE AUDIT PAYMENTS

The General Assembly added this line item to the FY 2021-22 Long Bill to support audit payments to school districts pursuant to Sec. 22-2-113 (10)(j), C.R.S. The Department makes these payments to make up for previous underpayments to school districts and schools that are discovered through the audit process. Prior to FY 2020-21, the Department had made audit payments *to* districts from audit revenues collected *from* districts and deposited to the State Public School Fund. The payments out to districts were not specifically appropriated and were effectively off budget. However, in FY 2020-21, the anticipated payments exceeded anticipated revenues, requiring an additional appropriation which the General Assembly included in the annual school finance bill (H.B. 20-1418). The Department requested the creation of the new Long Bill line item for FY 2021-22 to reflect anticipated audit payments on a more transparent basis.

STATUTORY AUTHORITY: Section 22-2-113 (1)(j), C.R.S.

REQUEST: The Department requests a continuation appropriation of \$1,000,000 cash funds from the State Public School Fund (originating as audit recoveries), with no change from the FY 2021-22 appropriation.

RECOMMENDATION: Staff recommends approving the request. While staff had anticipated a reduction in audit payments for FY 2022-23, the Department currently anticipates approximately \$900,000 in payments for FY 2022-23 (based on existing audits). Staff recommends approving the appropriation of \$1,000,000 to provide a bit of “buffer” above the currently anticipated payments. Staff notes that the Department has reported significant fluctuations in audit payments in recent years, with large increases in the payments in FY 2020-21 relative to previous years. Staff will continue to work with the Department in an attempt to develop a more predictable system to fund these payments.

AT-RISK PER PUPIL ADDITIONAL FUNDING

Created in S.B. 15-267 (School Finance) and first funded in FY 2015-16, this line item provides additional funding to school districts and Institute charter schools for at-risk pupils. The program provides funding on a per pupil basis, calculated as \$5.0 million divided by the number of at-risk pupils statewide for the applicable budget year. In order to support the program, S.B. 15-267 increased 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 (see Section 22-41-102 (3) (e), C.R.S.) and dedicated that funding to the At-risk Per Pupil Additional Funding program beginning in FY 2015-16. The bill sets the \$5.0 million level of funding in statute and directs the General Assembly to appropriate that amount of funding for the program each year beginning in FY 2015-16.

STATUTORY AUTHORITY: Section 22-54-136, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$5.0 million cash funds from the State Public School Fund (from interest and income earned on the Permanent Fund that is transferred to the State Public School Fund), with no change from the FY 2021-22 appropriation and as required by current statute.

RECOMMENDATION: Staff recommends approving the request, which is consistent with current law as enacted in S.B. 15-267. That bill permanently increased transfers of interest and income earned on the Permanent Fund to the State Public School Fund and directs that the funds be used for this program.

AT-RISK SUPPLEMENTAL AID

House Bill 12-1345 created a program to provide supplemental aid to qualifying school districts and charter schools. The bill provided an appropriation of \$3,839,627 cash funds from the State Education Fund in FY 2012-13. The Committee added this line item to the FY 2013-14 Long Bill and appropriated the same amount as in FY 2012-13. In FY 2014-15, the General Assembly increased the appropriation to \$5,094,358 cash funds from the State Education Fund in an effort to fully fund the statutory calculation, and the appropriation remained at that level through FY 2020-21. For FY 2021-22, the General Assembly reduced the appropriation by \$250,000 (to \$4,844,358) based on recent expenditures under the line item as expenditures had consistently been below the appropriation.

STATUTORY AUTHORITY: Section 22-30.5-112.2, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$4,844,358 cash funds from the State Public School Fund, with no change from the FY 2021-22 appropriation.

RECOMMENDATION: Staff recommends approving the request. Based on recent expenditures, the request appears to be sufficient to support likely costs for FY 2022-23. Any unspent amounts will remain in the State Public School Fund for appropriation in subsequent years.

DISTRICT PER PUPIL REIMBURSEMENT FOR JUVENILES HELD IN JAIL

Section 22-32-141, C.R.S., enacted as S.B. 10-054, requires the General Assembly to appropriate moneys to reimburse school districts for educational services provided to juveniles held in jails. This act authorized the appropriation of moneys from the Read-to-Achieve Cash Fund for such purpose. The enactment of H.B. 12-1238 (Early Literacy) eliminated the Read-to-Achieve Cash Fund and supported this line item with cash funds from the State Education Fund in FY 2012-13 and subsequent years.

This line item has historically provided funding for two types of expenses:

- Funding for all juveniles receiving educational services in jail (whether or not they were included in a district's pupil enrollment): The district providing educational services receives the daily rate established for facility schools for each day of service (recognizing that they are only required to provide four hours of educational services per week).
- Funding for juveniles who were not included in a district's pupil enrollment: The district providing educational services can receive reimbursement for costs incurred up to state average per pupil revenue, prorated for the period services are provided.

STATUTORY AUTHORITY: Section 22-32-141, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$10,000 cash funds from the State Education Fund, with no change from the FY 2021-22 appropriation.

RECOMMENDATION: Staff recommends approving the request. Staff notes that the appropriation has not been used in recent years and may not be necessary. However, current law requires the Department to provide reimbursement if requested and the General Assembly has maintained the appropriation for that reason. Based on the lack of use of the funding, the General Assembly may wish to consider eliminating the statutory requirement (and the appropriation) as part of separate legislation such as the School Finance Bill. Should the appropriation remain in place, any unspent moneys will remain in the State Education Fund and be available for appropriation in subsequent years.

ADDITIONAL FUNDING FOR RURAL DISTRICTS AND INSTITUTE CHARTER SCHOOLS

The General Assembly added this line item to the FY 2021-22 Long Bill to support additional per pupil payments to rural school districts and institute charter schools pursuant to H.B. 20-1427 (Cigarette Tobacco & Nicotine Products Tax) and Proposition EE (adopted by the voters at the

November 2020 election). Senate Bill 21-053 (Adjustments to School Funding for FY 2020-21) includes an appropriation of \$25.0 million from the Rural Schools Cash Fund for FY 2020-21, as required by H.B. 20-1427. That bill requires distributions of \$30.0 million in FY 2021-22 and \$35.0 million in FY 2022-23.

Similar to “one-time” distributions provided in FY 2018-19 and FY 2019-20, the bill directs per pupil distributions to rural school districts and institute charter schools on the following basis:

- 55.0 percent of the total funding is distributed to large rural districts (districts that the Department has identified as rural that have between 1,000 and 6,500 pupils in kindergarten through 12th grade) and to institute charter schools located in those districts.
- 45.0 percent of the total funding is distributed to small rural districts (districts that the Department has identified as rural that have less than 1,000 pupils in kindergarten through 12th grade). Although it is less than half of the total funds, the per pupil distributions for these districts are higher because that amount of funding is applied to a smaller number of pupils.

STATUTORY AUTHORITY: Section 22-54-142, C.R.S.

REQUEST: The request includes an appropriation of \$35.0 million cash funds from the Rural School Cash Fund for FY 2022-23, including an increase of \$5.0 million as directed by H.B. 20-1427.

RECOMMENDATION: Staff recommends approving the request, which is consistent with H.B. 20-1427 and Proposition EE.

LINE ITEMS INCLUDED IN THE NUMBERS PAGES DUE TO PRIOR YEAR FUNDING

ADDITIONAL AT-RISK FUNDING FOR FY 2021-22 (SEC. 22-54-144, C.R.S.)

House Bill 22-1186 (FY 2021-22 Mid-year School Finance Adjustments) appropriated \$91.4 million cash funds from the State Education Fund to offset an estimated undercount of at-risk students in many school districts throughout the state. The bill directed the Department to distribute funds based on the proportion of each school district’s at-risk count that was identified through either direct certification or categorical eligibility in FY 2019-20 – and then assume that the direct certification/categorical eligibility population for FY 2021-22 would represent the same proportion of the at-risk population in FY 2021-22.

The bill provided the funding on a one-time basis as the estimated undercount was associated with the availability of universal free lunch under federal law in FY 2020-21 and FY 2021-22. Thus, neither the request nor the recommendation include funding for this purpose for FY 2022-23.

ADDITIONAL FUNDING PURSUANT TO SEC. 22-54-143 (3)(a), C.R.S.

Senate Bill 21-053 (FY 2020-21 Mid-year School Finance) appropriated \$14.7 million General Fund for FY 2020-21 to ensure that no school district’s total program funding for FY 2020-21 would fall below its estimated amount (in the original FY 2020-21 appropriation) by a percentage greater than its decrease in enrollment below the original projection. The funding was provided on a one-time

basis. Thus, neither the request nor the staff recommendation include funding for this purpose for FY 2022-23.

ADDITIONAL FUNDING PURSUANT TO SEC. 22-54-143 (3)(b), C.R.S.

Senate Bill 21-053 (FY 2020-21 Mid-year School Finance) appropriated \$4.6 million General Fund for FY 2020-21 to ensure that no school district's total program funding would decrease by more than 2.0 percent below its estimated total program funding (in the original FY 2020-21 appropriation). The funding was provided on a one-time basis. Thus, neither the request nor the staff recommendation include funding for this purpose for FY 2022-23.

ADDITIONAL FUNDING PURSUANT TO SEC. 22-54-143 (6), C.R.S.

Senate Bill 21-053 (FY 2020-21 Mid-year School Finance) appropriated \$569,849 General Fund for FY 2020-21 to provide additional funding for Institute Charter Schools located in school districts that received one-time funding through Sections 22-54-143 (3)(a) and (b) in FY 2020-21. The funding was provided on a one-time basis. Thus, neither the request nor the staff recommendation include funding for this purpose for FY 2022-23.

FEDERAL CARES ACT FUNDS

House Bill 20-1418 reflected informational appropriations of federal funds provided through the CARES Act for FY 2019-20 (\$510.0 million) and FY 2020-21 (\$37.0 million). Those were one-time funds – as result there is no request or recommendation for FY 2021-22.

(B) CATEGORICAL PROGRAMS

(I) DISTRICT PROGRAMS REQUIRED BY STATUTE

SPECIAL EDUCATION PROGRAMS FOR CHILDREN WITH DISABILITIES

The federal *Individuals with Disabilities Education Act (IDEA)* and the state *Exceptional Children's Educational Act* [Article 20 of Title 22, C.R.S.] require school districts to provide free educational services to children, ages three to 21, who by reason of one or more conditions are unable to receive reasonable benefit from ordinary educational services. Districts are also required to provide free educational services to children "whose presence in the ordinary educational program is detrimental to the education of others and who must therefore receive modified or supplementary assistance and services in order to function and learn". Services provided must be individualized and appropriate for the specific needs of the child, and, to the extent possible, be provided in the least restrictive environment. Federal and state law require administrative units (usually a school district or a board of cooperative service) to provide all necessary services to children identified as having a disability regardless of the cost or other district needs and priorities.

In addition to total program funds districts receive to provide educational services to children with disabilities (including three- and four-year-old children³), districts are statutorily eligible to receive reimbursement for additional costs incurred in providing educational services to school-age children with disabilities. These reimbursements include federal funding and state funding (subject to available appropriations). Federal funds are generally allocated based on the total number of elementary and secondary students within the boundaries of each administrative unit, with a portion of the funding allocated based on the number of children living in poverty.

Pursuant to Sections 22-20-114 and 114.5, C.R.S., the Department allocates *state funds* among units as follows:

- **"Tier A"**: Administrative units receive \$1,250 for each child with a disability who was reported on the prior year special education count.
- **"Tier B"**: Administrative units receive an additional \$6,000 per student for a percentage of the children reported on the prior year special education count with the following disabilities: intellectual disability; serious emotional disability; hearing impairment, including deafness; vision impairment, including blindness; deaf-blindness; autism spectrum disorders; traumatic brain injury, and multiple disabilities. The percentage is determined by the appropriation.
- **"Tier C"**: Administrative units receive grants for reimbursement of high costs incurred in providing special education services to a child in the preceding fiscal year. These grants are distributed based on recommendations from the Colorado Special Education Fiscal Advisory Committee, taking into consideration the magnitude of the high costs incurred by a unit in relation to its budget. A total of \$4.0 million is allocated for this purpose, including \$2 million for costs incurred to serve students within the school district, and \$2 million for costs incurred to serve students outside the district.
- **"Educational Orphans"**: Up to \$500,000 is used to reimburse administrative units for excess costs paid to eligible facilities within the unit's boundaries for "educational orphans", those students with disabilities: (a) for whom parental rights have been relinquished or terminated; (b) the parents of whom are incarcerated or cannot be located; (c) the parents of whom reside out of the state but the Department of Human Services has placed such children within the administrative unit; or (d) who are legally emancipated.

STATUTORY AUTHORITY: Sections 22-20-114 and 114.5, C.R.S.

REQUEST: The Department's request for FY 2022-23 includes a total of \$227.9 million state funds (including \$93.6 million General Fund and \$134.3 million cash funds from the State Education Fund), an increase of \$7.7 million (3.5 percent) in state funding. The Department's request also reflects \$191,090 reappropriated funds and 1.0 FTE from funds transferred from the Department of Labor and Employment, Division of Vocational Rehabilitation, and \$156.6 million in federal funds that are anticipated to be available to reimburse administrative units and support 62.0 federally-funded Department FTE. The request includes the following increases above the FY 2021-22 appropriation:

- \$7,704,609 cash funds from the State Education Fund) to provide the inflationary increase required by Amendment 23 (request R2, discussed above).

³ Pursuant to Section 22-54-103 (10) (d), C.R.S., three- and four-year-old children with disabilities are counted as half-day pupils.

- \$264,144 *federal funds* to annualize FY 2021-22 salary survey appropriations.
- \$39,838 *federal funds* to reflect the FY 2022-23 impact of S.B. 18-200 (Modifications to PERA to Eliminate Unfunded Liability).

RECOMMENDATION: Staff recommends reflecting a total appropriation of \$384,145,949, including \$93,572,347 General Fund; \$133,812,012 cash funds from the State Education Fund (a 3.3 percent annual increase in *state* funding associated with the inflationary increase required by Amendment 23); \$191,090 reappropriated funds; and \$156,570,500 federal funds. Staff also recommends reflecting the requested 63.0 FTE. The recommendation includes the following changes from the FY 2021-22 appropriation:

- An increase of \$7,229,726 cash funds from the State Education Fund associated with the inflationary increase required by Amendment 23 (request R2). The recommendation is \$474,883 below the request primarily based on the decreased inflation rate relative to the assumptions in the request.
- An increase of \$303,982 federal funds to reflect the FY 2021-22 impact of S.B. 18-200 and the annualization of FY 2021-22 salary survey appropriations. The recommendation for these amounts aligns with the request and the increase in federal funds would be reflected for informational purposes only.

The following table shows the recommended changes from the FY 2021-22 appropriation for the Special Education Programs for Children with Disabilities categorical program.

ASSISTANCE TO PUBLIC SCHOOLS, CATEGORICAL PROGRAMS, SPECIAL EDUCATION - CHILDREN WITH DISABILITIES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2021-22 APPROPRIATION						
FY 2021-22 Appropriation	\$376,612,241	\$93,572,347	\$126,582,286	\$191,090	\$156,266,518	63.0
TOTAL	\$376,612,241	\$93,572,347	\$126,582,286	\$191,090	\$156,266,518	63.0
FY 2022-23 RECOMMENDED APPROPRIATION						
FY 2021-22 Appropriation	\$376,612,241	\$93,572,347	\$126,582,286	\$191,090	\$156,266,518	63.0
R2 Categorical programs increase	7,229,726	0	7,229,726	0	0	0.0
Annualize prior year budget actions	264,144	0	0	0	264,144	0.0
Annualize prior year legislation	39,838	0	0	0	39,838	0.0
TOTAL	\$384,145,949	\$93,572,347	\$133,812,012	\$191,090	\$156,570,500	63.0
INCREASE/(DECREASE)	\$7,533,708	\$0	\$7,229,726	\$0	\$303,982	0.0
Percentage Change	2.0%	0.0%	5.7%	0.0%	0.2%	0.0%
FY 2022-23 EXECUTIVE REQUEST						
Request Above/(Below)	\$384,620,832	\$93,572,347	\$134,286,895	\$191,090	\$156,570,500	63.0
Recommendation	\$474,883	\$0	\$474,883	\$0	\$0	0.0

ENGLISH LANGUAGE PROFICIENCY PROGRAM

Pursuant to the federal *No Child Left Behind Act* [Title III - Language Instruction for Limited English Proficient and Immigrant Students], the federal *Civil Rights Act of 1964* [Title VI], and the English

Language Proficiency Act [Article 24 of Title 22, C.R.S.], districts are required to identify and provide programs for students with limited English proficiency.

Some federal funding is available for such programs, and, with the enactment of H.B. 14-1298 (School Finance), the State now provides assistance to districts through three mechanisms. First, districts receive "at-risk" funding through the School Finance Act for some students with limited English proficiency. Second, districts receive funding through the English Language Proficiency Act (ELPA) categorical program for students with limited English proficiency. As enacted in H.B. 14-1298, Section 22-24-104 (2) (a), C.R.S., limits state ELPA funding to a maximum of five years per student (prior to FY 2014-15, statute limited payments to no more than two years per student). Third, beginning in FY 2014-15, districts receive additional funding (a total of \$27.0 million per year since FY 2014-15) through the English Language Learners Professional Development and Student Support Program created in H.B. 14-1298.

The Department has provided data detailing the number of students eligible for state funding as well as the number receiving English language learner (ELL) services who are not eligible for state funding, by grade level. With the five-year limit on ELPA funding eligibility, the majority (72.1 percent) of ELL students receiving state funding in FY 2021-22 are in kindergarten through fourth grade. Those kindergarten through fourth-grade students represent 44.0 percent of the total number of ELL students statewide in FY 2021-22. It is important to note that it often takes more than five years for students to progress out of English language services and that state and federal law require school districts to continue to provide services beyond the five-year window based on the needs of the student.

- For example, in FY 2021-22, school districts are providing English language services to 43,998 students that are no longer eligible for state funding, representing 38.9 percent of the 113,031 students receiving ELL services.
- School districts must absorb those costs within their operating budgets, increasing the gap between state and federal funds available for ELL services and the school districts' total costs for those services. In FY 2019-20, school districts spent \$233.8 million more on ELL services than was available in state and federal funding. That gap between available funds and district costs drives the Committee's allocation of the constitutionally required increases in categorical funding.

House Bill 18-1379 (School Finance) adjusted the allocation of the categorical funding.

- Prior law had required the Department to allocate three-quarters of the total appropriation to districts serving students considered non-English proficient (NEP), defined as students who: (a) speak languages other than English and do not comprehend or speak English; or (b) students who comprehend or speak some English, but whose primary comprehension or speech is in a language other than English. The remaining 25 percent of the amount appropriated was distributed to districts serving students considered limited-English proficient (LEP), defined as students who comprehend and speak English and one or more other languages but whose English language development and comprehension is either (1) at or below the district mean or below the mean or equivalent on a nationally standardized test; or (2) below the acceptable proficiency level based on the instrument or technique developed and approved by the Department.
- House Bill 18-1379 adjusted the allocation so that the Department distributes funds based on the proportion of eligible students in each category. As under prior law, the statute limits per pupil funding for each classification of students (the greater of \$400 or 20.0 percent of statewide average

per pupil funding for NEP students and \$200 or 10.0 percent of statewide average per pupil funding for LEP students.

STATUTORY AUTHORITY: Section 22-24-106, C.R.S.

REQUEST: The Department’s FY 2022-23 request seeks \$38.8 million total funds, including \$27.5 million state funds (including \$3.1 million General Fund and \$24.4 million cash funds from the State Education Fund) and \$11.3 million federal funds. The request reflects continuation of 4.6 federally funded FTE. The request includes the following increases above the FY 2021-22 appropriation:

- \$2,290,619 cash funds from the State Education Fund associated with request R2 (Categorical Programs Increase, discussed above) to provide the inflationary increase required by Amendment 23. The request represents a 9.1 percent increase in state funding.
- A total increase of \$10,100 federal funds to reflect the annualization of FY 2021-22 salary survey appropriations (\$8,776) and the FY 2021-22 impact of S.B. 18-200 (\$1,324).

RECOMMENDATION: Staff recommends a total appropriation of \$38,798,011, including \$3,101,598 General Fund and \$24,422,006 cash funds from the State Education Fund, and 4.6 FTE. The recommendation includes an increase of \$2,265,862 (9.0 percent) in state funding from the State Education Fund associated with the inflationary increase required by Amendment 23 (request R2). The state funding is \$24,757 below the request based on the decreased inflation rate relative to the assumption in the request. Staff recommends reflecting \$11,274,407 federal funds and 4.6 federally funded FTE in this line item, as requested. The following table shows the recommended changes from the FY 2021-22 appropriation.

ASSISTANCE TO PUBLIC SCHOOLS, CATEGORICAL PROGRAMS, ENGLISH LANGUAGE PROFICIENCY PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2021-22 APPROPRIATION						
FY 2021-22 Appropriation	\$36,522,049	\$3,101,598	\$22,156,144	\$0	\$11,264,307	4.6
TOTAL	\$36,522,049	\$3,101,598	\$22,156,144	\$0	\$11,264,307	4.6
FY 2022-23 RECOMMENDED APPROPRIATION						
FY 2021-22 Appropriation	\$36,522,049	\$3,101,598	\$22,156,144	\$0	\$11,264,307	4.6
R2 Categorical programs increase	2,265,862	0	2,265,862	0	0	0.0
Annualize prior year budget actions	8,776	0	0	0	8,776	0.0
Annualize prior year legislation	1,324	0	0	0	1,324	0.0
TOTAL	\$38,798,011	\$3,101,598	\$24,422,006	\$0	\$11,274,407	4.6
INCREASE/(DECREASE)	\$2,275,962	\$0	\$2,265,862	\$0	\$10,100	0.0
Percentage Change	6.2%	0.0%	10.2%	0.0%	0.1%	0.0%
FY 2022-23 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$24,757	\$0	\$24,757	\$0	\$0	0.0

(II) OTHER CATEGORICAL PROGRAMS

PUBLIC SCHOOL TRANSPORTATION

Pursuant to Section 22-32-113, C.R.S., a school district may provide transportation for students to and from school. However, a school district must provide transportation for students who fall under the federal *Individuals with Disabilities Education Act* or Section 504 of the federal *Rehabilitation Act of 1973*, as well as homeless students. The Department indicates that one of Colorado's 178 school districts (San Juan – Silverton) does not provide transportation services. Statewide, approximately 34 percent of students are being transported in the current year (a reduction from approximately 39 percent prior to the COVID-19 pandemic). In recent years prior to FY 2019-20, school districts travelled a total of almost 60 million miles each year for routes (home to school, school to school, and school to home) and activity trips. During the 2019-20 school year, total miles traveled decreased to approximately 41 million miles as a result of the Spring 2020 impacts of the COVID-19 pandemic. For FY 2020-21, travel decreased again to approximately 33 million miles due to the ongoing impacts of the COVID-19 pandemic.

This line item provides state funding to reimburse school districts for a portion of the costs incurred to transport students. Pursuant to Section 22-51-104, C.R.S., and subject to available appropriations, each district is eligible to receive reimbursement equal to \$0.3787 per-mile-traveled plus 33.87 percent of its total transportation-related costs (excluding capital outlay expenses) in excess of the per-mile-traveled reimbursement. Districts are authorized to generate additional local revenues to support their transportation programs via an additional mill levy or a transportation user fee. While voter approval is required to levy additional taxes, as of FY 2005-06, a district is allowed to impose a user fee without prior voter approval. For the current year, nine districts have received voter approval to levy separate mills to generate additional local revenues (a reduction of two districts from recent years because of mill levy sunsets).⁴ Currently, eight districts report that they are collecting fees from individuals for transporting students to and from school.⁵ In years when the appropriation does not fully fund the maximum allowable reimbursement, the Department prorates reimbursements accordingly.

This line item also supports 2.0 FTE who provide oversight of student transportation programs in school districts. This unit administers regulations related to safe transportation of students, and provides extensive training, technical assistance, and monitoring to assist districts in providing safe, efficient, and effective transportation of children.

STATUTORY AUTHORITY: Section 22-51-104, C.R.S.

REQUEST: The Department's FY 2022-23 request includes a total of \$65.3 million, including \$64.9 million in state funding (a 3.3 percent increase in state funding) and 2.0 FTE and a continuation appropriation of \$450,000 cash funds from the State Public School Transportation Fund, which consists of money recovered by the Department when it identifies a transportation-related overpayment to a district. The requested appropriation from the State Public School Transportation Fund would allow the Department to re-distribute money recovered in the current fiscal year in FY 2022-23. The request includes the following increases above the FY 2021-22 appropriation (all of which are requested from the State Education Fund):

⁴ Districts include: Boulder - Boulder Valley, Eagle, Gilpin, Grand - East Grand, Las Animas - Primero, Rio Blanco - Rangely, Routt – South Routt, San Miguel - Telluride, and Summit.

⁵ Districts collecting fees include: Adams - Brighton, Douglas, El Paso – Academy, El Paso – Lewis Palmer, El Paso - Falcon, Jefferson, Summit, and Teller – Woodland Park.

- \$2,095,637 cash funds from the State Education Fund to provide inflationary the inflationary increase required by Amendment 23 (request R2).
- \$6,172 to annualize FY 2021-22 salary survey appropriations.
- \$716 to reflect the FY 2022-23 impact of S.B. 18-200.

RECOMMENDATION: Staff recommends a total appropriation of \$65,290,516 and 2.0 FTE. The recommendation includes \$36,922,227 General Fund, \$27,918,289 cash funds from the State Education Fund, and \$450,000 cash funds from the State Public School Transportation Fund, representing a 3.3 percent increase in state funding. The recommendation includes an increase of \$2,068,554 cash funds from the State Education Fund associated with request R2 (discussed above) to provide the inflationary increase required by Amendment 23.

In a change from the request (but consistent with prior years), staff does not recommend providing additional state funding to annualize S.B. 18-200. Staff does not recommend including additional base building funds (under Amendment 23) in the appropriation for those purposes. Instead, staff recommends that the Department absorb those costs within the recommended inflationary increase as part of the cost of operating the program.

TRANSFER TO THE DEPARTMENT OF HIGHER EDUCATION FOR DISTRIBUTION OF STATE ASSISTANCE FOR CAREER AND TECHNICAL EDUCATION

The State Board for Community Colleges and Occupational Education is responsible for approving career and technical education programs, as well as distributing state funds to school districts with students enrolled in approved programs [see Article 8 of Title 23, C.R.S.]. The state funds are distributed to school districts to partially reimburse costs related to personnel, books and supplies, and equipment for approved programs. Specifically, state funding is available to a district if its approved program cost per full-time equivalent student exceeds 70 percent of the district's per pupil operating revenues for the same fiscal year. A district is eligible to receive reimbursement for 80 percent of the first \$1,250 in "excess costs" incurred, and 50 percent of any excess costs above \$1,250.

The program requires each participating district to estimate program costs and enrollments at the beginning of each school year and provide actual cost data at the end of the school year. Districts receive funding quarterly based on such estimated figures. Any difference between a district's estimated and actual costs is added or subtracted from the first quarterly payment in the following fiscal year. If the appropriation is insufficient to fully fund the amount districts are eligible to receive, the Department of Higher Education prorates distributions accordingly.

STATUTORY AUTHORITY: Section 23-8-102, C.R.S.

REQUEST: The Department requests a total of \$29.3 million in state funding, including \$17.8 million General Fund and \$11.5 million cash funds from the State Education Fund, for FY 2022-23. The request includes an increase of \$1,013,683 cash funds from the State Education Fund (a 3.6 percent increase in state funding) associated with request R2.

RECOMMENDATION: Staff recommends a total appropriation of \$29,244,943 state funds, including \$17,792,850 General Fund and \$11,452,093 cash funds from the State Education Fund (a 3.5 percent

increase in state funding). The recommendation reflects an increase of \$1,000,582 cash funds from the State Education Fund associated with requests R2 (discussed above).

SPECIAL EDUCATION PROGRAMS FOR GIFTED AND TALENTED CHILDREN

The state *Exceptional Children's Educational Act* defines a gifted child as one whose "aptitude or competence in abilities and talents and potential for accomplishments in one or more domains, as defined by state board rule, are so outstanding that he or she requires special provisions to meet his or her educational needs" [see Section 22-20-202 (11), C.R.S.]. Pursuant to Section 22-20-204, C.R.S. (as amended by H.B. 14-1102 (Gifted Education Programs)), each administrative unit is required to adopt and implement a program to identify and serve gifted children. The plan must be implementable within the local, state, and federal resources available for gifted education programs. State funding for gifted programs must supplement, not supplant, programs for students with disabilities.

State distributions may be used for universal screening of students, employing a gifted education coordinator, teacher salaries for appropriately licensed and endorsed personnel, programming options and counseling related to serving gifted children, materials used in serving gifted children, professional development for personnel who serve gifted children, and direct administrative costs incurred in implementing the gifted education program. In order to receive funding, an administrative unit (district, multi-district administrative unit, or board of cooperative service) must submit a comprehensive program plan and annual proposed budget for gifted education identification, programming, personnel, and accountability. The Department uses the appropriation: (a) for administrative unit per pupil distributions; (b) for "hold-harmless" allocations for certain rural school districts and boards of cooperative services that provide services to multiple school/rural districts; (c) to support ten regional grants for gifted education consultants and professional development; and (d) for state administration.

STATUTORY AUTHORITY: Section 22-26-101, C.R.S.

REQUEST: The Department requests a total of \$13.3 million in state funding, including \$5,500,000 General Fund and \$7,766,121 cash funds from the State Education Fund and 1.5 FTE in FY 2022-23. The request includes the following changes from the FY 2021-22 appropriation:

- An increase of \$261,014 cash funds from the State Education Fund associated with request R2 (Categorical Programs Increase), discussed above, representing a 2.0 percent increase in state funds with R2.
- A total increase of increase of \$10,165 cash funds from the State Education Fund to reflect the annualizations of FY 2021-22 salary survey (\$9,108) and S.B. 18-200 (\$1,057).

RECOMMENDATION: Staff recommends a total appropriation of \$13,252,582 and 1.5 FTE, including \$5,500,000 General Fund and \$7,752,582 cash funds from the State Education Fund (a 2.0 percent increase in state funding). The recommendation includes an increase of \$257,640 cash funds from the State Education Fund associated with request R2 (discussed above).

As with Public School Transportation (discussed above), staff does not recommend providing additional state funding to S.B. 18-200. Staff does not recommend including additional base building funds (under Amendment 23) in the appropriation for that purpose. Instead, staff recommends that the Department absorb those costs within the recommended inflationary increase as part of the cost

of operating the program. The following table shows the recommended change from the FY 2021-22 appropriation.

EXPULSED AND AT-RISK STUDENT SERVICES GRANT PROGRAM

This program, first funded in FY 1997-98, provides grants to school districts, boards of cooperative services, and charter schools [see Section 22-38-101 et seq., C.R.S.] for the provision of educational services to expelled students and to students at risk of being suspended or expelled. The Department evaluates grant applications received, and the State Board of Education approves annual grant awards. The Department places strong emphasis on research-validated programs and strategies, and programs are required to show significant district support for program sustainability after grant funding ends. Pursuant to Section 22-33-205, C.R.S., the Board is required to award grants based on the following:

- at least 45 percent of moneys appropriated for the program shall be annually awarded to applicants that provide educational services to students from more than one school district; and
- at least one-half of any increases in the appropriation for FY 2009-10 (\$500,000) shall be annually awarded to applicants that provide services and supports designed to reduce the number of truancy cases requiring court involvement and that also reflect the best interests of students and families.

The Department awards grants on a rolling basis (i.e., when one grant is completed, the funding is reallocated to fund a new award).

The Department is also authorized to retain: (a) up to one percent of moneys appropriated for the purpose of annually evaluating the program; and (b) up to two percent of moneys appropriated for the purpose of partnering with organizations and agencies that provide services and supports designed to reduce the number of truancy cases requiring court involvement and that also reflect the best interests of students and families.

For FY 2009-10, the General Assembly increased funding for this program by approximately \$1.0 million and required the Department to use half of that increase (\$500,000) on an ongoing basis (annually) to support applicants providing services and supports to reduce the number of truancy cases. The General Assembly provided additional increases of \$150,000 in FY 2010-11 and \$2.0 million in FY 2018-19 (for a total appropriation of \$9,493,560 in FY 2018-19 and FY 2019-20).

STATUTORY AUTHORITY: Sections 22-33-205 and 22-38-101 et seq., C.R.S.

REQUEST: The Department requests an appropriation of \$9.5 million state funds (including \$5,788,807 General Fund and \$3,714,323 cash funds from the State Education Fund) and 1.0 FTE in FY 2021-22. The request includes the following increases above the FY 2021-22 appropriation:

- An increase of \$4,411 cash funds from the State Education Fund associated with request R2 (Categorical Programs Increase), discussed above.
- A total increase of increase of \$5,159 cash funds from the State Education Fund to reflect the annualizations of FY 2021-22 salary survey (\$4,623) and S.B. 18-200 (\$536).

RECOMMENDATION: Staff recommends approving an appropriation of \$9,501,996 total funds (including \$5,788,807 General Fund and \$3,713,189 cash funds from the State Education Fund) and

1.0 FTE. The recommendation includes an increase of \$8,436 cash funds from the State Education Fund associated with R2. The recommendation is intended to provide an increase of \$5,159 (as requested) to annualize salary survey and S.B. 18-200, as well as an increase of \$3,277 for grants under the program. The recommendation builds all of the components of the increase into the inflationary increase for request R2.

SMALL ATTENDANCE CENTER AID

Pursuant to Section 22-54-122, C.R.S., school districts that operate a school with fewer than 200 pupils that is located twenty or more miles from any similar school in the same district are eligible to receive additional state funding to offset the unique costs associated with operating such schools. In addition, since FY 2008-09, small attendance center aid has been limited to those districts that received the aid prior to FY 2008-09. The amount of additional state aid that a district is eligible to receive is based on the number of eligible schools it operates, the number of pupils in each eligible school, and the district's per pupil funding.

Similar to other categorical programs, whether a school district eligible for Small Attendance Center Aid actually receives the maximum reimbursement allowable is subject to appropriation. From FY 1998-99 through FY 2007-08, the appropriation for this line item was sufficient to reimburse eligible districts for the full amount statutorily allowed. For FY 2008-09 through FY 2014-15, the appropriation fell short of full funding. For FY 2015-16, the General Assembly increased funding for the program by \$117,171 cash funds from the State Education Fund in order to fully fund the estimated need as of FY 2014-15. For FY 2019-20, the General Assembly added \$237,700 based on the actual shortfall below full funding for FY 2018-19.

The following table details the allocation of small attendance center aid for FY 2021-22. As indicated in the table, the current FY 2021-22 appropriation includes \$1,314,250 total funds for this line item. However, based on the calculations directed by statute, the Department will only be able to distribute \$1,131,150 (a reduction of \$183,100 below the current appropriation). On average, eligible schools are receiving an additional \$1,311 per pupil in FY 2021-22.

SMALL ATTENDANCE CENTER AID: FY 2021-22 CALCULATIONS					
SCHOOL DISTRICT	SCHOOL	21-22 ENROLLMENT	FULL FUNDING PER FORMULA	AMOUNT DISTRIBUTED	DISTRIBUTION PER FTE
Gunnison	Marble Charter School	42.0	142,800	142,800	3,400
Huerfano	Gardner School	73.5	157,937	157,937	2,149
La Plata - Durango	Fort Lewis Mesa Elementary	86.5	11,071	11,071	128
Larimer - Poudre	PSD Mountain Schools / Red Feather Elementary	109.0	21,622	21,622	198
Logan - Valley	Caliche Elementary	136.5	123,327	123,327	903
Logan - Valley	Caliche Jr./Sr. High	117.0	148,300	148,300	1,268
Mesa - Mesa Valley	Gateway School	14.0	51,942	51,942	3,710
Moffat	Maybell Charter School	19.0	69,316	69,316	3,648
Montrose - West End	Paradox Valley Charter School	38.5	74,882	74,882	1,945
Park	Guffey Community Charter School	25.0	82,597	82,597	3,304
Park	Lake George Charter School	116.5	184,297	184,297	1,582
Pueblo 70	Beulah School	85.0	63,057	63,057	742
Totals		862.5	\$1,131,150	\$1,131,150	\$1,311

STATUTORY AUTHORITY: Section 22-54-122, C.R.S.

REQUEST: The Department requests an appropriation of \$1,317,226 state funds (including \$787,645 General Fund and \$529,581 cash funds from the State Education Fund). The request includes an increase of \$2,976 cash funds from the State Education Fund (a 0.2 percent increase) associated with request R2.

RECOMMENDATION: Staff recommends approving an appropriation of \$1,131,150 total funds (including \$787,645 General Fund and \$343,505 cash funds from the State Education Fund), including a reduction of \$183,100 cash funds from the State Education Fund below the FY 2021-22 appropriation. As discussed above, the recommendation aligns with the maximum amount the Department could distribute under this line item in FY 2021-22.

COMPREHENSIVE HEALTH EDUCATION

The *Colorado Comprehensive Health Education Act of 1990* requires the Department of Education to promote the development and implementation of local comprehensive health education programs and local student wellness programs. The Department is to: develop recommended guidelines for implementing these local programs; develop a plan for training teachers to provide comprehensive health education and student wellness; and provide technical assistance upon the request of a school district or board of cooperative services (and within available resources).

This line item provides funding for grants to school districts, facility schools, and boards of cooperative services to implement local comprehensive health education and student wellness programs, and for 1.0 FTE to administer the program and perform the duties required by the act. The Department of Education works with the Department of Public Health and Environment to review applications for state funding, and the State Board of Education allocates available funds. The comprehensive health grant program started a new three-year grant cycle in FY 2019-20 (which will end in FY 2021-22), and the wellness program will begin a new three-year cycle in FY 2021-22.

STATUTORY AUTHORITY: Section 22-25-101, C.R.S.

REQUEST: The Department requests an appropriation of \$1,137,074 state funds (including \$300,000 General Fund and \$837,074 cash funds from the State Education Fund) and 1.0 FTE for FY 2022-23. The request includes the following changes from the FY 2021-22 appropriation:

- A total increase of increase of \$6,755 cash funds from the State Education Fund to reflect the annualizations of FY 2021-22 salary survey (\$6,053) and S.B. 18-200 (\$702).
- A decrease of \$1,077 cash funds from the State Education Fund associated with request R2, discussed above. The request is based on districts' reported expenditures associated with the program for FY 2019-20.

RECOMMENDATION: Staff recommends approving a continuation appropriation of \$1,131,396 state funds (including \$300,000 General Fund and \$831,396 cash funds from the State Education Fund) and 1.0 FTE, with no change from the FY 2021-22 appropriation. Staff notes that the General Assembly added \$126,000 to this line item for FY 2018-19. As discussed above with request R2, staff is not recommending either the requested decrease of \$1,077 associated with request R2 or the requested increases to annualize prior year funding.

LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

LONG BILL FOOTNOTES

Staff recommends **ELIMINATING** the following footnote:

- 6 Department of Education, Assistance to Public Schools, Public School Finance, State share of Districts' Total Program Funding -- It is the General Assembly's intent that a portion of the amount appropriated for this line item, not to exceed \$250,000 for fiscal year FY 2021-22, shall be transferred to the Legislative Council for the purpose of funding the biennial cost of living analysis pursuant to Section 22-54-104 (5)(c)(III)(B), C.R.S.

COMMENT: Section 22-54-104 (5) (c) (III) (A), C.R.S., requires the Legislative Council Staff to conduct a biennial study concerning the relative cost of living in each school district. The results of the study are then to be used to adjust each school district's cost of living factor for purposes of calculating per pupil funding for the following two fiscal years. The results of the study are then to be used to adjust each school district's cost of living factor for purposes of calculating per pupil funding for the following two fiscal years. Last conducted in FY 2019-20, statute requires another study in FY 2021-22. The results of the study conducted in FY 2021-22 will impact funding requirements for FY 2022-23 and FY 2023-24. As this is a biennial study, the footnote is not necessary for FY 2022-23.

Staff recommends **CONTINUING** the following footnotes:

- 7 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 2021-22~~ FY 2022-23. It is the General Assembly's intent that the Department of Education be authorized to utilize up to \$4,097,500 \$_____ of this appropriation to fund qualified students designated as ASCENT Program participants. This amount is calculated based on an estimated 500 FTE participants funded at a rate of \$8,195 \$_____ per FTE pursuant to Section 22-54-104 (4.7), C.R.S.

COMMENT: House Bill 19-1319⁶ created the ASCENT Program for students who voluntarily extend their high school education beyond 12th grade in order to attend college courses ("fifth year" students). The stated objectives of the program include: (1) increasing the percentage of students who participate in higher education, especially among low-income and traditionally under-served populations; (2) decreasing the number of high school dropouts; (3) decreasing the time required for a student to complete a postsecondary degree; (4) reducing state expenditures for public education; and (5) increasing the number of educational pathways available to students.

⁶ See Section 22-35-108, C.R.S.

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.

In addition to state funding appropriated to the Department of Education, 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 the current year, of the 500.0 new slots allocated for FY 2021-22, districts are using 450.5 slots. The Department expects 49.5 slots to be carried forward from FY 2021-22 to FY 2022-23 (as allowed by S.B. 15-138), meaning that an appropriation of 500 *new* slots for FY 2022-23 would make a total of 549.5 slots available for the year. School districts have until the end of this fiscal year to encumber any funds associated with unused slots in FY 2021-22 to provide ASCENT slots in FY 2022-23, and that funding is in addition to the amounts assumed in the FY 2021-22 appropriation. Participating districts must remit any FY 2021-22 ASCENT funds remaining unencumbered by the end of the fiscal year to the Department. The Department will credit such funds to the State Public School Fund.

As discussed above with request R1/BA1 (Total Program Increase), the staff recommendation for FY 2022-23 includes 500 new ASCENT slots for FY 2022-23 (a continuation of the number of slots approved in the FY 2021-22 appropriation). Staff requests permission to finalize the appropriation and per pupil amounts in the footnote based on the Committee's final decisions regarding total program funding and the allocation of ASCENT slots in FY 2022-23.

Staff recommends **CONTINUING AND MODIFYING** the following 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 ~~2020-21~~ 2021-22 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 ~~2019-20~~ 2020-21 and actual district expenditures for each program in fiscal year ~~2019-20~~ 2020-21. 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 ~~2019-20~~ 2020-21 and actual district expenditures in fiscal year ~~2019-20~~ 2020-21.

COMMENT: This request provides the Joint Budget Committee with data that is used to annually determine the allocation of the required increase in state funding for categorical programs. The data provided through this request are essential to the formulation of recommendations for categorical program funding.

- 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, ~~2024~~ 2022, information concerning the Colorado Preschool Program. The information provided is requested to include the following for fiscal year ~~2020-21~~ 2021-22: (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: Funding for the Colorado Preschool Program (CPP) is included in the State Share of Districts' Total Program Funding line item. This request provides the Joint Budget Committee with data related to CPP, including the costs of the program, how many existing slots are being used to serve three-year-old children or to provide a full day of preschool to an individual child, and the adequacy of the number of authorized slots.

JBC Staff Figure Setting - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Numbers Pages

	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
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DEPARTMENT OF EDUCATION Dr. Katy Anthes, Commissioner
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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>2,216,317</u>	<u>1,865,358</u>	<u>1,879,526</u>	<u>1,929,516</u>	<u>1,929,516</u>
FTE	17.3	0.0	17.4	17.4	17.4
General Fund	0	0	1,792,031	1,839,176	1,839,176
Cash Funds	492,981	79,384	87,495	90,340	90,340
Reappropriated Funds	1,723,336	1,785,974	0	0	0
Financial Transparency System Maintenance	<u>600,000</u>	<u>412,000 1.0</u>	<u>88,120 1.0</u>	<u>88,120 1.0</u>	<u>88,120 1.0</u>
Cash Funds	600,000	412,000	88,120	88,120	88,120
State Share of Districts' Total Program Funding	<u>4,628,802,222</u>	<u>4,224,698,017</u>	<u>4,708,971,499</u>	<u>5,015,398,295</u>	<u>4,878,360,462</u> *
General Fund	3,643,099,781	3,752,935,919	3,175,564,630	3,175,564,630	3,344,953,593
General Fund Exempt	523,323,333	0	865,284,199	865,284,199	865,284,199
Cash Funds	462,379,108	471,762,098	668,122,670	974,549,466	668,122,670
School Finance Audit Payments	<u>0</u>	<u>2,195,726</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Cash Funds	0	2,195,726	1,000,000	1,000,000	1,000,000
At-risk Per Pupil Additional Funding	<u>5,000,000</u>	<u>4,999,999</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Cash Funds	5,000,000	4,999,999	5,000,000	5,000,000	5,000,000

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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
At-risk Supplemental Aid	<u>4,521,650</u>	<u>4,453,645</u>	<u>4,844,358</u>	<u>4,844,358</u>	<u>4,844,358</u>
Cash Funds	4,521,650	4,453,645	4,844,358	4,844,358	4,844,358
District Per Pupil Reimbursements for Juveniles Held in Jail	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Cash Funds	0	0	10,000	10,000	10,000
Additional Funding for Rural Districts and Institute Charter Schools	<u>19,999,939</u>	<u>24,979,636</u>	<u>30,000,000</u>	<u>35,000,000</u>	<u>35,000,000</u>
General Fund	19,999,939	0	0	0	0
Cash Funds	0	24,979,636	30,000,000	35,000,000	35,000,000
Additional At-risk Funding for FY 2021-22 (Sec. 22-54-144, C.R.S.)	<u>0</u>	<u>0</u>	<u>91,433,760</u>	<u>0</u>	<u>0</u>
Cash Funds	0	0	91,433,760	0	0
Additional Funding Pursuant to Sec. 22-54-143 (3)(a), C.R.S.	<u>0</u>	<u>14,710,777</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	0	14,710,777	0	0	0
Additional Funding Pursuant to Sec. 22-54-143 (3)(b), C.R.S.	<u>0</u>	<u>4,578,464</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	0	4,578,464	0	0	0
Additional Funding Pursuant to Section 22-54-143 (6), C.R.S.	<u>0</u>	<u>569,849</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	0	569,849	0	0	0

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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
Federal CARES Act Funds	<u>510,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Federal Funds	510,000,000	0	0	0	0
SUBTOTAL - (A) Public School Finance	5,171,140,128	4,283,463,471	4,843,227,263	5,063,270,289	4,926,232,456
<i>FTE</i>	<u>17.3</u>	<u>1.0</u>	<u>18.4</u>	<u>18.4</u>	<u>18.4</u>
General Fund	3,663,099,720	3,772,795,009	3,177,356,661	3,177,403,806	3,346,792,769
General Fund Exempt	523,323,333	0	865,284,199	865,284,199	865,284,199
Cash Funds	472,993,739	508,882,488	800,586,403	1,020,582,284	714,155,488
Reappropriated Funds	1,723,336	1,785,974	0	0	0
Federal Funds	510,000,000	0	0	0	0

(B) Categorical Programs

(I) District Programs Required by Statute

Special Education - Children with Disabilities	<u>385,392,725</u>	<u>379,353,728</u>	<u>376,612,241</u>	<u>384,620,832</u>	<u>384,145,949</u> *
FTE	101.9	63.0	63.0	63.0	63.0
General Fund	93,572,347	93,572,347	93,572,347	93,572,347	93,572,347
Cash Funds	109,128,264	112,650,811	126,582,286	134,286,895	133,812,012
Reappropriated Funds	0	0	191,090	191,090	191,090
Federal Funds	182,692,114	173,130,570	156,266,518	156,570,500	156,570,500
English Language Proficiency Program	<u>32,524,069</u>	<u>33,922,573</u>	<u>36,522,049</u>	<u>38,822,768</u>	<u>38,798,011</u> *
FTE	3.9	4.6	4.6	4.6	4.6
General Fund	3,101,598	3,101,598	3,101,598	3,101,598	3,101,598
Cash Funds	19,892,838	21,003,951	22,156,144	24,446,763	24,422,006
Federal Funds	9,529,633	9,817,024	11,264,307	11,274,407	11,274,407

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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
SUBTOTAL - (I) District Programs Required by					
Statute	417,916,794	413,276,301	413,134,290	423,443,600	422,943,960
<i>FTE</i>	<u>105.8</u>	<u>67.6</u>	<u>67.6</u>	<u>67.6</u>	<u>67.6</u>
General Fund	96,673,945	96,673,945	96,673,945	96,673,945	96,673,945
Cash Funds	129,021,102	133,654,762	148,738,430	158,733,658	158,234,018
Reappropriated Funds	0	0	191,090	191,090	191,090
Federal Funds	192,221,747	182,947,594	167,530,825	167,844,907	167,844,907
(II) Other Categorical Programs					
Public School Transportation	<u>62,394,372</u>	<u>64,437,123</u>	<u>63,221,962</u>	<u>65,324,487</u>	<u>65,290,516</u> *
<i>FTE</i>	2.0	2.0	2.0	2.0	2.0
General Fund	36,922,227	36,922,227	36,922,227	36,922,227	36,922,227
Cash Funds	25,472,145	27,514,896	26,299,735	28,402,260	28,368,289
Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education					
	<u>27,238,323</u>	<u>27,778,242</u>	<u>28,244,361</u>	<u>29,258,044</u>	<u>29,244,943</u> *
General Fund	17,792,850	17,792,850	17,792,850	17,792,850	17,792,850
Cash Funds	9,445,473	9,985,392	10,451,511	11,465,194	11,452,093
Special Education Programs for Gifted and Talented Children					
	<u>12,306,962</u>	<u>12,579,102</u>	<u>12,994,942</u>	<u>13,266,121</u>	<u>13,252,582</u> *
<i>FTE</i>	1.9	2.0	1.5	1.5	1.5
General Fund	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Cash Funds	6,806,962	7,079,102	7,494,942	7,766,121	7,752,582

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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
Expelled and At-risk Student Services Grant Program	<u>9,295,189</u>	<u>9,432,827</u>	<u>9,493,560</u>	<u>9,503,130</u>	<u>9,501,996</u> *
FTE	2.2	1.0	1.0	1.0	1.0
General Fund	5,721,884	5,774,762	5,788,807	5,788,807	5,788,807
Cash Funds	3,573,305	3,658,065	3,704,753	3,714,323	3,713,189
Small Attendance Center Aid	<u>1,314,250</u>	<u>1,314,250</u>	<u>1,314,250</u>	<u>1,315,779</u>	<u>1,131,150</u> *
General Fund	787,645	787,645	787,645	787,645	787,645
Cash Funds	526,605	526,605	526,605	528,134	343,505
Comprehensive Health Education	<u>1,103,367</u>	<u>1,110,209</u>	<u>1,131,396</u>	<u>1,137,074</u>	<u>1,131,396</u> *
FTE	1.6	1.0	1.0	1.0	1.0
General Fund	300,000	300,000	300,000	300,000	300,000
Cash Funds	803,367	810,209	831,396	837,074	831,396
SUBTOTAL - (II) Other Categorical Programs	113,652,463	116,651,753	116,400,471	119,804,635	119,552,583
FTE	<u>7.7</u>	<u>6.0</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>
General Fund	67,024,606	67,077,484	67,091,529	67,091,529	67,091,529
Cash Funds	46,627,857	49,574,269	49,308,942	52,713,106	52,461,054
SUBTOTAL - (B) Categorical Programs	531,569,257	529,928,054	529,534,761	543,248,235	542,496,543
FTE	<u>113.5</u>	<u>73.6</u>	<u>73.1</u>	<u>73.1</u>	<u>73.1</u>
General Fund	163,698,551	163,751,429	163,765,474	163,765,474	163,765,474
Cash Funds	175,648,959	183,229,031	198,047,372	211,446,764	210,695,072
Reappropriated Funds	0	0	191,090	191,090	191,090
Federal Funds	192,221,747	182,947,594	167,530,825	167,844,907	167,844,907